THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this Composite Documents, the Offer or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China High Speed Transmission Equipment Group Co., Ltd., you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer contained in this Composite Document.

豐盛
FULLSHARE

Fullshare Holdings Limited
豐盛控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00607)

中國高速傳動設備集團有限公司*
China High Speed Transmission Equipment Group Co., Ltd.
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 658)

Five Seasons XVI Limited
(Incorporated in the British Virgin Islands with limited liability)

COMPOSITE DOCUMENT IN RELATION TO VOLUNTARY CONDITIONAL SHARE EXCHANGE OFFER BY

寶橋 BAOQIAO PARTNERS

BAOQIAO PARTNERS CAPITAL LIMITED FOR AND ON BEHALF OF FIVE SEASONS XVI LIMITED (A WHOLLY-OWNED SUBSIDIARY OF FULLSHARE HOLDINGS LIMITED) TO ACQUIRE ALL OF THE ISSUED SHARES OF CHINA HIGH SPEED TRANSMISSION EQUIPMENT GROUP CO., LTD. (OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH THE OFFEROR) IN EXCHANGE FOR NEW SHARES TO BE ISSUED BY FULLSHARE HOLDINGS LIMITED

Financial Adviser to
Five Seasons XVI Limited and
Fullshare Holdings Limited

寶橋 BAOQIAO PARTNERS

BAOQIAO PARTNERS CAPITAL LIMITED

Financial Adviser to
China High Speed Transmission
Equipment Group Co., Ltd.

富域 Donvex 富域資本
Donvex Capital Limited
富域資本有限公司

Independent Financial Adviser to the Independent Board Committee of
China High Speed Transmission Equipment Group Co., Ltd.

TC CAPITAL

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from BaoQiao Partners containing, among other things, principal terms and conditions of the Offer is set out on pages 9 to 28 of this Composite Document. A letter from the Offeree Board in response to the Offer is set out on pages 29 to 36 of this Composite Document. A letter from the Offeree IBC containing its recommendation in respect of the Offer is set out on pages 37 to 38 of this Composite Document. A letter from the Offeree IFA containing its recommendation to the Offeree IBC in respect of the Offer is set out on pages 39 to 75 of this Composite Document.

The procedures for acceptance and other related information in respect of the Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Form of Acceptance should be received by the Registrar by no later than 4:00 p.m. on 21 November 2016 or such later time and/or date as the Offeror and the Offeree Company may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section entitled "OVERSEAS OFFEREE SHAREHOLDERS" in Appendix I to this Composite Document before taking any action. It is the responsibility of each overseas Offeree Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas Offeree Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

31 October 2016

* *for identification purposes only*

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EXPECTED TIMETABLE

The timetable set out below is indicative and may be subject to change. Any changes to the timetable will be announced by the Offeror, Fullshare and the Offeree Company.

Despatch date of this Composite Document and the accompanying Form of Acceptance	Monday, 31 October 2016
Opening date of the Offer *(Note 1)*	Monday, 31 October 2016
Fullshare EGM	Thursday, 17 November 2016
Announcement of the results of Fullshare EGM, to be posted on the website of the Stock Exchange	Thursday, 17 November 2016
First Closing Date *(Note 2)*	Monday, 21 November 2016
Latest time and date for acceptance of the Offer on the First Closing Date *(Note 2)*	by 4:00 p.m. on Monday, 21 November 2016
Announcement of the results of the Offer as at the First Closing Date (or its extension or revision, if any), to be posted on the website of the Stock Exchange *(Note 2)*	by 7:00 p.m. on Monday, 21 November 2016
Latest date of posting of share certificates of Fullshare Shares in respect of valid acceptances received by the First Closing Date under the Offer, assuming that the Offer becomes or is declared unconditional on the First Closing Date *(Note 3)*	Wednesday, 30 November 2016
Latest time and date for the Offer remaining open for acceptance assuming that the Offer becomes or is declared unconditional in all respects on the First Closing Date *(Note 2)*	by 4:00 p.m. on Monday 5 December 2016
Long Stop Date being the latest time and date by which the Offer can become or be declared unconditional as to acceptances *(Note 4)*	by 7:00 p.m. on Friday 30 December 2016

Notes:

1. The Offer is made on 31 October 2016, being the date of posting of this Composite Document, and is capable of acceptance on and from that date until the close of the Offer Period.

2. In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance will be at 4:00 p.m. on Monday, 21 November 2016 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror, Fullshare and the Offeree Company will jointly issue an announcement through the websites of the Stock Exchange, Fullshare and the Offeree Company by no later than 7:00 p.m. on Monday, 21 November 2016 stating whether the Offer has been extended, revised or has expired. In any announcement of extension of the Offer, the next Closing Date must be stated. In accordance with the Takeovers Code, where the Offer becomes or is declared unconditional, it should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Offeree Independent Shareholders who have not accepted the Offer.

3. Share certificates of the Fullshare Shares in respect of the consideration for the Offeree Shares tendered under the Offer will be posted to those Offeree Independent Shareholders accepting the Offer as soon as possible, but in any event within seven (7) Business Days following the later of the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete and valid, and the date on which the Offer becomes or is declared unconditional in all respects.

4. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the day this Composite Document is posted. Where a period laid down in the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Offer has previously become or is declared unconditional as to acceptances, the Offer will lapse after 7:00 p.m. on Friday, 30 December 2016, unless extended with the consent of the Executive.

All references to dates and times contained in this Composite Document refer to Hong Kong dates and times.

In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

"acting in concert"	has the meaning ascribed to it in the Takeovers Code
"Announcement"	the joint announcement of the Offeror, Fullshare and the Offeree Company dated 19 September 2016 in relation to, among other things, the Offer
"associates"	has the meaning ascribed to it in the Takeovers Code
"BaoQiao Partners"	BaoQiao Partners Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to both the Offeror and Fullshare in respect of the Offer
"Business Day"	a day on which the Stock Exchange is open for the transaction of business
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"Closing Date"	the First Closing Date, or if the Offer is extended, any subsequent closing date as may be determined by the Offeror and jointly announced by the Offeror, Fullshare and the Offeree Company, with the consent of the Executive, in accordance with the Takeovers Code
"Composite Document"	this composite offer and response document issued by or on behalf of the Offeror and the Offeree Company to all Offeree Independent Shareholders in accordance with the Takeovers Code containing, *inter alia*, details of the Offer, terms and conditions of the Offer, the advice of the Offeree IBC, the letter from the Offeree IFA and the Form of Acceptance
"Conditions"	the conditions precedent to the Offer as set out in the paragraph headed "Conditions to the Offer" under "THE OFFER" as set out in the "Letter from BaoQiao Partners" in this Composite Document
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules

"Enlarged Group"	the Fullshare Group and the Offeree Group
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
"First Closing Date"	21 November 2016, being the first closing date of the Offer
"Form of Acceptance"	the form of acceptance and transfer of the Offeree Shares in respect of the Offer
"Fullshare"	Fullshare Holdings Limited 豐盛控股有限公司, a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the Stock Exchange (Stock Code: 607)
"Fullshare Circular"	the circular of Fullshare dated 31 October 2016 in relation to, among other things, the Very Substantial Acquisition and the grant of the Specific Mandate
"Fullshare CN Announcements and Circular"	the announcements of Fullshare dated 7 September 2016 and 18 October 2016 and the circular of Fullshare dated 29 September 2016 in relation to the issue of the Fullshare Convertible Notes
"Fullshare Consideration Shares"	a total of 247,110,000 new Fullshare Shares, comprising (i) 26,642,500 new Fullshare Shares to be allotted and issued to settle the consideration (subject to the terms and conditions of the transaction) pursuant to a share transaction of Fullshare as disclosed in the announcement of Fullshare dated 22 July 2016; and (ii) 220,467,500 new Fullshare Shares to be allotted and issued to settle the consideration (subject to the terms and conditions of the transaction) pursuant to a discloseable transaction of Fullshare as disclosed in the announcements dated 29 August 2016 and 27 September 2016 and the next day disclosure return dated 7 September 2016
"Fullshare Conversion Shares"	a maximum of 116,667,500 new Fullshare Shares to be issued upon full conversion of the Fullshare Convertible Notes at the floor price of HK$3.00 per Fullshare Share (subject to adjustments pursuant to the terms and conditions of the Fullshare Convertible Notes)

"Fullshare Convertible Notes"	the zero coupon convertible notes in an aggregate principal amount of HK$350 million due 2017 to be issued by Fullshare subject to the terms and conditions of the subscription agreement entered into between Fullshare and a subscriber, the details of which are set out in the announcements of Fullshare dated 7 September 2016 and 18 October 2016 and the circular dated 29 September 2016
"Fullshare Director(s)	director(s) of Fullshare
"Fullshare EGM"	the extraordinary general meeting to be convened by Fullshare to consider, and, if thought fit, approve, among other matters, the Very Substantial Acquisition and the grant of the Specific Mandate
"Fullshare Group"	Fullshare and its subsidiaries
"Fullshare Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of Fullshare
"Fullshare Shareholder(s)"	holder(s) of the Fullshare Share(s)
"Glorious Time"	Glorious Time Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned investment holding company of Mr. Ji
"Hong Kong"	the Hong Kong Special Administrative Special Region of the PRC
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Irrevocable Undertaking to Accept"	the irrevocable undertaking given by Fortune Apex Limited to accept the Offer in respect of the Offeree Shares held by it as described under the paragraph headed "Acceptance Condition and Irrevocable Undertaking to Accept" under "THE OFFER" as set out in the "Letter from BaoQiao Partners" in this Composite Document
"Last Trading Day"	9 September 2016, being the last trading day immediately prior to the trading halt in the Offeree Shares and/or Fullshare Shares pending the release of the Announcement

"Latest Practicable Date"	28 October 2016, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in the Composite Document
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Long Stop Date"	30 December 2016, being the 60th day after the date of the posting of the Composite Document or such later date to which the Executive may consent
"Magnolia Wealth"	Magnolia Wealth International Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Ji
"Mr. Ji"	Mr. Ji Changqun, the ultimate controlling shareholder of Fullshare, the chairman of the board of directors of Fullshare, the co-chief executive officer and executive director of Fullshare and a party acting in concert with Fullshare and the Offeror
"Offer"	the voluntary conditional share exchange offer being made by BaoQiao Partners on behalf of the Offeror to acquire all of the issued shares in the share capital of the Offeree Company (other than those already owned by the Offeror and parties acting in concert with the Offeror) in accordance with the terms and conditions set out in this Composite Document
"Offer Period"	the period from 19 September 2016, being the date of the Announcement, to 4:00 p.m. on the Closing Date, or such other time and/or date to which the Offeror may decide to revise the Offer in accordance with the Takeovers Code
"Offeree Board"	board of directors of the Offeree Company
"Offeree Company"	China High Speed Transmission Equipment Group Co., Ltd.中國高速傳動設備集團有限公司, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 658)
"Offeree Directors"	director(s) of the Offeree Company

"Offeree Group"	Offeree Company and its subsidiaries
"Offeree IBC"	the independent board committee of the Offeree Company formed to approve the appointment of the Offeree IFA and to make recommendations to the Offeree Independent Shareholders in respect of the Offer
"Offeree IFA"	TC Capital International Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Offeree Company to advise the Offeree IBC and the Offeree Independent Shareholders in respect of the Offer
"Offeree Independent Shareholders"	the Offeree Shareholders (other than the Offeror and parties acting in concert with it (including Mr. Ji and Glorious Time))
"Offeree RMB Bonds"	8.30 per cent. guaranteed bonds due 2017 in the outstanding principal amount of RMB264,630,000 issued by the Offeree Company, guaranteed by Goodgain Group Limited and China Transmission Holdings Limited and listed on the Stock Exchange (bond stock code: 85702)
"Offeree Share(s)"	ordinary share(s) of US$0.01 each in the share capital of the Offeree Company
"Offeree Shareholder(s)"	holder(s) of the Offeree Share(s)
"Offeror"	Five Seasons XVI Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of Fullshare
"PRC" or "China"	the People's Republic of China, which, for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Registrar"	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

"Relevant Period"	the period commencing on 19 March 2016, being the date falling six months before 19 September 2016, being the date of the Announcement, up to and including the Latest Practicable Date
"Relevant Authority(ies)"	any government, governmental, quasi-governmental, statutory or regulatory authority, body, agency, tribunal, court or institution
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Specific Mandate"	the specific mandate for the allotment and issue, credited as fully paid, of new Fullshare Shares in settlement of the consideration of the Offer to be issued to the Offeree Independent Shareholders who accept the Offer, the details of which are set out in the section headed "SPECIFIC MANDATE" in this Composite Document
Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	The Code on Takeovers and Mergers of Hong Kong
"Unconditional Date"	the date on which the Offer becomes or is declared unconditional in all respects
"Very Substantial Acquisition"	the very substantial acquisition of the Offeree Shares by the Offeror pursuant to the Offer which constitutes a very substantial acquisition under Chapter 14 of the Listing Rules
"%"	per cent.

The English version of this Composite Document shall always prevail in case of any discrepancy or inconsistency between the English version and its Chinese version.

In this Composite Document the English translation of certain Chinese names, entities and addresses is included for information purpose only and should not be regarded as official English translation of such Chinese names, entities and addresses.

For the purposes of this Composite Document, the exchange rate of RMB1.00 = HK$1.17 has been used, where applicable, for illustration purposes only and do not constitute representations that any amount has been, could have been or may be exchanged at such rates or any other rates or at all on the date or dates in question or any other date.

BAOQIAO PARTNERS CAPITAL LIMITED
Unit 501, 5/F, Tower 1,
Admiralty Centre, 18 Harcourt Road,
Admiralty, Hong Kong

31 October 2016

To the Offeree Independent Shareholders

Dear Sir/Madam,

VOLUNTARY CONDITIONAL SHARE EXCHANGE OFFER BY BAOQIAO PARTNERS CAPITAL LIMITED FOR AND ON BEHALF OF FIVE SEASONS XVI LIMITED (A WHOLLY-OWNED SUBSIDIARY OF FULLSHARE HOLDINGS LIMITED) TO ACQUIRE ALL OF THE ISSUED SHARES OF CHINA HIGH SPEED TRANSMISSION EQUIPMENT GROUP CO., LTD. (OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH THE OFFEROR) IN EXCHANGE FOR NEW SHARES TO BE ISSUED BY FULLSHARE HOLDINGS LIMITED

INTRODUCTION

On 19 September 2016, the Offeror, Fullshare and the Offeree Company jointly announced that, among other things, BaoQiao Partners, on behalf of the Offeror would make the voluntary conditional share exchange offer to acquire all of the issued shares in the share capital of the Offeree Company (other than those already owned by the Offeror and parties acting in concert with the Offeror).

This letter forms part of this Composite Document which sets out, among other things, the details of the Offer, information on the Offeror and Fullshare and the intention of the Offeror and Fullshare regarding the Offeree Group. Further details of terms and procedures of acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. Your attention is also drawn to the "Letter from the Offeree Board", the "Letter from the Offeree IBC" and the "Letter from the Offeree IFA" as contained in this Composite Document.

THE OFFER

The basis of the Offer

BaoQiao Partners is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

For every 2 Offeree Shares . . . . 5 new Fullshare Shares

The Offer is subject to the fulfillment of the Conditions as set out under the paragraph headed "Conditions to the Offer" in this letter.

As at the Latest Practicable Date, the Offeree Company has 1,635,291,556 Offeree Shares in issue and the Offeree RMB Bonds. The Offeree Company has no other outstanding Offeree Shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Offeree Shares or other types of securities in the Offeree Company as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Ji, being a party acting in concert with the Offeror, through Glorious Time indirectly holds 148,562,000 Offeree Shares, representing approximately 9.08% of the total issued share capital of the Offeree Company.

Based on an exchange ratio of 5 new Fullshare Shares for every 2 Offeree Shares and 1,486,729,556 Offeree Shares subject to the Offer, and assuming that (i) all Offeree Independent Shareholders validly elect to accept the Offer; and (ii) there will be no change in the issued share capital of the Offeree Company since the Latest Practicable Date and up to the Closing Date, the maximum number of new Fullshare Shares that may fall to be issued in connection with the Offer is 3,716,823,890 new Fullshare Shares. This represents approximately 22.64% of the 16,416,317,500 issued Fullshare Shares as at the Latest Practicable Date, and approximately 18.46% of the issued share capital of Fullshare of the 20,133,141,390 Fullshare Shares as enlarged only by the issue of the aforesaid number of new Fullshare Shares.

On the basis of an ascribed value of (i) HK$10.95 per Offeree Share (based on the closing price of each Fullshare Share of HK$4.38, as quoted on the Stock Exchange on the Last Trading Day and the exchange ratio of 5 Fullshare Shares for every 2 Offeree Shares); and (ii) HK$11.00 per Offeree Share under the Offer (based on the weighted average traded price of each Fullshare Share of HK$4.40, as quoted on the Stock Exchange on the Last Trading Day and the exchange ratio of 5 Fullshare Shares for every 2 Offeree Shares), the entire issued share capital of the Offeree Company (including the Offeree Shares held by the Offeror and parties acting in concert with it) as at the Latest Practicable Date is valued at approximately HK$17,906,442,538.2 and HK$17,988,207,116, respectively.

The exchange ratio of 5 Fullshare Shares for every 2 Offeree Shares was determined by the Offeror and Fullshare based on the prevailing market prices of both Fullshare Shares and the Offeree Shares.

Save for Mr. Ji's indirect interest in the 148,562,000 Offeree Shares, neither Fullshare, the Offeror, nor parties acting in concert with Fullshare or the Offeror holds or has control or discretion over any other Offeree Shares or holds any convertible securities, warrants or options in respect of any Offeree Shares as at the Latest Practicable Date.

Comparison of value

(a) The ascribed value of HK$10.95 per Offeree Share (equivalent to the closing price of each Fullshare Share of HK$4.38 as quoted on the Stock Exchange on the Last Trading Day multiplied by 5 and divided by 2 for each Offeree Share) represents:

(i) a premium of approximately 46.59% over the closing price of Offeree Share of HK$7.47, as quoted on the Stock Exchange on 9 September 2016, being the Last Trading Day;

(ii) a premium of approximately 54.23% over the average closing price of approximately HK$7.10 per Offeree Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;

(iii) a premium of approximately 54.23% over the average closing price of approximately HK$7.10 per Offeree Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a premium of approximately 55.98% over the average closing price of approximately HK$7.02 per Offeree Share as quoted on the Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Day;

(v) a premium of approximately 61.27% over the average closing price of approximately HK$6.79 per Offeree Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;

(vi) a premium of approximately 36.88% over the closing price of Offeree Share of HK$8.00, as quoted on the Stock Exchange on the Latest Practicable Date;

(vii) a premium of approximately 56.88% over the audited consolidated net assets per Offeree Share of approximately HK$6.98 as at 31 December 2015 (being the date to which the latest audited consolidated annual results of the Offeree Group were made up), calculated based on the Offeree Group's audited consolidated net assets attributable to its shareholders of approximately RMB9,759,102,000 (equivalent to approximately HK$11,418,149,340) as at 31 December 2015 and 1,635,291,556 existing Offeree Shares in issue as at the Latest Practicable Date; and

(viii) a premium of approximately 52.72% over the unaudited consolidated net assets per Offeree Share of approximately HK$7.17 as at 30 June 2016 (being the date to which the latest unaudited consolidated interim results of the Offeree Group were made up), calculated based on the Offeree Group's unaudited consolidated net assets attributable to its shareholders of approximately RMB10,015,605,000 (equivalent to approximately HK$11,718,257,850) as at 30 June 2016 and 1,635,291,556 existing Offeree Shares in issue as at the Latest Practicable Date.

(b) The ascribed value of HK$11.00 per Offeree Share (based on the weighted average traded price of Fullshare Share of HK$4.40 as quoted on the Stock Exchange on the Last Trading Day multiplied by 5 and divided by 2 for each Offeree Share) represents:

(i) a premium of approximately 47.26% over the closing price of Offeree Share of HK$7.47, as quoted on the Stock Exchange on 9 September 2016, being the Last Trading Day;

(ii) a premium of approximately 54.93% over the average closing price of approximately HK$7.10 per Offeree Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;

(iii) a premium of approximately 54.93% over the average closing price of approximately HK$7.10 per Offeree Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a premium of approximately 56.70% over the average closing price of approximately HK$7.02 per Offeree Share as quoted on the Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Day;

(v) a premium of approximately 62.00% over the average closing price of approximately HK$6.79 per Offeree Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;

(vi) a premium of approximately 37.50% over the closing price of Offeree Share of HK$8.00, as quoted on the Stock Exchange on the Latest Practicable Date;

(vii) a premium of approximately 57.59% over the audited consolidated net assets per Offeree Share of approximately HK$6.98 as at 31 December 2015 (being the date to which the latest audited consolidated annual results of the Offeree Group were made up), calculated based on the Offeree Group's audited consolidated net assets attributable to its shareholders of approximately RMB9,759,102,000 (equivalent to approximately HK$11,418,149,340) as at 31 December 2015 and 1,635,291,556 existing Offeree Shares in issue as at the Latest Practicable Date; and

(viii) a premium of approximately 53.42% over the unaudited consolidated net assets per Offeree Share of approximately HK$7.17 as at 30 June 2016 (being the date to which the latest unaudited consolidated interim results of the Offeree Group were made up), calculated based on the Offeree Group's unaudited consolidated net assets attributable to its shareholders of approximately RMB10,015,605,000 (equivalent to approximately HK$11,718,257,850) as at 30 June 2016 and 1,635,291,556 existing Offeree Shares in issue as at the Latest Practicable Date.

(c) The implied issue price of HK$2.99 per new Fullshare Share (equivalent to the closing price of HK$7.47 per Offeree Share as quoted on the Stock Exchange on the Last Trading Day multiplied by 2 and divided by 5 for each new Fullshare Share) represents:

(i) a discount of approximately 31.74% to the closing price of Fullshare Share of HK$4.38, as quoted on the Stock Exchange on 9 September 2016, being the Last Trading Day;

(ii) a discount of approximately 31.89% to the average closing price of approximately HK$4.39 per Fullshare Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;

(iii) a discount of approximately 28.98% to the average closing price of approximately HK$4.21 per Fullshare Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a discount of approximately 22.94% to the average closing price of approximately HK$3.88 per Fullshare Share as quoted on the Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Day;

(v) a discount of approximately 19.19% to the average closing price of approximately HK$3.70 per Fullshare Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;

(vi) a discount of approximately 30.47% to the closing price of Fullshare Share of HK$4.30, as quoted on the Stock Exchange on the Latest Practicable Date;

(vii) a premium of approximately 779.41% over the audited consolidated net assets per Fullshare Share of approximately HK$0.34 as at 31 December 2015 (being the date to which the latest audited consolidated annual results of Fullshare Group were made up), calculated based on Fullshare Group's audited consolidated net assets attributable to its shareholders of approximately RMB4,758,337,000 (equivalent to approximately HK$5,567,254,290) as at 31 December 2015 and 16,416,317,500 Fullshare Shares in issue as at the Latest Practicable Date; and

(viii) a premium of approximately 536.17% over the unaudited consolidated net assets per Fullshare Share of approximately HK$0.47 as at 30 June 2016 (being the date to which the latest unaudited consolidated interim results of Fullshare Group were made up), calculated based on Fullshare Group's unaudited consolidated net assets attributable to its shareholders of approximately RMB6,595,657,000 (equivalent to approximately HK$7,716,918,690) as at 30 June 2016 and 16,416,317,500 Fullshare Shares in issue as at the Latest Practicable Date.

Highest and Lowest Prices of Offeree Shares

During the Relevant Period, the highest closing price of the Offeree Shares as quoted on the Stock Exchange was HK$8.36 on 5 October 2016, and the lowest closing price of the Offeree Shares as quoted on the Stock Exchange was HK$5.51 on 10 June 2016.

Value of the Offer

As at the Latest Practicable Date, there are 1,635,291,556 Offeree Shares in issue, and Fullshare, the Offeror and the parties acting in concert with any of them hold 148,562,000 Offeree Shares. On the basis of the ascribed value of HK$11.00 per Offeree Share (based on the weighted average traded price of Fullshare Share of HK$4.40 as quoted on the Stock Exchange on the Last Trading Day multiplied by 5 and divided by 2 for each Offeree Share) and assuming that there will be no change in the number of the Offeree Shares in issue prior to the Closing Date, the Offer is valued at HK$16,354,025,116.

Sufficient Financial Resources

The Offer is a non-cash offer.

Conditions to the Offer

The Offer is conditional upon:

(i) the Offer, the grant of the Specific Mandate to allot and issue new Fullshare Shares by Fullshare to the Offeree Independent Shareholders who accept the Offer and the Very Substantial Acquisition having been approved by Fullshare Shareholders at the Fullshare EGM in accordance with the Listing Rules;

(ii) valid acceptances of the Offer having been received at or before 4:00 p.m. on the Closing Date in respect of the Offeree Shares which will result in the Offeror and parties acting in concert with it holding more than 50% of the Offeree Shares;

(iii) the Stock Exchange having granted its approval for the listing of, and permission to deal in, the new Fullshare Shares to be allotted and issued in consideration for the acquisition of the Offeree Shares pursuant to the terms of the Offer;

(iv) no event having occurred which would make the Offer or the acquisition of any of the Offeree Shares by the Offeror void, unenforceable, illegal or which would prohibit the implementation of the Offer;

(v) no Relevant Authority(ies) in any jurisdiction having taken or instituted any action, proceeding, act, investigation or enquiry, or enacted or made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Offer void, unenforceable or illegal or prohibit the implementation of, or which would impose any material conditions or obligations with respect to the Offer or any part thereof or on the acquisition of any of the Offeree Shares;

(vi) any necessary consents, approvals, licenses and authorizations (if any) required to be obtained on the part of Fullshare, the Offeror or the Offeree Company (where any failure to obtain a consent would have a material adverse effect on the business of Fullshare Group or the Offeree Group taken as a whole) having been obtained or waived by the relevant party(ies);

(vii) save as publicly disclosed by the Offeree Company in any of its announcement and circular up to the date of the Announcement, since the date of the last audited consolidated financial statements of the Offeree Group, there having been no change, effect, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on, or to cause a material adverse change in, the general affairs, management, financial position, business prospects, conditions (whether financial, operational, legal or otherwise), earnings, solvency, current or future consolidated financial position, shareholders' equity or results of operations of the Offeree Group as a whole, whether or not arising in the ordinary course of business;

(viii) all warranties provided in the Irrevocable Undertaking to Accept remaining true, accurate and not misleading in all material respects up to and including the Closing Date; and

(ix) the Offeree Shares remaining listed and traded on the Stock Exchange up to the Closing Date (or, if earlier, the Unconditional Date) save for any temporary suspension(s) of trading of the Offeree Shares as a result of or in connection with the Offer and no indication being received on or before the Closing Date (or, if earlier, the Unconditional Date) from the SFC and/or the Stock Exchange to the effect that the listing of the Offeree Shares on the Stock Exchange is or is likely to be withdrawn, other than as a result of either of the Offer or anything done or caused by or on behalf of the Offeror, Fullshare or their respective parties acting in concert.

The Offeror reserves the right to waive all or any of the Conditions (except for the Conditions referred to in paragraphs (i), (ii), (iii), (iv) and (v) above) in whole or in part. For Condition referred to in paragraph (vi), the Offeror, Fullshare and the Offeree Company are not aware of any of these consents, approvals, licenses and authorizations being required as at the Latest Practicable Date. As at the Latest Practicable Date, none of the above Conditions has been fulfilled or waived.

According to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke any condition, other than the acceptance condition, so as to cause the Offer to lapse unless the circumstances which give rise to the right to invoke the condition are of material significance to the Offeror in the context of the Offer.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Offer becomes or is declared unconditional as to acceptances and when the Offer becomes or is declared unconditional in all respects. The Offer must also remain open for acceptance for at least fourteen (14) days after the Offer becomes unconditional. Offeree Shareholders are reminded that the Offeror does not have any obligation to keep the Offer open for acceptance beyond this minimum 14-day period.

WARNING: Offeree Shareholders and potential investors of the Offeree Company should be aware that the Offer is subject to the satisfaction or waiver (where applicable) of the Conditions of the Offer. Accordingly, the Offer may or may not become unconditional. Offeree Shareholders and potential investors should therefore exercise caution when dealing in the Offeree Shares and exercising other rights in respect of any of them. Persons who are in doubt as to the action they should take should consult their licensed securities dealer or registered institution in securities, bank manager, solicitor or other professional advisers.

Acceptance Condition and Irrevocable Undertaking to Accept

Pursuant to Rule 30.2 of the Takeovers Code, the Offer is required to be conditional on the Offeror having received acceptances in respect of the Offeree Shares which, together with the Offeree Shares acquired or agreed to be acquired before or during the Offer, result in the Offeror and persons acting in concert with the Offeror holding more than 50% of the voting rights of the Offeree Company.

The Offeror has received an irrevocable undertaking from the following Offeree Shareholder, holding approximately 28.01% of the issued share capital of the Offeree Company as at the Latest Practicable Date, to accept the Offer in respect of all of the Offeree Shares it holds in exchange for the new Fullshare Shares:

Offeree Shareholder	Number of Offeree Shares held	Percentage Shareholding in the Offeree Company
Fortune Apex Limited	458,073,024	28.01

Note:

Apart from the above Offeree Shares, such Offeree Shareholder does not own, control or has direction over any convertible securities, warrants or derivatives in the Offeree Company.

Under the terms and conditions of the Irrevocable Undertaking to Accept, the relevant Offeree Shareholder will accept the Offer pursuant to the terms and procedures set out in the Composite Document by 4:00 p.m. on the first day the Offer is available for acceptance (i.e. the date of this Composite Document), in exchange for the new Fullshare Shares.

The Irrevocable Undertaking to Accept will lapse and terminate if the Offer does not become unconditional by the Long Stop Date. The Irrevocable Undertaking to Accept is not subject to any other condition.

OTHER TERMS OF THE OFFER

New Fullshare Shares to be issued

The new Fullshare Shares will be issued free from all liens, charges and encumbrances and together with all rights attaching to them, including the right to receive all dividends and other distributions, if any, declared, made or paid on or after the date of the issue of such new Fullshare Shares to the Offeree Independent Shareholders who accept the Offer. There will be no restrictions on the transfer of the new Fullshare Shares to be issued under the Offer. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the new Fullshare Shares to be issued in connection with the Offer.

Offeree Shares

Acceptance of the Offer by any Offeree Shareholder will be deemed to constitute a warranty by such person that all the Offeree Shares to be sold by such person under the Offer will be free from all liens, charges, options, claims, equities, adverse interests, rights of pre-emption and any other third party rights or encumbrances of any nature whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive in full dividends and other distributions declared, made or paid, if any, on or after the Closing Date.

Hong Kong stamp duty

Sellers' and buyers' ad valorem stamp duty for the Offeree Shares on the Hong Kong branch share register arising in connection with the acceptances of the Offer, amounting to HK$1.00 for every HK$1,000 or part thereof of the higher of (i) the consideration payable in respect of the relevant acceptances, or (ii) the market value of the Offeree Shares tendered for acceptance, will be borne by the Offeror.

Overseas Offeree Shareholders

The Offeror intends to make available the Offer to all Offeree Independent Shareholders, including those who are residents outside Hong Kong. The availability of the Offer to persons not being residents in Hong Kong may be affected by the laws of the relevant jurisdictions. Persons who are not residents in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares due from the accepting Offeree Independent Shareholders in such jurisdictions as a result of the acceptance of the Offer.

If the Composite Document is made available to any overseas Offeree Independent Shareholder, such Offeree Independent Shareholder by tendering the Offeree Shares to the Offeror in the Offer will be deemed to constitute a warranty to Fullshare and the Offeror that the Offer, allotment and issue of new Fullshare Shares to such Offeree Independent Shareholder pursuant to the Offer comply with the requirements and restrictions of the applicable laws and regulations of the jurisdiction in which such Offeree Independent Shareholder resides and that such laws and regulations do not require Fullshare or the Offeror to effect any registration of any securities or prospectus or to undertake any other filing or procedure in that jurisdiction, and agrees to indemnify and keep indemnified Fullshare and the Offeror against any liability that may arise if such warranty is breached.

It is the responsibility of the overseas Offeree Shareholders who wish to accept the Offer and to take any action in relation thereto, to satisfy themselves as to the full observance of the laws of any relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required to comply with other necessary formalities or legal requirements. The attention of the Offeree Independent Shareholders with a registered address in a jurisdiction outside Hong Kong is drawn to the section entitled "OVERSEAS OFFEREE SHAREHOLDERS" in Appendix I to this Composite Document.

The overseas Offeree Shareholders will be responsible for the payment of any transfer or other taxes due by such overseas Offeree Shareholders in respect of their respective jurisdictions as a result of acceptance of the Offer. None of Fullshare, the Offeror, parties acting in concert with Fullshare or the Offeror, the Offeree Company, BaoQiao Partners, the Offeree IFA, the Registrar or any of their respective ultimate beneficial owners, directors, officers, associates, agents or any other professional adviser(s) to Fullshare, the Offeror, the Offeree Company or any other parties involved in the Offer is in a position to advise the overseas Offeree Shareholders on their individual tax implications. The overseas Offeree Shareholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Offer. None of Fullshare, the Offeror, parties acting in concert with Fullshare or the Offeror, the Offeree Company, the Registrar or any of their respective directors, officers, associates, agents or any other professional adviser(s) to Fullshare or the Offeror, the Offeree Company or any other parties involved in the Offer accepts any responsibility for any tax effect on, or liabilities of, the relevant overseas Offeree Shareholders.

Overseas Offeree Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

Closing of the Offer

Except with the consent of the Executive, all Conditions to the Offer must be fulfilled (or, if permissible, waived) or the Offer must lapse within 21 days of the First Closing Date or of the date the Offer becomes or is declared unconditional as to acceptances, whichever is the later. The latest date on which the Offeror can declare the Offer unconditional as to acceptances is 7:00 p.m. on the Long Stop Date.

If the Conditions to the Offer are fulfilled (or, if permissible, waived), the Offeree Shareholders will be notified by an announcement in accordance with the Takeovers Code and Listing Rules as soon as practicable thereafter.

Following the Offer having become unconditional, the Offeree Company will become a non wholly-owned subsidiary of Fullshare.

Settlement of consideration

Consideration of the Offer will be settled by way of issue of new Fullshare Shares, and new share certificates of such Fullshare Shares will be posted by ordinary post to the Offeree Independent Shareholders accepting the Offer at his/her/its own risk as soon as possible, but in any event within seven (7) Business Days following the later of the date on which the Offer becomes or is declared unconditional in all respects and the date on which receipt of a complete and valid acceptance of the Offer with which relevant Offeree Shares are duly tendered.

Offeree Independent Shareholders should be aware that in accepting the Offer, any resulting fractions of a new Fullshare Share will be disregarded and such fractions of a new Fullshare Share will not be issued.

Offeree Independent Shareholders should also be aware that Fullshare Shares are traded in board lots of 2,500 shares and that no arrangements are intended to be made for the trading of odd lots of Fullshare Shares resulting from the acceptance of the Offer.

SPECIFIC MANDATE

All the Fullshare Shares to be allotted and issued to satisfy the consideration for the Offer will be allotted and issued, credited as fully paid, by Fullshare to the Offeree Shareholders for the sole purpose of the Offer. As all the Fullshare Shares to be allotted and issued pursuant to the Specific Mandate will be applied towards settlement of the acceptance of the Offer, no cash proceeds will be received by Fullshare or the Offeror in connection with such allotment. The actual number of new Fullshare Shares to be allotted and issued under the Offer will depend on the level of acceptance under the Offer.

Assuming the Offer is accepted in full by all of the Offeree Independent Shareholders, an aggregate of 3,716,823,890 new Fullshare Shares will be allotted and issued to the Offeree Independent Shareholders pursuant to the Offer. Such maximum number represents (i) approximately 22.64% of the existing issued share capital of Fullshare of 16,416,317,500 Fullshare Shares as at the Latest Practicable Date; and (ii) approximately 18.46% of the issued share capital of Fullshare of 20,133,141,390 Fullshare Shares as enlarged only by the issue of the aforesaid number of new Fullshare Shares.

PUBLIC FLOAT OF THE OFFEREE COMPANY AND FULLSHARE

The Offeror intends to maintain the listing of the Offeree Company on the Stock Exchange. Should the Offer become unconditional, the sole director of the Offeror and the new directors (if any) to be appointed to the Offeree Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Offeree Company.

The Offeror does not intend to exercise any rights of compulsory acquisition under Rule 2.11 of the Takeovers Code if the Offer is accepted in respect of 90% of the Offeree Shares or more.

The Stock Exchange has stated that if, at the completion of the Offer, less than 25% of the Offeree Shares and/or the Fullshare Shares are held by the public, or if the Stock Exchange believes that:

(i) a false market exists or may exist in the trading of the Offeree Shares and/or the Fullshare Shares; or

(ii) there are insufficient Offeree Shares and/or Fullshare Shares in public hands to maintain an orderly market,

then it will consider exercising its discretion to suspend trading in the Offeree Shares and/or the Fullshare Shares.

Upon completion of the Offer, if the public float of the Offeree Company is below 25%, i.e. the minimum public float under the Listing Rules, trading in the Offeree Shares may be suspended until a sufficient level of public float can be attained.

REASONS FOR THE OFFER

The Offeree Company has been listed on the Stock Exchange since 2007. The Offeree Group is a leading supplier of mechanical transmission equipment that are used in wind power and a wide range of industrial applications in China and overseas markets. The market prices of the Offeree Shares have been on a positive trend since February 2016 with the highest closing price and lowest closing price of HK$7.47 and HK$4.69 per Offeree Share on 9 September 2016 (i.e. Last Trading Day) and on 12 February 2016, respectively during the period from 1 February 2016 to the Last Trading Day. The average closing price of the Offeree Shares was HK$6.90 for the one-month period preceding the Last Trading Day.

The Offeree Group's revenue has also shown an upward momentum since 2012, and it has achieved a relatively higher income growth in 2015 with reportable total audited revenue of approximately RMB9,845,695,000 as compared to RMB8,147,338,000 for 2014 based on the annual report of the Offeree Company for the year ended 31 December 2015. Audited profit attributable to owners of the Offeree Company was approximately RMB1,033,097,000 for the year ended 31 December 2015, representing an increase of 395.7% from that of 2014. The Offeree Group has sound financial position with reasonable debt levels. Net assets of the Offeree Company were approximately RMB9,974,738,000 (audited) and RMB10,206,416,000 (unaudited) and the gearing ratio maintained at approximately 60.6% and 62.6% as at 31 December 2015 and 30 June 2016, respectively, according to the interim report of the Offeree Company for the six months ended 30 June 2016. The audited net assets value per Offeree Share was RMB6.1 and the unaudited net asset value per Offeree Share was RMB6.2 as at 31 December 2015 and 30 June 2016, respectively.

At present, China actively implements energy structure reform policies to develop sustainable renewable energy structure and promote green energy. Based on a guideline released by the National Energy Administration (NEA) on 3 March 2016, the PRC has set specific targets on non-hydroelectric renewable energy consumption for local PRC governments. By 2020, non-hydroelectric renewable energy should account for between 5% and 13% of total electricity consumption for provinces, municipalities and autonomous regions, and power companies, with the exception of some non-fossil energy companies, should produce at least 9% of total electricity from non-hydroelectric renewable energy by 2020. The above reflects the continuing growth potential in the wind power industry. Leveraging on the favourable PRC government policies, both the directors of Offeror and Fullshare believe that the Offeree Group will continue to benefit from its core competitiveness and enhanced market share as the leading supplier of wind power transmission equipment in China.

Accordingly, taking into account that: (i) the Offeree Group has solid business and financial position; (ii) more capital expenditures on wind power equipment could be incentivized by the above-mentioned NEA's new requirement which will benefit the future development of the Offeree Group's business; and (iii) the increasing trend of the Offeree Share's price since February 2016 reflects the positive market sentiment and perception towards the future prospect of the Offeree Group, the sole director of the Offeror and the Fullshare Directors consider the current market price of the Offeree Shares to be attractive, and that the Offer represents an opportune investment for Fullshare Group to expand Fullshare Group's business into the wind power and renewable energy sector in the PRC. As disclosed in the Chairman's statements in the annual reports of Fullshare for the two years ended 31 December 2014 and 31 December 2015, Fullshare positioned itself in focusing on green technology and health services and promoting green living environment. It is the business objective of Fullshare to become a comprehensive enterprise aiming at scalable application of comprehensive health services and green building design and energy conservation technology for the future growth and development of Fullshare Group. The sole director of the Offeror and the Fullshare Directors consider that the expansion into the wind power sector, as one of the main sources of green energy in China's energy mix, will complement its business direction in promoting the green, low-carbon, healthy and comfortable environment for the society. Furthermore, the Offer does not require any cash outlay and it is expected that the Offer would not affect the existing operations of Fullshare Group.

Both the directors of the Offeror and Fullshare confirm that the terms and conditions of the Offer and the transactions contemplated thereunder are fair and reasonable and upon normal commercial terms. Having considered the terms and conditions of the Offer and the benefits that are expected to accrue to Fullshare as a result of the Offer and the transactions contemplated thereunder, the directors of Fullshare further confirm that the Offer and the transactions contemplated thereunder are in the interests of Fullshare and its Shareholders as a whole.

INTENTIONS OF THE OFFEROR AND FULLSHARE IN RELATION TO THE OFFEREE GROUP

The Offeror and Fullshare intend to nominate additional directors to the Offeree Board following completion of the Offer. Any changes to the Offeree Board will be made in compliance with the Takeovers Code, the Listing Rules and the constitutional documents of the Offeree Company. As at the Latest Practicable Date, the Offeror and Fullshare have no intention to change the composition of the Offeree Board apart from the intended nomination of new directors to the Offeree Board as stated above and the Offeror or Fullshare has not proposed or nominated any director to the Offeree Board. Further announcement(s) will be made upon any changes to the composition of the Offeree Board accordingly.

Following the close of the Offer, the Offeror and Fullshare intend to continue the existing principal businesses of the Offeree Group in substantially its current state. The Offeror and Fullshare would conduct a review on the financial position and the operations of the Offeree Group and would formulate business plans and strategies of the Offeree Group, which would be appropriate to enhance the long-term growth potential of the Offeree Group. However, as at the Latest Practicable Date, the Offeror and Fullshare have no definitive plans in relation to the business of the Offeree Group other than continuing its existing principal businesses. The Offeror and Fullshare have no plan to terminate the employment of the employees (save for the possible change in the composition of the board of directors) or to redeploy assets of the Offeree Group other than those in its ordinary and usual course of business.

INFORMATION ON THE OFFEROR AND FULLSHARE

The Offeror was incorporated under the laws of the British Virgin Islands on 15 August 2016. The principal business of the Offeror is investment holding. The Offeror is a direct wholly-owned subsidiary of Fullshare and has not conducted any business since its incorporation.

Fullshare is a company incorporated in the Cayman Islands with limited liability, whose issued shares are listed on the Stock Exchange under the stock code 607. Fullshare Group is principally engaged in property development, provision of green building services, investment and healthcare products and services business. Subject to the Offer having become unconditional, Fullshare Group will expand its business into the research, design, development, manufacture and distribution of wind power equipments, which is new to the Fullshare Group. As at the Latest Practicable Date , Mr. Ji is the ultimate controlling shareholder of Fullshare directly and indirectly through Magnolia Wealth holding 10,126,770,454 Fullshare Shares, representing approximately 61.69% of the issued share capital in Fullshare.

SHAREHOLDING STRUCTURE OF FULLSHARE

As at the Latest Practicable Date, there are 16,416,317,500 Fullshare Shares in issue.

Up to the Latest Practicable Date, a total of 247,110,000 Fullshare Consideration Shares will be allotted and issued to settle the consideration (subject to the terms and conditions of the transactions) payable by Fullshare and it is expected that 220,467,500 Fullshare Consideration Shares will be allotted and issued on or around 31 October 2016 pursuant to the terms and conditions of the transaction as disclosed in the announcements of Fullshare dated 29 August 2016, 27 September 2016 and the next day disclosure return dated 7 September 2016.

Reference is made to the Fullshare CN Announcements and Circular in relation to the proposed issue of the Fullshare Convertible Notes in an aggregate principal amount of HK$350,000,000 under specific mandate. Based on the floor price of HK$3.00 of the Fullshare Convertible Notes (subject to adjustments pursuant to the terms and conditions of the Fullshare Convertible Notes), a maximum of 116,667,500 Fullshare Conversion Shares, representing approximately 0.71% of the existing issued share capital of Fullshare, will be issued upon full conversion of the Fullshare Convertible Notes. The proposed issue of the Fullshare Convertible Notes has been approved by the Fullshare Shareholders at the extraordinary general meeting of Fullshare held on 18 October 2016 and it is expected that the first tranche Fullshare Convertible Notes in the principal amount of HK$70,000,000 will be issued on or around 1 November 2016. Details of the terms and conditions of the Fullshare Convertible Notes are set out in the Fullshare CN Announcements and Circular.

Save as disclosed above, there are no outstanding options, derivatives, warrants or other securities in issue convertible or exchangeable into Fullshare Shares.

Assuming that (i) all Offeree Independent Shareholders validly elect to accept the Offer and a maximum of 3,716,823,890 new Fullshare Shares may fall to be issued on full acceptance of the Offer and (ii) save for the issue of the Fullshare Consideration Shares and the issue of the Fullshare Conversion Shares upon full conversion of the Fullshare Convertible Notes at the floor price of HK$3.00 per Fullshare Share, there will be no other change in the issued share capital of Fullshare since the Latest Practicable Date and up to the Closing Date, the shareholding structure of Fullshare, (i) as at the Latest Practicable Date; (ii) immediately after the completion of the Offer and assuming the Fullshare Consideration Shares have not been issued and the issue of the Fullshare Conversion Shares upon full conversion of the Fullshare Convertible Notes at the floor price of HK$3.00 per Fullshare Share has yet to become effective; (iii) immediately after the completion of the Offer and the allotment and issue of the Fullshare Consideration Shares and before full conversion of the Fullshare Convertible Notes; and (iv) immediately after the completion of the Offer, the allotment and issue of the Fullshare Consideration Shares and the allotment and issue of the Fullshare Conversion Shares upon full conversion of the Fullshare Convertible Notes at the floor price of HK$3.00 per Fullshare Share, is as follows:

	As at the Latest Practicable Date		Immediately after the completion of the Offer and assuming the Fullshare Consideration Shares have not been issued and issue of Fullshare Conversion Shares upon full conversion of the Fullshare Convertible Notes at the floor price of HK$3.00 per Fullshare Share has yet to become effective		Immediately after the completion of the Offer and the allotment and issue of the Fullshare Consideration Shares and before full conversion of the Fullshare Convertible Notes		Immediately after the completion of the Offer, the allotment and issue of the Fullshare Consideration Shares, and the allotment and issue of the Fullshare Conversion Shares upon full conversion of the Fullshare Convertible Notes at the floor price of HK$3.00 per Fullshare Share	
	Number of Fullshare Shares	*Approximate %*	*Number of Fullshare Shares*	*Approximate %*	*Number of Fullshare Shares*	*Approximate %*	*Number of Fullshare Shares*	*Approximate %*
Magnolia Wealth *(Note 1)*	9,188,860,454	55.97%	9,188,860,454	45.64%	9,188,860,454	45.09%	9,188,860,454	44.83%
Mr. Ji *(Note 1)*	937,910,000	5.71%	937,910,000	4.66%	937,910,000	4.60%	937,910,000	4.58%
Mr. Shi Zhiqiang *(Note 2)*	2,780,000	0.02%	2,780,000	0.01%	2,780,000	0.01%	2,780,000	0.01%
Mr. Wang Bo *(Note 2)*	6,000,000	0.04%	6,000,000	0.03%	6,000,000	0.03%	6,000,000	0.03%
Superb Colour Limited *(Note 3)*	1,948,613,450	11.87%	1,948,613,450	9.68%	1,948,613,450	9.56%	1,948,613,450	9.51%
Offeree Independent Shareholders	0	0.00%	3,716,823,890	18.46%	3,716,823,890	18.24%	3,716,823,890	18.13%
Other Public Fullshare Shareholders	4,332,153,596	26.39%	4,332,153,596	21.52%	4,579,263,596	22.47%	4,695,931,096	22.91%
Total	16,416,317,500	100%	20,133,141,390	100%	20,380,251,390	100%	20,496,918,890	100%

Notes:

1. The entire issued share capital of Magnolia Wealth is beneficially owned by Mr. Ji. Mr. Ji is the chairman of the board of directors of Fullshare and the co-chief executive officer and executive director of Fullshare.

2. Mr. Shi Zhiqiang and Mr. Wang Bo are the executive directors of Fullshare.

3. Superb Colour Limited is a company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of China Huarong International Holdings Limited(中國華融國際控股有限公司).

VERY SUBSTANTIAL ACQUISITION AND ALLOTMENT AND ISSUE OF NEW FULLSHARE SHARES UNDER SPECIFIC MANDATE

As more than one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the acquisition of the Offeree Shares by the Offeror pursuant to the Offer are more than 100%, the Offer constitutes a very substantial acquisition for Fullshare under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and Fullshare Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The allotment and issue of new Fullshare Shares to the Offeree Independent Shareholders who accept the Offer is also subject to the approval of Fullshare Shareholders at the Fullshare EGM pursuant to Rule 13.36(1)(a) of the Listing Rules. The resolutions relating to the Very Substantial Acquisition and the allotment and issue of new Fullshare Shares under the Specific Mandate will be conducted by way of a poll.

The Fullshare EGM will be held at Unit 26, Level 25, Tower One, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong, on Thursday, 17 November 2016 at 3:00 p.m. for the Fullshare Shareholders to consider and, if thought fit, pass the requisite resolution(s) to approve the Offer and the allotment and issue of the new Fullshare Shares as consideration under the Offer and all the transactions and matters contemplated or required in connection with the Offer including but not limited to the Very Substantial Acquisition. Fullshare has despatched the Fullshare Circular to the Fullshare Shareholders on 31 October 2016.

BUSINESS, FINANCIAL AND TRADING PROSPECTS OF FULLSHARE GROUP

Upon completion of the Offer, the Enlarged Group will further expand its business into the wind power sector in the PRC.

As discussed in the section headed "Reasons for the Offer" contained in this letter, the Offeree Group is a leading supplier of mechanical transmission equipment that are used in wind power generation and a wide range of industrial applications in China and overseas markets. The favourable policies in China to develop and promote green energy can aid the increase in demand for wind power which will be beneficial to the Offeree Group as it continues to capitalize on its competitive edge and capture the opportunities in the power transmission equipment industry in China.

As disclosed in the annual report of the Offeree Company for the year ended 31 December 2015 and the interim report of the Offeree Company for the six months ended 30 June 2016, the Offeree Group will actively facilitate research and development of wind power transmission equipment and optimize the production technical process to enhance the development of wind power equipment business which will allow the Offeree Group to further strengthen its competitive edge and strive in the industry. The Offeree Group has a well-diversified customer base geographically and plans to introduce an integrated quality services covering products, maintenance, technical support and sales to overseas customers and further establish the reputation and brand loyalty for the Offeree Group. Looking ahead, the Fullshare Board is optimistic in the growth potential in the wind power industry and the Fullshare Board is of the opinion that Fullshare Group will benefit from the Offeree Group's future business development and its competiveness in the industry.

As disclosed in the annual report of Fullshare for the year ended 31 December 2015 and the interim report of Fullshare for the six months ended 30 June 2016, it is the Fullshare Group's business direction to steadily continue its development in its property business and green building business and actively enhance the development of healthcare business. Based on this development strategy and by taking part in the wind power sector in the PRC upon the completion of the Offer, the Fullshare Group will complement its business direction in promoting the green, low-carbon, healthy and comfortable environment for society. The Fullshare Board endeavors to seek suitable investments and treasury products in the market to enhance the return on investments or synergy effects from such investments by further expanding its business portfolio in line with its business direction and bring long-term benefits to Fullshare and its shareholders as a whole.

FINANCIAL EFFECTS OF THE OFFER

Subject to the Offer having become unconditional, the Offeree Company will become a non wholly-owned subsidiary of Fullshare and the assets and liabilities and financial results of the Offeree Company will be included in the consolidated financial statements of Fullshare Group.

Further information relating to the financial impact of the Offer is disclosed in the section headed "Unaudited Pro Forma Financial Information on the Enlarged Group" as set out in Appendix IV to this Composite Document.

As at 30 June 2016, the Fullshare Group had total assets of approximately RMB12,010,702,000 and total liabilities of approximately RMB5,159,914,000. Based on the total assets and liabilities of both the Fullshare Group and the Offeree Group and assuming all Offeree Independent Shareholders accept the Offer, the unaudited pro forma total assets will be approximately RMB41,118,205,000 and total liabilities will be approximately RMB22,268,598,000 as indicated in the unaudited pro forma consolidated statement of financial position of the Enlarged Group contained in Appendix IV to this Composite Document. In addition, the Very Substantial Acquisition would give rise to a goodwill of RMB1,824,709,000, which represents the amount by which the consideration of the Very Substantial Acquisition exceeds the pro forma fair values of the identifiable assets and liabilities of the Offeree Group to be acquired.

For the purpose of the unaudited pro forma financial information as set out in Appendix IV to this Composite Document, the Fullshare Board has assessed the goodwill associated with the Very Substantial Acquisition in accordance with HKAS 36 "Impairment of Assets". The Fullshare Directors are of the view that there is no indication of impairment of goodwill arising from the Very Substantial Acquisition on the date of the Very Substantial Acquisition as set out in Appendix IV to this Composite Document.

The unaudited pro forma net profit for the six months ended 30 June 2016 of the Enlarged Group will increase from RMB1,646,051,000 to approximately RMB2,167,754,000 as indicated in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group contained in Appendix IV to this Composite Document.

COMPULSORY ACQUISITION

The Offeror does not intend to exercise any powers of compulsory acquisition of any Offeree Shares outstanding and not acquired under the Offer after the close of the Offer.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offer set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the "Letter from the Offeree Board", the "Letter from the Offeree IBC" and the letter of advice from the Offeree IFA to the Offeree IBC and the Offeree Independent Shareholders in respect of the Offer as set out in the "Letter from the Offeree IFA" contained in this Composite Document.

In considering what action to take in connection with the Offer, you should consider your own tax or financial position and if you are in any doubt, you should consult your professional advisers.

Yours faithfully,
For and on behalf of
BaoQiao Partners Capital Limited
Monica Lin
Managing Director

中國高速傳動設備集團有限公司*
China High Speed Transmission Equipment Group Co., Ltd.
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 658)

Executive Directors:
Mr. Hu Yueming
(Chairman and Chief Executive Officer)
Mr. Chen Yongdao
Mr. Gou Jianhui
Mr. Wang Zhengbing
Mr. Zhou Zhijin
Mr. Hu Jichun

Independent non-executive Directors:
Mr. Jiang Xihe
Mr. Zhu Junsheng
Mr. Chen Shimin
Ms. Jiang Jianhua

Registered office:
4th Floor, Harbour Place
103 South Church Street
George Town
Grand Cayman KY1-1002
Cayman Islands

Head office and principal place of business in Hong Kong:
Room 1302, 13th Floor
COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong

31 October 2016

To the Offeree Independent Shareholders,

Dear Sirs,

VOLUNTARY CONDITIONAL SHARE EXCHANGE OFFER BY BAOQIAO PARTNERS CAPITAL LIMITED FOR AND ON BEHALF OF FIVE SEASONS XVI LIMITED (A WHOLLY-OWNED SUBSIDIARY OF FULLSHARE HOLDINGS LIMITED) TO ACQUIRE ALL OF THE ISSUED SHARES OF CHINA HIGH SPEED TRANSMISSION EQUIPMENT GROUP CO., LTD. (OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH THE OFFEROR) IN EXCHANGE FOR NEW SHARES TO BE ISSUED BY FULLSHARE HOLDINGS LIMITED

INTRODUCTION

Reference is made to the Announcement.

As announced in the Announcement, on 9 September 2016 (after trading hours of the Stock Exchange), the Offeror, a direct wholly-owned subsidiary of Fullshare, proposed to the Offeree Board that it will make a voluntary conditional share exchange offer to acquire all of the issued shares in the share capital of the Offeree Company (other than those already owned by the Offeror and parties in concert with the Offeror).

The Offer is conditional upon the Conditions more particularly described in the section headed "Conditions to the Offer" in the "Letter from BaoQiao Partners".

The purpose of this Composite Document, of which this letter forms part, is to provide you with, among others, information relating to the Offeree Group and the Offer as well as setting out the letter from the Offeree IBC containing its recommendation and advice to the Offeree Independent Shareholders in respect of the Offer and the letter from the Offeree IFA containing its advice to the Offeree IBC and the Offeree Independent Shareholders in respect of the Offer.

THE OFFER

The "Letter from BaoQiao Partners" set out on pages 9 to 28 in this Composite Document contains information in respect of the Offer including those set out below.

According to the "Letter from BaoQiao Partners", BaoQiao Partners, on behalf of the Offeror, is making the Offer to all the Offeree Independent Shareholders to acquire all of the Offeree Shares in compliance with the Takeovers Code on the terms to be set out in this Composite Document on the following basis:

For every 2 Offeree Shares . . . . 5 new Fullshare Shares

As at the Latest Practicable Date, the Offeree Company has 1,635,291,556 Offeree Shares in issue and the Offeree RMB Bonds. The Offeree Company has no other outstanding Offeree Shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Offeree Shares or other types of securities in the Offeree Company as at the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Ji, being a party acting in concert with the Offeror, through Glorious Time indirectly holds 148,562,000 Offeree Shares, representing approximately 9.08% of the total issued share capital of the Offeree Company.

Based on an exchange ratio of 5 new Fullshare Shares for every 2 Offeree Shares and 1,486,729,556 Offeree Shares subject to the Offer, and assuming that (i) all Offeree Independent Shareholders validly elect to accept the Offer; and (ii) there will be no change in the issued share capital of the Offeree Company since the Latest Practicable Date and up to the Closing Date, the maximum number of new Fullshare Shares that may fall to be issued in connection with the Offer is 3,716,823,890 new Fullshare Shares. This represents approximately 22.64% of the 16,416,317,500 issued Fullshare Shares as at the Latest Practicable Date, and approximately 18.46% of the issued share capital of Fullshare of the 20,133,141,390 Fullshare Shares as enlarged only by the issue of the aforesaid number of new Fullshare Shares.

On the basis of an ascribed value of (i) HK$10.95 per Offeree Share (based on the closing price of each Fullshare Share of HK$4.38, as quoted on the Stock Exchange on the Last Trading Day and the exchange ratio of 5 Fullshare Shares for every 2 Offeree Shares); and (ii) HK$11.00 per Offeree Share under the Offer (based on the weighted average traded price of each Fullshare Share of HK$4.40, as quoted on the Stock Exchange on the Last Trading Day and the exchange ratio of 5 Fullshare Shares for every 2 Offeree Shares), the entire issued share capital of the Offeree Company (including the Offeree Shares held by the Offeror and parties acting in concert with it) as at the Latest Practicable Date is valued at approximately HK$17,906,442,538 and HK$17,988,207,116, respectively.

The exchange ratio of 5 Fullshare Shares for every 2 Offeree Shares was determined by the Offeror and Fullshare based on the prevailing market prices of both Fullshare Shares and the Offeree Shares.

Save for Mr. Ji's indirect interest in the 148,562,000 Offeree Shares, neither Fullshare, the Offeror, nor parties acting in concert with Fullshare or the Offeror holds or has control or discretion over any other Offeree Shares or holds any convertible securities, warrants or options in respect of any Offeree Shares as at the Latest Practicable Date.

Acceptance Condition and Irrevocable Undertaking to Accept

Pursuant to Rule 30.2 of the Takeovers Code, the Offer is required to be conditional on the Offeror having received acceptances in respect of the Offeree Shares which, together with the Offeree Shares acquired or agreed to be acquired before or during the Offer, result in the Offeror and persons acting in concert with the Offeror holding more than 50% of the voting rights of the Offeree Company.

The Offeror has received an irrevocable undertaking from the following Offeree Shareholder, holding approximately 28.01% of the issued share capital of the Offeree Company as at the Latest Practicable Date, to accept the Offer in respect of all of the Offeree Shares it holds in exchange for the new Fullshare Shares:

Offeree Shareholder	Number of Offeree Shares held	Percentage Shareholding in the Offeree Company
Fortune Apex Limited	458,073,024	28.01

Note: Apart from the above Offeree Shares, such Offeree Shareholder does not own, control or has direction over any convertible securities, warrants or derivatives in the Offeree Company.

Under the terms and conditions of the Irrevocable Undertaking to Accept, the relevant Offeree Shareholder will accept the Offer pursuant to the terms and procedures set out in this Composite Document by 4:00 p.m. on the first day the Offer is available for acceptance (i.e. the date of this Composite Document), in exchange for the new Fullshare Shares.

The Irrevocable Undertaking to Accept will lapse and terminate if the Offer does not become unconditional by the Long Stop Date. The Irrevocable Undertaking to Accept is not subject to any other condition.

EFFECT OF ACCEPTING THE OFFER

By validly accepting the Offer, the Offeree Independent Shareholders will sell their tendered Offeree Shares which are finally taken up by the Offeror free from all liens, charges, options, claims, equities, adverse interests, rights of pre-emption and any other third-party rights or encumbrances of any nature whatsoever and together with all rights accruing or attaching thereto, including the rights to receive in full dividends and other distributions declared, made or paid on or after the Closing Date. Any dividends or other distributions declared, made or paid before the Closing Date will be paid by the Offeree Company to the Offeree Shareholders who are qualified for such dividends or distributions. From the date of the Announcement (i.e. 19 September 2016) up to the Latest Practicable Date, no such dividend or other distribution was declared, made or paid by the Offeree Company.

The Offer is also conditional upon, among other conditions, valid acceptances of the Offer having been received at or before 4:00 p.m. on the Closing Date in respect of the Offeree Shares which will result in the Offeror and parties acting in concert with it holding more than 50% of the Offeree Shares.

Offeree Independent Shareholders are reminded that, subject to the level of valid acceptance being received of the Offer, the Offer may or may not become unconditional.

Further details of the Offer including, among other things, the terms and conditions of and the procedures for acceptance and settlement for the Offer are set out in the section headed "Letter from BaoQiao Partners" in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance.

INFORMATION ON THE OFFEREE COMPANY

The Offeree Group is principally engaged in the research, design, development, manufacture and distribution of various types of mechanical transmission equipment for a broad range of applications in wind power generation and industrial use. The Offeree Shares are listed on the main board of the Stock Exchange (Stock Code: 658).

The Offeree Group issued the Offeree RMB Bonds on 12 November 2014. Pursuant to the terms and conditions of the Offeree RMB Bonds, the Offeree RMB Bonds are redeemable at the option of the bondholders on the fourteenth day (the "**Bonds Settlement Date**") after the expiry of 30 days following the occurrence of a change of control of the Offeree Company at 101 per cent. of their principal amount together with accrued interest to the Bonds Settlement Date (the "**Early Redemption Obligation**"). "Control" is defined in the terms of the Offeree RMB Bonds as any person holding more than 50% of the voting rights of the Offeree Company or the right to appoint or remove the majority of the members of the Offeree Board. Therefore, unless the Early Redemption Obligation is waived by the trustee for the bondholders, the Offeree RMB Bonds will be redeemable at the option of the bondholders upon the closing of the Offer in accordance with the terms and conditions of the Offeree RMB Bonds.

As at the Latest Practicable Date, the principal outstanding amount of the Offeree RMB Bonds is RMB264,630,000 and assuming that the Offer becomes unconditional on the First Closing Date and all bondholders elect to exercise their options to redeem all the outstanding offeree RMB Bonds, the total payment to be made by the Offeree Company under the Early Redemption Obligation is approximately RMB281,177,049. As at the Latest Practicable Date, the Offeree Directors confirm that the Offeree Company has sufficient cash in possession to fulfill the Early Redemption Obligation and it will not have any material adverse impact on the financial position and existing business operations of the Offeree Group.

Your attention is drawn to Appendices II and V to this Composite Document which contain further financial and general information of the Offeree Group.

SHAREHOLDING STRUCTURE OF THE OFFEREE COMPANY

As at the Latest Practicable Date, the Offeree Company has 1,635,291,556 Offeree Shares in issue and the Offeree RMB Bonds in the outstanding principal amount of RMB264,630,000. There are no other classes of securities of the Offeree Company in issue other than the Offeree Shares and the Offeree RMB Bonds and there are no outstanding options, derivatives, warrants or other securities in issue convertible or exchangeable into the Offeree Shares as at the Latest Practicable Date.

Assuming that all the Offeree Independent Shareholders tender their acceptances for the Offer and that there is no change in the issued share capital of the Offeree Company from the Latest Practicable Date up to the Closing Date, the shareholding structure of the Offeree Company, as at the Latest Practicable Date and immediately after the completion of the Offer is as follows:

	As at the Latest Practicable Date		**Immediately after completion of the Offer**	
	Number of Offeree Shares	*Approximate %*	*Number of Offeree Shares*	*Approximate %*
Fortune Apex Limited *(Note 1)*	458,073,024	28.01	–	–
Glorious Time *(Note 2)*	148,562,000	9.08	148,562,000	9.08
Offeror	–	–	1,486,729,556	90.92
Other public Offeree Shareholders	1,028,656,532	62.91	–	–
Total	1,635,291,556	100.00	1,635,291,556	100.00

Notes:

1. Fortune Apex Limited owned 28.01% interest in the issued share capital of the Offeree Company. Mr. Hu Yueming (executive director), Mr. Liu Jianguo, Mr. Lu Xun, Mr. Chen Yongdao (executive director), Mr. Li Cunzhang (passed away on 10 August 2007), Mr. Li Shengqiang, Mr. Liao Enrong, Mr. Jin Maoji, Mr. Yao Jingsheng, Mr. Chen Zhenxing, Mr. Zhang Xueyong, Mr. Xu Yong, Mr. Wang Zhengrong and Mr. Chen Liguo respectively owns 30.3813%, 12.3989%, 10.4520%, 10.5343%, 8.8945%, 8.9725%, 5.3422%, 5.9195%, 2.5678%, 0.9091%, 1.1286%, 0.7376%, 0.6792% and 1.0825% interest in the issued share capital of Fortune Apex Limited and together own 100% interest in the issued share capital of Fortune Apex Limited.

   However, none of the above shareholders singly controls more than one-third of the voting rights at the general meetings of Fortune Apex Limited and neither Fortune Apex Limited nor its directors are accustomed or obliged to act in accordance with directions or instructions of any single member of the above shareholders.

2. Glorious Time is a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned investment holding company of Mr. Ji.

INTENTIONS OF THE OFFEROR AND FULLSHARE IN RELATION TO THE OFFEREE COMPANY

Your attention is drawn to the "Letter from BaoQiao Partners" in this Composite Document which sets out the intentions of the Offeror and Fullshare regarding the future plan of the Offeree Group and its employees. The Offeree Board is aware of the intentions of the Offeror and Fullshare in respect of the Offeree Group and notes that the Offeror and Fullshare intend (i) to continue the existing principal businesses of the Offeree Group in substantially its current state; (ii) that the employment of the employees of the Offeree Group will be continued and the assets of the Offeree Group will not be redeployed as a result of the Offer; (iii) not to change the composition of the Offeree Board apart from the nomination of new directors to the Offeree Board; and (iv) to maintain the listing status of the Offeree Company on the Stock Exchange upon the completion of the Offer. Having considered the above-mentioned plans of the Offeror and Fullshare, the Offeree Board is willing to co-operate with the Offeror and Fullshare after completion of the Offer and act in the best interests of the Offeree Company and the Offeree Shareholders as a whole.

MAINTAINING THE LISTING STATUS OF THE OFFEREE COMPANY

The Stock Exchange has stated that if, at the completion of the Offer, less than 25% of the Offeree Shares are held by the public, or if the Stock Exchange believes that:

(i) a false market exists or may exist in the trading of the Offeree Shares; or

(ii) there are insufficient Offeree Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend trading in the Offeree Shares. Upon completion of the Offer, if the public float of the Offeree Company is below 25%, i.e. the minimum public float under the Listing Rules, trading in the Offeree Shares may be suspended until a sufficient level of public float can be attained.

OFFEREE IBC AND OFFEREE IFA

An independent board committee comprising all non-executive directors of the Offeree Company (being Mr. Jiang Xihe, Mr. Zhu Junsheng, Mr. Chen Shimin and Ms. Jiang Jianhua) has been formed to make a recommendation to the Offeree Independent Shareholders in respect of the Offer.

TC Capital International Limited has been appointed with the approval of the Offeree IBC as the Offeree IFA to advise the Offeree IBC in respect of the Offer and, in particular, as to whether the Offer is, or is not, fair and reasonable and as to acceptance.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Offeree IBC on pages 37 to 38 of this Composite Document, which sets out the recommendations to the Offeree Independent Shareholders in respect of the Offer; and (ii) the letter from the Offeree IFA on pages 39 to 75 of this Composite Document, which sets out its recommendation and advice to the Offeree IBC as to the fairness and reasonableness of the Offer and as to acceptance of the Offer, and the principal factors and reasons it has considered before arriving at its advice.

ADDITIONAL INFORMATION

You are recommended to read this Composite Document and the accompanying Form of Acceptance for information relating to the terms of the Offer and procedure for acceptance and settlement of the Offer.

Your attention is also drawn to the additional information set out in the appendices to this Composite Document.

WARNING

Offeree Shareholders and potential investors of the Offeree Company should be aware that the Offer is subject to the satisfaction or waiver (where applicable) of the Conditions of the Offer. Accordingly, the Offer may or may not become unconditional. Offeree Shareholders and potential investors should therefore exercise caution when dealing in the Offeree Shares and exercising other rights in respect of any of them. Persons who are in doubt as to the action they should take should consult their licensed securities dealer or registered institution in securities, bank manager, solicitor or other professional advisers.

Yours faithfully,
By order of the Board of
China High Speed Transmission Equipment Group Co., Ltd.
HU YUEMING
Chairman

中國高速傳動設備集團有限公司*
China High Speed Transmission Equipment Group Co., Ltd.
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 658)

31 October 2016

To the Offeree Independent Shareholders

Dear Sirs,

VOLUNTARY CONDITIONAL SHARE EXCHANGE OFFER BY BAOQIAO PARTNERS CAPITAL LIMITED FOR AND ON BEHALF OF FIVE SEASONS XVI LIMITED (A WHOLLY-OWNED SUBSIDIARY OF FULLSHARE HOLDINGS LIMITED) TO ACQUIRE ALL OF THE ISSUED SHARES OF CHINA HIGH SPEED TRANSMISSION EQUIPMENT GROUP CO., LTD. (OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH THE OFFEROR) IN EXCHANGE FOR NEW SHARES TO BE ISSUED BY FULLSHARE HOLDINGS LIMITED

We refer to the Composite Document dated 31 October 2016 jointly issued by the Offeror and the Offeree Company, of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Composite Document.

We have been appointed as the members of the Offeree IBC to advise the Offeree Independent Shareholders as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Offeree Independent Shareholders are concerned and to make a recommendation as to acceptance of the Offer.

TC Capital International Limited has been appointed as the Offeree IFA to advise us in this regard, and details of their advice and the principal factors being taken into consideration in arriving at their recommendation are set out in its letter set out in the section headed "Letter from the Offeree IFA" in the Composite Document.

We wish to draw your attention to the letter from BaoQiao Partners, the letter from the Offeree Board and the letter from the Offeree IFA to the Composite Document as well as the additional information set out in the appendices to the Composite Document.

RECOMMENDATION

Having considered the terms of the Offer, the information contained in the Composite Document and the principal factors and reasons considered by, and the advice of the Offeree IFA, as set out in its letter of advice, we consider that the terms of the Offer are fair and reasonable so far as the Offeree Independent Shareholders are concerned, and accordingly we recommend the Offeree Independent Shareholders to accept the Offer.

Notwithstanding our recommendation, the Offeree Independent Shareholders should note that the Offer is a share exchange offer which does not involve cash. Our opinion and advice are based on the historical stock prices of both the Offeree Shares and Fullshare Shares during the period from 9 September 2015, being one year prior to the Last Trading Day, up to and including the Latest Practicable Date, which is not an indicator of the future stock price of either company. The realised premium to any Offeree Independent Shareholders accepting the Offer will depend on the liquidity and the future prices of both the Offeree Shares and Fullshare Shares. The Offeree Independent Shareholders should consider carefully the terms of the Offer and the market outlook in respect of the principal businesses of both the Offeree Company and Fullshare, and then decide whether to accept or not to accept the Offer, in particular those who may wish to realise their investments in the Offeree Shares, are reminded to monitor the market prices of both the Offeree Shares and Fullshare Shares closely during the Offer Period.

Offeree Independent Shareholders are reminded that their decision to realise or to hold their investments in the Offeree Shares depends on their own individual circumstances and investment objectives. In any event, Offeree Independent Shareholders should note that there is no certainty that the current trading volumes and/or current trading price levels of both the Offeree Shares and Fullshare Shares will be sustainable during or after the Offer Period.

Any Offeree Independent Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, is recommended to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser before making the decision to, whether or not, accept the Offer.

Yours faithfully,
Offeree IBC

Mr. Jiang Xihe	**Mr. Zhu Junsheng**	**Mr. Chen Shimin**	**Ms. Jiang Jianhua**
Independent non-executive director	*Independent non-executive director*	*Independent non-executive director*	*Independent non-executive director*

TC CAPITAL

31 October 2016

The Independent Board Committee and the Independent Shareholders
*China High Speed Transmission Equipment Group Co. Ltd. (the "**Offeree Company**")*

Dear Sir/Madam,

VOLUNTARY CONDITIONAL SHARE EXCHANGE OFFER BY BAOQIAO PARTNERS CAPITAL LIMITED FOR AND ON BEHALF OF FIVE SEASONS XVI LIMITED (A WHOLLY-OWNED SUBSIDIARY OF FULLSHARE HOLDINGS LIMITED) TO ACQUIRE ALL OF THE ISSUED SHARES OF CHINA HIGH SPEED TRANSMISSION EQUIPMENT GROUP CO., LTD. (OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH THE OFFEROR) IN EXCHANGE FOR NEW SHARES TO BE ISSUED BY FULLSHARE HOLDINGS LIMITED

INTRODUCTION

We refer to our appointment as the Offeree IFA to advise the Offeree IBC and the Offeree Independent Shareholders in relation to the voluntary conditional share exchange offer by BaoQiao Partners on behalf of the Offeror (a wholly-owned subsidiary of Fullshare) to acquire all of the issued shares of the Offeree Company (other than those already owned by parties acting in concert with the Offeror) in exchange for new Fullshare Shares to be issued by Fullshare, details of which are set out in this Composite Document, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in this Composite Document, unless otherwise specified.

On 9 September 2016 (after trading hours of the Stock Exchange), the Offeror, a direct wholly-owned subsidiary of Fullshare, proposed to the Offeree Board that it will make a voluntary conditional share exchange offer to acquire all of the issued shares in the share capital of the Offeree Company (other than those already owned by the Offeror and parties acting in concert with the Offeror).

The Offer is conditional upon, including but not limited to, (i) the Offer, the grant of the Specific Mandate to allot and issue new Fullshare Shares by Fullshare to the Offeree Independent Shareholders who accept the Offer and the Very Substantial Acquisition having been approved by Fullshare Shareholders at Fullshare EGM in accordance with the Listing Rules; and (ii) valid acceptances of the Offer having been received at or before 4: 00 p.m. on the Closing Date in respect of the Offeree Shares which will result in the Offeror and parties acting in concert with it holding more than 50% of the Offeree Shares. The Fullshare Circular in relation to the Very Substantial Acquisition is despatched on 31 October 2016 and the Fullshare EGM to approve, among others, the Offer and the Very Substantial Acquisition will be held on 17 November 2016.

The Offeree IBC, comprising all the independent non-executive directors of the Offeree Company, namely Mr. Jiang Xihe, Mr. Zhu Junsheng, Mr. Chen Shimin and Ms. Jiang Jianhua, has been formed to make a recommendation to the Offeree Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to acceptance.

We have been appointed by the Offeree Company as the independent financial adviser to advise the Offeree IBC and the Offeree Independent Shareholders in respect of the Offer. Our appointment has been approved by the Offeree IBC. Our role as the independent financial adviser is to give our recommendation to the Offeree IBC and the Offeree Independent Shareholders as to whether the Offer is fair and reasonable so far as the Offeree Independent Shareholders are concerned and whether the Offer should be accepted.

In the past two years, we have acted as an independent financial adviser to the then independent board committee and independent shareholders of Fullshare in relation to the transactions as detailed in the circulars of Fullshare dated 24 March 2016 and 25 August 2016. Given (i) our independent role in the abovementioned engagements; and (ii) our fees for the abovementioned engagements represented an insignificant percentage of our revenue, we consider that the abovementioned engagements would not affect our independence for the purposes of forming our opinion in respect of the Offer. Save for the above, as at the Latest Practicable Date, we did not have any relationships or interests with the Offeree Company or any other parties that could reasonably be regarded as relevant to the independence of us.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Composite Document; (ii) the annual report of the Offeree Company for the years ended 31 December 2014 (the "**2014 Offeree Annual Report**"), 31 December 2015 (the "**2015 Offeree Annual Report**") and the interim report of the Offeree Company for the six months ended 30 June 2016 (the "**2016 Offeree Interim Report**"); (iii) the annual report of Fullshare for the years ended 31 December 2014 (the "**2014 Fullshare Annual Report**"), 31 December 2015 (the "**2015 Fullshare Annual Report**") and the interim report of Fullshare for the six months ended 30 June 2016 (the "**2016 Fullshare Interim Report**"); and (iv) relevant market data and information available from the website of Stock Exchange. We have also relied on all relevant information, opinions and facts supplied and represented by the Offeree Company, the directors and the management of the Offeree Company. We have also studied the relevant market information and trends of the related industry. We have assumed that all such information, opinions, facts and representations, which have been provided to us by the directors and the management of the Offeree Company, for which they are fully responsible, were true, accurate and complete in all respects at the time when they were provided and continue to be so as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations contained in the Composite Document and provided to us by the Offeree Company, its advisers, the directors and the management of the Offeree Company and the Offeree Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Composite Document, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Composite Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the directors and the management of the Offeree Company, nor have we conducted any form of in-depth independent investigation into the businesses, affairs, operations, financial position or future prospects of the Offeree Company, Fullshare, Offeror and any of their respective subsidiaries and associates. We have also assumed that all representations contained or referred to in the Composite Document are true as at the Latest Practicable Date, and that the Offeree Shareholders will be notified of any material changes to such representations as soon as reasonably practicable in accordance with Rule 9.1 of the Takeovers Code.

We have not considered the tax consequences on the Offeree Independent Shareholders in respect of their acceptance or non-acceptance of the Offer since they vary depending on respective individual circumstances. The Offeree Independent Shareholders who are overseas residents or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Offeree IBC and the Offeree Independent Shareholders in respect of the Offer, we have taken into consideration the following principal factors and reasons:

I. Background information of the Offeree Group

1. Principal business

The Offeree Group is principally engaged in the research, design, development, manufacture and distribution of various types of mechanical transmission equipment for a broad range of applications in wind power generation and industrial use. The Offeree Shares are listed on the Main Board of the Stock Exchange (Stock code: 658).

2. Historical financial information

Set out below are the highlights of the financial results of the Offeree Group for the year ended 31 December 2014 and 2015 ("**FY2014**" and "**FY2015**", respectively) and for the six months ended 30 June 2015 and 2016 ("**1H2015**" and "**1H2016**", respectively):

	For the six months ended 30 June		For the year ended 31 December	
	2016	**2015**	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited) (restated)	(audited)	(audited)
Revenue	4,532,454	4,751,493	9,845,695	8,147,338
Profit for the period/year	551,018	509,203	1,002,897	175,682
Profit for the period/year attributable to owners of the Offeree Company	575,843	524,168	1,033,097	208,422

As set out in the 2016 Offeree Interim Report, the Offeree Group recorded turnover of approximately RMB4,532.5 million for the 1H2016, representing a decrease of approximately 4.6% from that for the 1H2015 of approximately RMB4,751.5 million. The Offeree Group's business includes the production of wind gear transmission equipment, industrial gear transmission equipment, marine gear transmission equipment, computer numerical controlled machine tool products and diesel engine products. The decrease in turnover was due to (i) the persisting poor economic conditions which affected the Offeree Group's business other than the wind power business and diesel engine products production and in turn caused the decrease of sales; (ii) the equipment industry in the PRC remained in overcapacity; and (iii) current shipbuilding market goes downturn as a result of the decrease in oil price and international political and economic factors. Despite the decrease in revenue, the Offeree Group recorded an increase in profit to approximately RMB551.0 million for the 1H2016, representing an increase of approximately 8.2% from that for the 1H2015 of approximately RMB509.2 million. The increase in profit was mainly attributable to the increase in gross profit margin as a result of the increase in sales revenue of wind gear transmission equipment during 1H2016 and the economies of scale from such increase.

As set out in the 2015 Offeree Annual Report, the Offeree Group recorded turnover of approximately RMB9,845.7 million for the FY2015, representing an increase of approximately 20.8% from that for the FY2014 of approximately RMB8,147.3 million. The increase in turnover was due to the significant increase in orders from customers for wind power gear box products and their deliveries. For FY2015, the Offeree Group recorded a profit of approximately RMB1,002.9 million for the FY2015, representing an increase of approximately 470.9% from that for the FY2014 of approximately RMB175.7 million. The significant increase in profit was mainly attributable to the increase in gross profit margin and revenue during FY2015 as a result of the substantial increase in sales revenue of wind gear transmission equipment during FY2015 and the economies of scale from such increase.

Set out below is a summary of the financial position of the Offeree Group as at 31 December 2014, 31 December 2015 and 30 June 2016:

	As at 30 June 2016	As at 31 December 2015	As at 31 December 2014
	RMB'000 (unaudited)	*RMB'000*	*RMB'000*
Cash and cash equivalents	3,356,614	2,121,873	1,649,705
Current assets	19,503,246	17,311,275	17,659,342
Current liabilities	(15,270,205)	(13,214,731)	(13,186,368)
Net current assets	**4,233,041**	**4,096,544**	**4,472,974**

Cash and cash equivalents of the Offeree increased from FY2014 to FY2015 and 1H2016. The Offeree Group's the net current assets position remained at similar levels during the same period.

II. BACKGROUND INFORMATION OF FULLSHARE GROUP

1. Principal business

Fullshare is a company incorporated in the Cayman Islands with limited liability, whose issued shares are listed on the Stock Exchange under the stock code 607. Fullshare Group is principally engaged in property development, provision of green building services, investment and healthcare products and services business. Subject to the Offer having become unconditional, Fullshare Group will expand its business into the research, design, development, manufacture and distribution of wind power equipment, which is new to the Fullshare Group.

The Offeror was incorporated under the laws of the British Virgin Islands on 15 August 2016. The principal business of the Offeror is investment holding. The Offeror is a direct wholly-owned subsidiary of Fullshare and has not conducted any business since its incorporation.

2. Historical financial information

The Fullshare Group has been in the process of a major transformation since FY2014 which has resulted in (i) the restatement of the financial statements for FY2014, FY2015 and 1H2015 as a result of several business combinations under common control during FY2015 and 1H2016; and (ii) newly developed business segments (e.g. green building, investment and health equipment and services). As a result the operations and the financial results of the Fullshare Group have changed fundamentally and the analysis prior to the financial year ended 31 December 2013 ("**FY2013**") would not be meaningful.

Set out below are the highlights of the financial results of the Fullshare Group for FY2013, FY2014, FY2015, 1H2015 and 1H2016:

	For the six months ended 30 June		**For the year ended 31 December**		
	2016	**2015**	**2015**	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited) (restated)	(audited)	(audited) (restated)	(audited)
Revenue by segment:					
Property development	982,081	1,577,405	2,407,982	763,988	859,393
Green building *(Note 1)*	156,382	122,562	242,188	29,415	–
Investment (fair value change in financial assets) *(Note 2)*	1,768,319	–	7,761	–	–
Health equipment and services	222,867	155,752	–	–	–
Others	500	–	–	–	–
Total revenue	1,361,830	1,855,719	2,657,931	793,403	859,393
Segment profit/(loss):					
Property development	271,851	(9,513)	61,763	130,250	188,263
Green building	34,263	74,972	106,304	(10,229)	–
Investment	1,768,319	304	629,099	–	–
Health equipment and services	(9,885)	6,108	(19)	–	–
Others	(380)	–	–	–	–
Profit(loss) for the period/year	1,646,051	531,890	1,238,990	(1,064,743)	(233,380)
Profit(loss) for the period/year attributable to owners of the Fullshare	1,662,155	529,675	1,237,507	(1,070,988)	(241,746)

Notes:

1. Green building services principally includes green building, green urban engineering-procurement-construction, energy management contract services and other supporting services in relation to the operation of the relevant green building projects in the PRC.

2. The amount generated from investment represents fair value change in financial assets, as such, it is not recognised as revenue but the fair value change would be recognised as profit/(loss) for the period.

We noted that revenue of the Fullshare Group was mainly contributed by sales of properties, which accounted for approximately 100.0%, 96.3%, 90.6%, 85.0% and 72.1% of the total revenue for FY2013, FY2014, FY2015, 1H2015 and 1H2016, respectively. The decrease in contribution of the sales of properties is mainly attributable to the commencement of the healthcare business through the acquisition of approximately 72.19% equity interest in Shenzhen Anke High-Tech Company Limited*（深圳安科高技術股份有限公司）and 51% equity interest in 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）.

As set out in the 2016 Fullshare Interim Report, revenue of the Fullshare Group decreased by approximately 26.6% from 1H2015 to 1H2016. This is mainly due to a decrease in revenue of the property development segment by approximately RMB595.3 million or 37.7% as compared to 1H2015 as a result of a decrease of total delivered aggregate gross floor area ("**GFA**") of the Fullshare Group's properties from approximately 120,529 sq.m. in 1H2015 to 65,559 sq.m. in 1H2016. Such decrease has been slightly offset by (i) an increase in the average selling price of the Fullshare Group's properties from approximately RMB13,087 per sq.m. to approximately RMB14,980 per sq.m.; (ii) an increase of revenue of the green building segment by approximately RMB33,820,000 or 27.6% as compared to 1H2015; and (iii) an increase of revenue of the healthcare segment by approximately RMB67,115,000 or 43.1% as compared to 1H2015. Despite a decrease in revenue, gross profit increased for the Fullshare Group by approximately RMB270,655,000 or 175% as compared to 1H2015 mainly due to an increase in overall gross profit margin from 8% to 31% as a result of a gain on acquisition in 1H2015 upon the acquisition of the subsidiary that owns the Amber Garden Phase I（琥珀花園一期）project. The properties of Amber Garden Phase I（琥珀花園一期）were revalued upon the acquisition of the subsidiary, which resulted in a cost premium for the sale of the units of the said project. A significant portion of the said units were sold in FY2015 and the remaining units were sold in 1H2016. As such, the accounting effect of such cost premium had an immaterial impact on 1H2016. Profit for the period increased due to the increase in gross profit and fair value change in equity shares of Zall Group Ltd. (stock code: 2098), which was acquired in the second half of the year 2015, as such, there was no similar fair value change in 1H2015.

Revenue of the Fullshare Group increased by approximately 235.0% from FY2014 to FY2015. This is mainly due to (i) an increase of total delivered GFA of the Fullshare Group's properties from approximately 114,928 sq.m. in FY2014 to 155,585 sq.m. in FY2015; (ii) an increase in the average selling price of the Fullshare Group's properties from approximately RMB6,648 per sq.m. to approximately RMB15,477 per sq.m. as the property projects delivered in FY2015 were mainly fully fitted out apartments and garden projects with comparatively higher selling prices; and (iii) an increase of revenue of the green building segment by approximately RMB212.8 million or 723% as a result of the focus on the development of the green building construction service and technology design consulting and management service in the said segment. For FY2015, the Fullshare Group recorded a profit for the year of approximately RMB1,239.0 million (FY2014: loss for the year of approximately RMB1,064.7 million) mainly due to the increase in gross profit and fair value change in equity shares of Zall Group Ltd (stock code: 2098), which was acquired in FY2015, as such, there was no similar fair value change in FY2014. In FY2014, the Fullshare Group incurred a loss of approximately RMB1,360.1 million on fair value assessment of convertible bonds. As the convertible bonds were fully converted into ordinary shares of Fullshare in FY2014, there was no similar fair value change in FY2015.

Revenue of the Fullshare Group decreased by approximately 7.7% from RMB859.4 million in FY2013 to RMB793.4 million in FY2014. This is mainly due to a decrease of total delivered GFA of the Fullshare Group's properties from approximately 156,987 sq.m. in FY2013 to 107,330 sq.m. in FY2014 as only remaining stocks of XiChengYiPin（西城逸品）project were sold in FY2014, which were mainly delivered and recognised revenue in FY2013. This was offset by (i) the increase in the average selling price of the Fullshare Group's properties from approximately RMB5,474 per sq.m. to approximately RMB6,848 per sq.m. due to the delivery of more properties of ShuXiangYuan（書香苑）in FY2014 with higher selling price per sq.m.; and (ii) the commencement of the green building business. For FY2014, the Fullshare Group recorded a loss for the year of approximately RMB1,064.7 million (FY2013: loss for the year of approximately RMB233.4 million) mainly due to (i) a loss of approximately RMB1,360.1 million on fair value assessment of convertible bonds (FY2013: RMB292.9 million); and (ii) the decrease in revenue as discussed above.

Set out below is a summary of the financial position of the Fullshare Group as at 1 January 2015, 31 December 2015 and 30 June 2016:

	As at 30 June 2016 *RMB'000* (unaudited)	As at 31 December 2015 *RMB'000* (unaudited) (restated)	As at 1 January 2015 *RMB'000* (unaudited) (restated)
Cash and cash equivalents	1,008,940	1,236,985	366,376
Current assets	10,154,454	8,592,210	4,225,211
Current liabilities	(4,012,276)	(3,446,423)	(2,413,306)
Net current assets	**6,142,178**	**5,145,787**	**1,811,905**

As set out in the 2016 Fullshare Interim Report, cash and cash equivalents increased from 1 January 2015 to FY2015 and then decreased slightly as at 1H2016. The Fullshare Group's current assets position increased from 1 January 2015 to 1H2016 at a greater rate than the current liabilities position mainly due to (i) the unrealized gains arising from the financial assets held for trading; and (ii) the cash generated from operation, which resulted in an increase in current assets but did not result in an increase in current liabilities of a similar magnitude, as a result, the net current assets position increased during the same period.

III. REASONS FOR THE OFFER AND INTENTIONS OF FULLSHARE TO THE OFFEREE AND THE ENLARGED GROUP

As set out in the "Letter from BaoQiao Partners" in the Composite Document (the "**Letter from BaoQiao Partners**"), at present, China actively implements energy structure reform policies to develop sustainable renewable energy structure and promote green energy. Based on a guideline released by the National Energy Administration (NEA) on 3 March 2016, the PRC has set specific targets on non-hydroelectric renewable energy consumption for local PRC governments. By 2020, non-hydroelectric renewable energy should account for between 5% and 13% of total electricity consumption for provinces, municipalities and autonomous regions, and power companies, with the exception of some non-fossil energy companies, should produce at least 9% of total electricity from non-hydroelectric renewable energy by 2020. The above reflects the continuing growth potential in the wind power industry. Leveraging on the favourable PRC government policies, both the directors of Offeror and Fullshare believes that the Offeree Group will continue to benefit from its core competitiveness and enhanced market share as the leading supplier of wind power transmission equipment in China.

Accordingly, taking into account: (i) the solid business and financial position of the Offeree Group; (ii) more capital expenditure on wind power equipment could be incentivized by the above NEA's new requirement which benefit the future development of the Offeree Group's business; and (iii) the increasing trend of the Offeree Share's price since February 2016 reflects the positive market sentiment and perception towards the future prospect of the Offeree Group, the sole director of the Offeror and the Fullshare Directors consider the current market price of the Offeree Shares to be attractive, and that the Offer represents an opportune investment for Fullshare Group to expand Fullshare Group's business into the wind power and renewable energy sector in the PRC. As disclosed in the Chairman's statements in the annual reports of Fullshare for the two years ended 31 December 2014 and 31 December 2015 respectively, Fullshare positioned itself in focusing on green technology and health services and promoting green living environment. It is the business objective of Fullshare to become a comprehensive enterprise aiming at scalable application of comprehensive health services and green building design and energy conservation technology for the future growth and development of Fullshare Group. The sole director of the Offeror and the Fullshare Directors consider that the expansion into the wind power sector, as one of the main sources of green energy in China's energy mix, will complement its business direction in promoting the green, low carbon, healthy and comfortable environment for the society. Furthermore, the Offer does not require any cash outlay and it is expected that the Offer would not affect the existing operations of Fullshare Group.

As noted from the Letter from BaoQiao Partners, the Offeror and Fullshare intend to nominate additional directors to the Offeree Board following completion of the Offer. Following the close of the Offer, the Offeror and Fullshare intend to continue the existing principal businesses of the Offeree Group in substantially its current state. The Offeror and Fullshare would conduct a review on the financial position and the operations of the Offeree Group and would formulate business plans and strategies of the Offeree Group, which would be appropriate to enhance the long-term growth potential of the Offeree Group. However, as at the Latest Practicable Date, the Offeror and Fullshare have no definitive plans in relation to the business of the Offeree Group other than continuing its existing principal businesses. The Offeror and Fullshare have no plan to terminate the employment of the employees (save for the possible change in the composition of the board of directors) or to redeploy assets of the Offeree Group other than those in its ordinary and usual course of business.

As set out in the "Letter from the Offeree Board" in the Composite Document, the Offeree Board is of the view that the Offeror's future plan in respect of the Offeree Group is in the interests of the Offeree Company and the Offeree Shareholders as a whole.

We have conducted certain research on the overview of the principal business of Fullshare and the Offeree Group.

Fullshare Group has principally engaged in property development, provision of green building services, investment and healthcare products and services business. For the property development industry, there were various measures by the PRC government to support the property market. According to "Thirteenth Five-year Plan", the implementation of a two-child policy will induce a strong demand for housing. According to figure from the National Health and Family Planning Commission, approximately 90 million of mainland couples of childbearing age will benefit from the two-child policy. During the period of "Thirteenth Five-year Plan", it is preliminarily estimated that the number of births will range between 17.5 million and 21.0 million per year with an increase of between 950,000 and 4.45 million, when compared with approximately 16.6 million in 2015.

Furthermore, successive reductions in bank interest have been implemented during 2015. According to the People's Bank of China (the "**PBOC**"), the adjustment of RMB benchmark loan interest rate during 2015 is shown in the below table:

	RMB benchmark loan interest rate per annum		
Period	**Below and include 1 year**	**1 year to 5 year**	**Over 5 year**
Since 22 April 2014	5.60	6.00	6.15
Since 1 March 2015	5.35	5.75	5.90
Since 11 May 2015	5.10	5.50	5.65
Since 28 June 2015	4.85	5.25	5.40
Since 26 August 2015	4.60	5.00	5.15
Since 24 October 2015	4.35	4.75	4.90

Source: the PBOC

As shown on the above table, the RMB benchmark loan interest rate has decreased 5 times and accumulated a decrease of 1.25 percents during 2015. The PBOC also lowered the reserve requirement ratio by 0.5 percents since 1 March 2016. With a view of the above banking policy, the property development industry has benefited from the decrease in the loan interest rate and reserve requirement ratio such as reducing cost of borrowing on investing property development projects.

According to the Ministry of Housing and Urban Rural Development of the PRC ("**MOHURD**"), on 19 August 2015, the PRC government has loosened the housing disincentives including but not limited to simplify the administration process on the approval of foreign investment on property market and cancel the requirement to pay in full of the registered capital of foreign property investment companies when borrowing overseas or domestic loans. The loosening of housing disincentives encourages foreign investment on PRC's property market that brings benefits to the property development industry such as an increase in the demand for properties.

According to the National Bureau of Statistics, from January to August in 2016, the total real estate investment in the PRC was approximately RMB6,438.7 billion, representing an increase of 5.4% from the same period in 2015. A total of approximately 874.5 million sq.m. of gross floor area of national commodity properties were sold for approximately RMB6,662.3 billion, representing an increase of 25.5% and 38.7% from the same period in 2015, respectively. The property price in the PRC generally demonstrates an uptrend since January 2016. We noted from the 2016 Fullshare Interim Report that the major property developments held by Fullshare Group during the first half year of 2016 have been distributed in Nanjing and Chongqing. The price indices of newly developed commodity properties of Nanjing and Chongqing have increased 38.8% and 3.4% in August 2016 when compared to August 2015, respectively. The increasing trend of real estate investment and commodity property price reflect the sound growth and prospects of the property development industry. Nevertheless, the property market in the PRC has been volatile in the last few years and the PRC government implemented purchase restrictions on 26 September 2016 to cease the sale of newly developed commodity properties to Nanjing's citizens who have two or more commodity properties on hand so as to control the boosting of the property price. As stated in the 2016 Fullshare Interim Report, Fullshare Group is expected to proactively expand its overseas development and instill leisure, vacation and healthy lifestyle concept into real estate development through integrating the healthcare and real estate businesses. We noted that, as stated in the circular dated 25 August 2016, Fullshare Group has acquired including but not limited to the hotel, the country club and lands, which are close together and located in Queensland, Australia for future development. As set out in the circular dated 25 August 2016, the above acquisition involves tourism and resort projects to develop the healthcare business in relation to lifestyle, which aims to provide a comfortable and sustainable healthy living environment. The above acquisition is in line with the current business plan of Fullshare and reduces impact of changes in PRC domestic policies. Taking into account that (i) the policy is a cooling measure to slow down the fast growing property price and not trigger a collapse of home prices; (ii) the expansion to overseas property development market; and (iii) the diversification plan to develop green and healthcare industry, we are of the view that the risk in the PRC property market can be reduced by the aforementioned factors.

According to the 2015 Fullshare Annual Report, Fullshare Group was expected to actively enhance the development of healthcare business. As set out in the circular published by Fullshare dated 24 March 2016, Fullshare Group acquired a medical equipment manufacturing company. Furthermore, Fullshare Group is expected to acquire hotel businesses and lands in Australia to expand its healthcare tourism business, details of which are set out in the circular published by Fullshare dated 25 August 2016.

According to the National Bureau of Statistics, the population aged 65 and above increased from approximately 118.9 million, contributing approximately 8.9% of the total population of 1,340.9 million in 2010 to 143.9 million, contributing approximately 10.5% of the total population of 1,374.6 million in 2015, representing an increase of approximately 21.0% and exceeding the increase in total population of approximately 2.5% during the span of 2010 to 2015. The number of urban population, defined as population residing in cities and towns, has been increasing while the rural population, defined as population other than the urban population, has been decreasing in the recent years. The urban population rose by approximately 101.4 million from approximately 669.8 million in 2010 to approximately 771.2 million in 2015, while the rural population declined by approximately 67.6 million from 671.1 million in 2010 to approximately 603.5 million in 2015.

Moreover, the average household consumption expenditure in the PRC, referring to the average consumer expenditure per year calculated based on permanent population, increased from RMB10,919 in 2010 to RMB17,778 in 2014, representing an increase of approximately 62.8%. The national healthcare spending expanded from approximately RMB828.0 billion in 2013 to approximately RMB1,017.7 billion in 2014, at a growth of approximately 22.9%.

Furthermore, as set out in the circular published by Fullshare dated 24 March 2016, Fullshare acquired Shenzhen Anke High-Tech Company Limited which is principally engaged in the manufacturing and sale of medical equipment and machineries and provision of related technical services. According to China Pharmaceutical Industry information Center ("**CPIIC**"), the market size in the medical equipment industry has improve over 100% for the year from 2010 to 2014 and the total market value has increased from approximately RMB120 billion to approximately RMB300 billion, with a compound annual growth rate at approximately 25.7%. CPIIC expects that the total market value will reach approximately RMB600 billion by 2019 with the existing growth of medical equipment industry market and the increasing demand for medical services. Taking the growth of the healthcare industry in PRC into consideration, the potential earning of Fullshare Group in the healthcare industry is expected to increase.

Based on the above overview of the healthcare market, we are of the view that the ageing and urban population and the healthcare spending demonstrated an increasing trend in recent years and the expanding of healthcare industry implied the impressive earning potential to Fullshare, we consider that these factors will exert a positive effect on the healthcare business of Fullshare Group.

As mentioned in the Letter from BaoQiao Partners, the investment in the Offeree Company is attractive with a view to the business prospect of the Offeree Group. According to Chinese Wind Energy Association, new installed capacity of wind power in China increased by 32.6% year on year to 30.8GW in 2015. By the end of 2015, the total installed capacity of wind power in China exceeded 145.4GW, representing an increase of 26.8%, as compared with 2014. The total installed capacity of 145.4GW was substantially greater than the target of installed capacity of 100GW set under the "Twelfth Five-year Plan for Wind Power". The wind power industry has been strongly supported by the PRC government. Furthermore, as set out in the Letter from BaoQiao Partners, according to the National Energy Administration, the PRC has set specific targets on non-hydroelectric renewable energy consumption for local PRC governments. By 2020, non-hydroelectric renewable energy should account for between 5% and 13% of total electricity consumption for provinces, municipalities and autonomous regions and power companies, with the exception of some non-fossil energy companies, should produce at least 9% of total electricity from non-hydroelectric renewable energy by 2020.

Moreover, the PRC government has launched several plans on the wind power development. According to the National Energy Administration, the PRC government issued the "Plan for the Development and Construction of Off-Shore Wind Power Nationwide (2014-2016)" to implement 44 development projects with total installed capacity of 10.53GW. On 12 June 2015, the Ministry of Finance of the PRC announced to refund 50% of the valued added tax on wind power related product to encourage wind power generation. Based on the aforementioned, the wind power industry has been strongly supported by the PRC government.

Based on the existing business segments of Fullshare and the Offeree Company, we noted that they have no common business segments as at the Latest Practicable Date, as such, there is no overlap and competition among the business segments of Fullshare and the Offeree Company. Nevertheless, as disclosed in the 2014 Fullshare Annual Report, Fullshare Group intends to position itself as a "comprehensive solution provider in green technology and health services" and the disclosures in the 2015 Fullshare Annual Report and 2016 Fullshare Interim Report, affirms their commitment to this business direction. As set out in the Letter from BaoQiao Partners, the Offer represents an opportune investment for Fullshare Group to expand Fullshare Group's business into the wind power and renewable energy sector in the PRC. We concur with the sole director of the Offeror and the Fullshare Directors that the expansion into the wind power sector will complement the business direction of Fullshare Group in green real estate development and green living environment and promoting the green, low-carbon, healthy and comfortable environment for the society. Also, the Offer provides an opportunity to the Offeree Independent Shareholders to participate in not only the business development of the Offeree, but also the business development of the Enlarged Group as a whole, which is more diversified.

Having considered the positive outlook of the business segments of Fullshare, including (i) two-child policy and the loosening of housing disincentives will enhance the demand for property development; (ii) the decrease in loan interest rate and reserve requirement ratio will reduce the cost of borrowings for property development projects; (iii) the increasing real estate investment and the price trend of properties demonstrate a positive growth of property development market; (iv) the demand for medical and healthcare spending in the PRC will be driven by the ageing population and the increase in the urban population as a result of urbanization; and (v) improving living conditions as a sign of increasing consumption expenditures is likely to raise healthcare consciousness of the citizens, and the strong support from the PRC government for the wind power industry, which the principal business of the Offeree Group is a part of, we are of the view that the Offer provides a chance for the Offeree Independent Shareholders to enjoy the synergy effect to be brought from the Enlarged Group and participate in a group with more diversified businesses in addition to the businesses of the Offeree.

IV. PRINCIPAL TERMS OF THE OFFER

BaoQiao Partners is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

For every 2 Offeree Shares . . . . 5 new Fullshare Shares

As at the Latest Practicable Date, the Offeree Company has 1,635,291,556 Offeree Shares in issue and the Offeree RMB Bonds. The Offeree Company has no other outstanding Offeree Shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Offeree Shares or other types of securities in the Offeree Company as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Ji, being a party acting in concert with the Offeror, through Glorious Time indirectly holds 148,562,000 Offeree Shares, representing approximately 9.08% of the total issued share capital of the Offeree Company.

Based on an exchange ratio of 5 new Fullshare Shares for every 2 Offeree Shares and 1,486,729,556 Offeree Shares subject to the Offer, and assuming that (i) all Offeree Independent Shareholders validly elect to accept the Offer; and (ii) there will be no change in the issued share capital of the Offeree Company since the Latest Practicable Date and up to the Closing Date, the maximum number of new Fullshare Shares that may fall to be issued in connection with the Offer is 3,716,823,890 new Fullshare Shares. This represents approximately 22.64% of the 16,416,317,500 issued Fullshare Shares as at the Latest Practicable Date, and approximately 18.46% of the issued share capital of Fullshare of the 20,133,141,390 Fullshare Shares as enlarged only by the issue of the aforesaid number of new Fullshare Shares.

On the basis of an ascribed value of HK$11.00 per Offeree Share under the Offer (based on the weighted average traded price of each Fullshare Share of HK$4.40, as quoted on the Stock Exchange on the Last Trading Day and the exchange ratio of 5 Fullshare Shares for every 2 Offeree Shares), the entire issued share capital of the Offeree Company (including the Offeree Shares held by the Offeror and parties acting in concert with it) as at the Latest Practicable Date is valued at approximately HK$17,988,207,116.

The exchange ratio of 5 Fullshare Shares for every 2 Offeree Shares was determined by the Offeree and Fullshare based on the prevailing market prices of both Fullshare Shares and the Offeree Shares.

Save for Mr. Ji's indirect interest in the 148,562,000 Offeree Shares, neither Fullshare, the Offeror, nor parties acting in concert with Fullshare or the Offeror holds or has control or discretion over any other Offeree Shares or holds any convertible securities, warrants or options in respect of any Offeree Shares as at the Latest Practicable Date.

V. ANALYSIS OF THE OFFER

The ascribed value of HK$11.00 per Offeree Share (based on the weighted average traded price of Fullshare Share of HK$4.40 as quoted on the Stock Exchange on the Last Trading Day multiplied by 5 and divided by 2 for each Offeree Share) represents:

(i) a premium of approximately 47.26% over the closing price of Offeree Share of HK$7.47, as quoted on the Stock Exchange on 9 September 2016, being the Last Trading Day;

(ii) a premium of approximately 54.93% over the average closing price of approximately HK$7.10 per Offeree Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;

(iii) a premium of approximately 54.93% over the average closing price of approximately HK$7.10 per Offeree Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a premium of approximately 56.70% over the average closing price of approximately HK$7.02 per Offeree Share as quoted on the Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Day;

(v) a premium of approximately 62.00% over the average closing price of approximately HK$6.79 per Offeree Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;

(vi) a premium of 37.50% over the closing price of Offeree Share of HK$8.00, as quoted on the Stock Exchange on the Latest Practicable Date;

(vii) a premium of approximately 57.59% over the audited consolidated net assets per Offeree Share of approximately HK$6.98 as at 31 December 2015 (being the date to which the latest audited consolidated annual results of the Offeree Group were made up), calculated based on the Offeree Group's audited consolidated net assets attributable to its shareholders of approximately RMB9,759,102,000 (equivalent to approximately HK$11,418,149,340) as at 31 December 2015 and 1,635,291,556 existing Offeree Shares in issue as at the Latest Practicable Date; and

(viii) a premium of approximately 53.42% over the unaudited consolidated net assets per Offeree Share of approximately HK$7.17 as at 30 June 2016 (being the date to which the latest unaudited consolidated interim results of the Offeree Group were made up), calculated based on the Offeree Group's unaudited consolidated net assets attributable to its shareholders of approximately RMB10,015,605,000 (equivalent to approximately HK$11,718,257,850) as at 30 June 2016 and 1,635,291,556 existing Offeree Shares in issue as at the Latest Practicable Date.

The implied issue price of HK$2.99 per new Fullshare Share (equivalent to the closing price of HK$7.47 per Offeree Share as quoted on the Stock Exchange on the Last Trading Day multiplied by 2 and divided by 5 for each new Fullshare Share) represents:

(i) a discount of approximately 31.74% to the closing price of Fullshare Share of HK$4.38, as quoted on the Stock Exchange on 9 September 2016, being the Last Trading Day;

(ii) a discount of approximately 31.89% to the average closing price of approximately HK$4.39 per Fullshare Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;

(iii) a discount of approximately 28.98% to the average closing price of approximately HK$4.21 per Fullshare Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a discount of approximately 22.94% to the average closing price of approximately HK$3.88 per Fullshare Share as quoted on the Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Day;

(v) a discount of approximately 19.19% to the average closing price of approximately HK$3.70 per Fullshare Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;

(vi) a discount of approximately 30.47% to the closing price of Fullshare Share of HK$4.30, as quoted on the Stock Exchange on the Latest Practicable Date;

(vii) a premium of approximately 779.41% over the audited consolidated net assets per Fullshare Share of approximately HK$0.34 as at 31 December 2015 (being the date to which the latest audited consolidated annual results of Fullshare Group were made up), calculated based on Fullshare Group's audited consolidated net assets attributable to its shareholders of approximately RMB4,758,337,000 (equivalent to approximately HK$5,567,254,290) as at 31 December 2015 and 16,416,317,500 Fullshare Shares in issue as at the Latest Practicable Date; and

(viii) a premium of approximately 536.17% over the unaudited consolidated net assets per Fullshare Share of approximately HK$0.47 as at 30 June 2016 (being the date to which the latest unaudited consolidated interim results of Fullshare Group were made up), calculated based on Fullshare Group's unaudited consolidated net assets attributable to its shareholders of approximately RMB6,595,657,000 (equivalent to approximately HK$7,716,918,690) as at 30 June 2016 and 16,416,317,500 Fullshare Shares in issue as at the Latest Practicable Date.

As at the Latest Practicable Date, the ascribed value of HK$10.85 per Offeree Share (based on the weighted average trade price of HK$4.34 per Fullshare Share as quoted on the Stock Exchange on the Latest Practicable Date multiplied by 5 and divided by 2 for each Offeree Share) represents a premium of approximately 45.2% to the closing price of HK$7.47 per Offeree Share as quoted on the Stock Exchange on the Last Trading Day and represents a premium of approximately 35.6% to the closing price of HK$8.00 per Offeree Share as quoted on the Stock Exchange at the Latest Practicable Date.

As at the Latest Practicable Date, the implied issue price of HK$3.20 per new Fullshare Share (equivalent to the closing price of HK$8.00 per Offeree Share as quoted on the Stock Exchange on the Latest Practicable Date multiplied by 2 and divided by 5 for each new Fullshare Share) represents a discount of approximately 26.9% to the closing price of HK$4.38 per Fullshare Share as quoted on the Stock Exchange on the Last Trading Day and represents a discount of approximately 25.6% to the closing price of HK$4.30 per Fullshare Share as quoted on the Stock Exchange at the Latest Practicable Date.

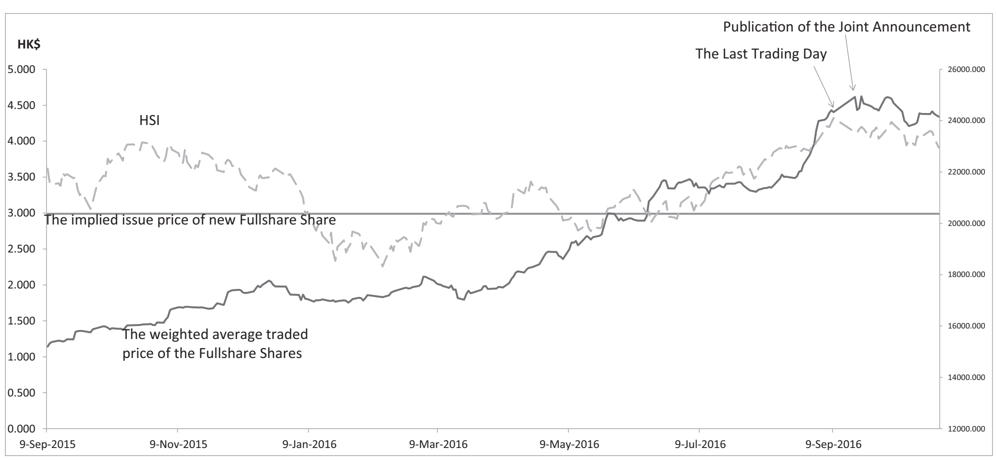
In view of the above share price analysis based on an exchange ratio of 5 new Fullshare Shares per 2 Offeree Shares, we consider that the Offer provides an opportunity for the Offeree Shareholders to dispose their respective Offeree Shares at a price which is at a high premium to the recent market price of the Offeree. We note that the implied issue price of Fullshare Shares is at a substantive premium to the net assets value per Fullshare Shares, However, the Offeree Shareholders are able to obtain Fullshare Shares at a price which is at a deep discount to the recent market price of Fullshare, which is the price which Fullshare Shares can be bought and sold at and the market price has already priced in the net asset value of Fullshare.

In order to access the fairness and reasonableness of the ascribed value of the Offeree Shares, we have conducted the following analysis:

1. Share price performance

Share price performance of Fullshare

The chart below illustrates the daily weighted average traded prices of the Fullshare Shares and Hang Seng Index (the "**HSI**") during the period from 9 September 2015 (being one year before the Last Trading Day) up to and including the Latest Practicable Date (the "**Review Period**").



Source: Bloomberg

Note: the trading of Fullshare Shares was suspended from 12 September 2016 to 15 September 2016.

(i) Pre Announcement Period

As shown in the graph above, the implied issue price of new Fullshare Shares was generally higher than the weighted average traded price of Fullshare Shares from September 2015 to June 2016 with a rising trend and then has become lower than the weighted average traded price of Fullshare Shares from June 2016 to the Latest Practicable Date. During the period from 9 September 2015 and up to the Last Trading Day (the "**Pre Announcement Period**"), the Fullshare Shares price ranged from the lowest of HK$1.14 on 9 September 2015 to the highest of HK$4.43 on 8 September 2016. The weighted average traded price of Fullshare Shares gradually increased since the share price of Fullshare Shares had reached the trough on 10 September 2015, and the rising trend continued up to the Last Trading Day, with fluctuations in between. The mean of daily weighted average traded price of the Fullshare Shares during the Pre Announcement Period is HK$2.33 per Fullshare Share, which is lower than the implied issue price of HK$3.21 per new Fullshare Share as at the Latest Practicable Date. If the Fullshare Share price drops below the implied issue price on any given day during the Offer Period, Offeree Independent Shareholders should consider selling their Offeree Shares in the open market, instead of accepting the Offer.

Concerning the general rising trend of the weighted average traded price of Fullshare Shares over the Pre Announcement Period, we noted from the website of the Stock Exchange that during the period, Fullshare has announced, including but not limited to (i) the acquisition dated 13 October 2015 in respect of 8.15% of the issued share capital of Zall Development Group Ltd.: (ii) the disposals dated 6 November 2015 and 9 November 2015, respectively; of equity interest and provision of financial assistance; (iii) the acquisition dated 27 November 2015 in respect of properties located in Nanjing, the PRC; (iv) issue of new Fullshare Shares under general mandate on 17 December 2015; (v) the acquisition dated 3 February 2016 in respect of approximately 72.19% of the issued share capital in Shenzhen Anke High-Tech Company Limited; (vi) a voluntary announcement dated 11 March 2016 in relation to Fullshare has been selected as a constituent of Hang Seng Composite LargeCap & MidCap Index; (vii) the acquisitions dated 21 April 2016 in respect of the lands in Queensland, Australia; (viii) a formation of joint venture between a wholly-owned subsidiary of Fullshare and the joint venture partners on 25 April 2016; (ix) the subscription of new shares in Hin Sang Group (International) Holding Co. Ltd. ("**Hin Sang Group**") and the formation of joint venture between Fullshare and Hin Sang Group on 27 April 2016; (x) the disposal dated 22 June 2016 in in relation to the entire equity interest in Fullshare Green Building Group Company Limited; and (xi) the acquisitions dated 4 July 2016 in respect of the hotel and country club businesses and lands in Queensland, Australia. The fund raising activities, the disposals and acquisitions by Fullshare may bring positive effects on the business development of Fullshare.

Furthermore, we have reviewed and compared the share price movement of Fullshare with the HSI movement for the Pre Announcement Period. As shown in the above graph, we noted that the HSI had demonstrated a down trend from early-September 2015 to early-February 2016 and then gradually increase until the Last Trading Day and reach its relative maximum as at the Last Trading Day during the Pre Announcement Period while the movement of the share price of Fullshare demonstrated an uptrend throughout the Pre Announcement Period and reached its relative maximum share price on 8 September 2016, a day before the Last Trading Day.

We note that the share price of Fullshare has increased by nearly four times during the Pre Announcement Period. We consider the following to be factors which may have contributed to the said price increase:

(i) the fund raising activities, disposals and acquisitions by Fullshare as discussed above;

(ii) the positive share price performance of Zall Group Ltd. (stock code: 2098), a company which Fullshare had acquired equity shares of in FY2015;

(iii) the significant improvement in the financial performance of the Fullshare Group from FY2014 to FY2015 and from 1H2015 to 1H2016 as set out in the section headed "II. Background information of Fullshare Group – 2. Historical financial information". The highlights of the financial improvement includes:

1. the financial performance of the Fullshare Group turned from a loss of approximately RMB1,070.99 million for the FY2014 to a profit of approximately RMB1,238.99 million for the FY2015;

2. the profit attributable to owners of Fullshare significantly increased by 213.8% from approximately RMB529.68 million for the 1H2015 to approximately RMB1,662.16 million for the 1H2016; and

3. the net current assets increased by 184.0% from approximately RMB1,811.91 million as at 1 January 2015 to approximately RMB5,145.79 million as at 31 December 2015, and further increased by 19.4% to RMB6,142.18 million as at 30 June 2016.

(iv) the strategic implementation of the Fullshare Group's plan to develop new businesses including green building, investment and health equipment and services; and

(v) the positive outlook of the industries in which the Fullshare Group operates in as set out in the section headed "III. Reasons for the Offer and intentions of Fullshare to the Offeree and the Enlarged Group" in this letter.

While we are able to identify the positive factors which may have led to the increase in the share price of Fullshare Shares, we are unable to comment on whether the said factors justify the magnitude of the share price increase and whether the share price is sustainable as the market price of shares may be determined by factors which may not be directly related to the financial or business performance of the company. Such factors include, among others, investor sentiment, market conditions, the state of the industry in which the company operates in and the state of the economy and political environment in the country which the company operates in. These factors are difficult to gauge and any change in these factors may affect the market price of shares.

Offeree Independent Shareholders should take into account that the ascribed value per Offeree Share is calculated based on an all-time high of Fullshare Share's price, which has increased significantly during the Pre Announcement Period and has been maintaining at this level up to the Latest Practicable Date. There is no guarantee that the current market price of the Fullshare Shares will or will not sustain during and after the period for the acceptance of the Offer. We strongly suggest that the Offeree Independent Shareholders should closely monitor the market prices and liquidity of the Offeree Shares and the Fullshare Shares during the Offer Period.

(ii) Post Announcement Period

From the date of publication of the Announcement to the Latest Practicable Date (the "**Post Announcement Period**"), the HSI has fluctuated in a range of approximately 23,031.3 to 23,952.5 while the weighted average traded price of the Fullshare Shares has fluctuated in between HK$4.21 and HK$4.62 in the same period of time. As at the Latest Practicable Date, the weighted average traded price of Fullshare Shares was at HK$4.34.

Having noted that the share price of Fullshare has increased by nearly four times during the Pre Announcement Period and has maintained at this level up to the Latest Practicable Date, we have computed an ascribed value of HK$8.78 per Offeree Share (based on the mean of the daily weighted average traded price for the six months immediately preceding, and including, the Latest Practicable Date (i.e. 27 April 2016 to 28 October 2016) of HK$3.51 per Fullshare Share multiplied by 5 and divided by 2 for each Offeree Share) (the "**Six-month Mean Ascribed Value**") to compare with the Offeree Shares to assess whether the terms of the Offer are fair and reasonable so far as the Offeree Independent Shareholders are concerned. We consider a period of 6-months to be appropriate on the following bases:

(i) Fullshare Share's price has increased significantly during the Pre Announcement Period and has been maintaining at this level up to the Latest Practicable Date;

(ii) The six-month mean of the daily weighted average traded price per Fullshare Share of HK$3.51 reflects the market share prices of a considerable and the most recent period; and

(iii) A longer period was not selected as Fullshare has undergone a major transformation, including the development of new business segments and completing numerous acquisitions and disposals, formation of joint ventures and fund raising (for details, please see the section headed "V. Analysis of the Offer – 1. Share Price Performance – (i) Pre Announcement Period" in this letter), most of which were completed six months prior to the Latest Practicable Date. Fullshare Share's price had increased significantly, which we consider to be largely influenced by the aforementioned inorganic growth and we do not consider a period with inorganic growth to be a reasonable indicator of future price trends.

The Six-month Mean Ascribed Value of HK$8.78 per Offeree Share represents:

(i) a premium of approximately 17.54% over the closing price of Offeree Share of HK$7.47, as quoted on the Stock Exchange on 9 September 2016, being the Last Trading Day;

(ii) a premium of approximately 23.66% over the average closing price of approximately HK$7.10 per Offeree Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;

(iii) a premium of approximately 23.66% over the average closing price of approximately HK$7.10 per Offeree Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a premium of approximately 25.07% over the average closing price of approximately HK$7.02 per Offeree Share as quoted on the Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Day;

(v) a premium of approximately 29.31% over the average closing price of approximately HK$6.79 per Offeree Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;

(vi) a premium of approximately 9.75% over the closing price of Offeree Share of HK$8.00, as quoted on the Stock Exchange on the Latest Practicable Date;

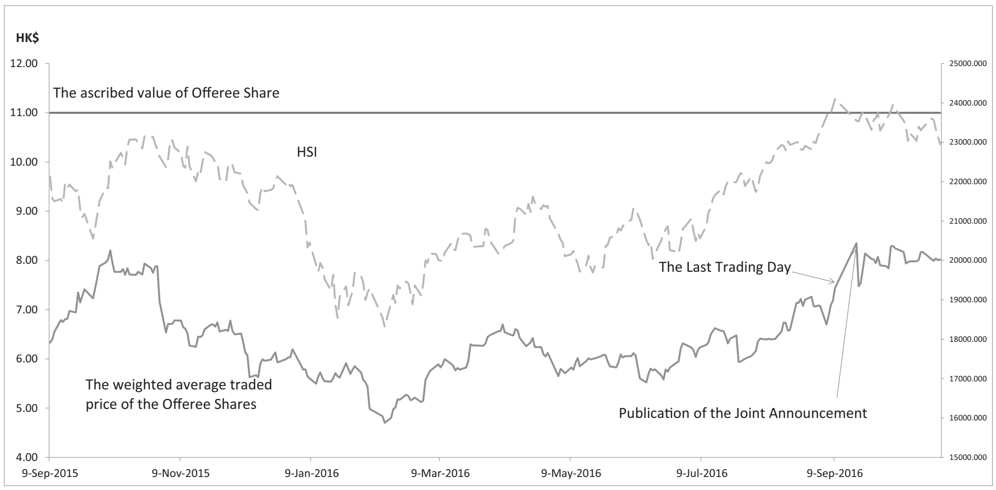
(vii) a premium of approximately 25.79% over the audited consolidated net assets per Offeree Share of approximately HK$6.98 as at 31 December 2015 (being the date to which the latest audited consolidated annual results of the Offeree Group were made up), calculated based on the Offeree Group's audited consolidated net assets attributable to its shareholders of approximately RMB9,759,102,000 (equivalent to approximately HK$11,418,149,340) as at 31 December 2015 and 1,635,291,556 existing Offeree Shares in issue as at the Latest Practicable Date; and

(viii) a premium of approximately 22.45% over the unaudited consolidated net assets per Offeree Share of approximately HK$7.17 as at 30 June 2016 (being the date to which the latest unaudited consolidated interim results of the Offeree Group were made up), calculated based on the Offeree Group's unaudited consolidated net assets attributable to its shareholders of approximately RMB10,015,605,000 (equivalent to approximately HK$11,718,257,850) as at 30 June 2016 and 1,635,291,556 existing Offeree Shares in issue as at the Latest Practicable Date.

We note that the Six-month Ascribed Value represents a premium over the Offeree Share price in the above analyses.

Share price performance of Offeree Company

The chart below illustrates the daily weighted average traded price of the Offeree Shares and the HSI during the Review Period.



Source: Bloomberg

Note: the trading of Offeree Shares was suspended from 12 September 2016 to 15 September 2016.

(i) Pre Announcement Period

During the Pre Announcement Period, the weighted average traded price of the Offeree Shares price initially depicted a decreasing trend from the highest price of HK$8.20 on 7 October 2015 until early-February 2016, hitting the lowest of HK$4.70 per Offeree Share on 12 February 2016. Afterwards, the weighted average traded price of Offeree Shares started to rise gradually until the Last Trading Day and reached the weighted average traded price of HK$7.44 per Offeree Share, with fluctuations in between. The mean of daily weighted average traded price of the Offeree Shares during the Pre Announcement Period is HK$6.30 per Offeree Share.

Concerning the rising trend of the weighted average traded price of Offeree Shares from early-February 2016 to the Last Trading Day, we noted from the website of the Stock Exchange that during the period, Offeree Company has announced (i) a positive profit alert in relation to a substantial increase in profit of the Offeree Company for the year ended 31 December 2015 as compared with that of the year ended 31 December 2014; and (ii) the announcement publication of unaudited interim results for the six months ended 30 June 2016 on 19 August 2016. The positive profit alert and the interim result announcement may have had a positive effect to the share price of Offeree Shares.

Moreover, we have reviewed and compared the share price movement of Offeree Company with the HSI movement for the Pre Announcement Period. We noted that the movement of the share price of Offeree Company shared a similar pattern with the HSI (i.e. down trend since mid-October 2015 until early-February 2016 and started to rise until the Last Trading Day) and reached the weighted average traded price of HK$7.44 per Offeree Share on the Last Trading Day, with fluctuations in between.

Given the abovementioned, we also believe that the movement of the weighted average traded price of Offeree Shares immediately before the publication of the Announcement was mainly aligned with the market conditions.

(ii) Post Announcement Period

From the date of publication of the Announcement to the Latest Practicable Date, the HSI has fluctuated in a range of approximately 23,031.3 to 23,952.5 while the weighted average traded price of Offeree Shares has fluctuated within a range of HK$7.48 to HK$8.35. As at the Latest Practicable Date, the weighted average traded price of Offeree Shares was at HK$8.02. The mean of daily weighted average traded price of the Offeree Shares during the Post Announcement Period is HK$8.01 per Offeree Share.

As shown in the analysis above, the ascribed value of HK$11.00 represents a premium of approximately 47.1% to the lowest weighted average traded price of Offeree Shares of HK$7.48 and a premium of approximately 31.7% to the maximum weighted average traded price of the Offeree Shares HK$8.35 during the Post Announcement Period. It also represents a premium of approximately 37.3% over the mean of weighted average traded price of the Offeree Shares of HK$8.01 during the Post Announcement Period.

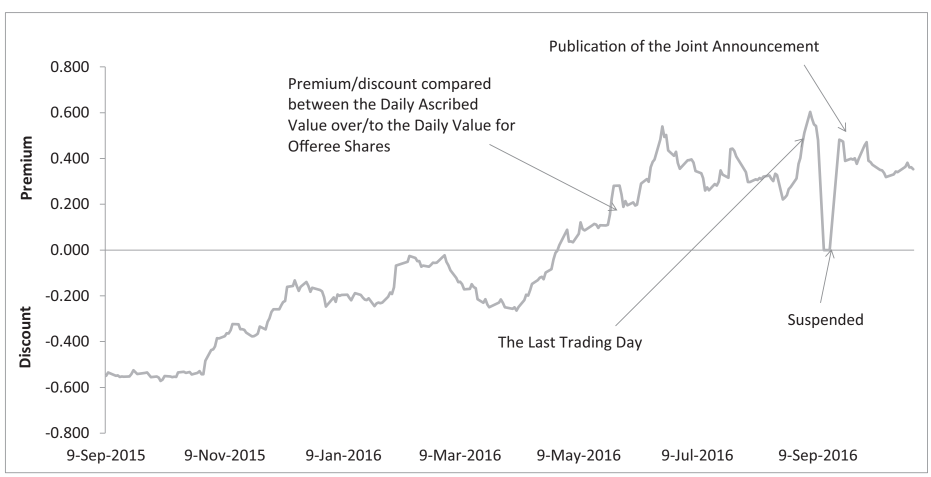
Further, the Six-month Mean Ascribed Value of HK$8.78 represents a premium of approximately 17.4% to the lowest weighted average traded price of Offeree Shares of HK$7.48 and a premium of approximately 5.1% to the maximum weighted average traded price of the Offeree Shares HK$8.35 during the Post Announcement Period. It also represents a premium of approximately 9.6% over the mean of weighted average traded price of the Offeree Shares of HK$8.01 during the Post Announcement Period.

On the other hand, the implied issue price of HK$2.99 represents a discount of approximately 29.0% and 35.3% to the lowest and highest weighted average traded price of Fullshare Shares of HK$4.21 and HK$4.62 during the Post Announcement Period, respectively.

Having further considered the premium represented by the ascribed value per Offeree Share and the Six-month Ascribed Value to the recent weighted average traded price of the Offeree Shares as compared with the discount represented by the implied issue price per new Fullshare Share to the recent weighted average traded price of the Fullshare Shares, the Offer provides an opportunity for the Offeree Independent Shareholders to dispose the Offeree Shares at a price which is at a high premium to the recent market price. We note that the implied issue price of Fullshare Shares is at a substantive premium to the net assets value per Fullshare Share. However, the Offeree Shareholders are able to obtain Fullshare Shares at a price which is at a deep discount to the recent market price of Fullshare, which is the price which Fullshare Shares can be bought and sold at and the market price has already priced in the net asset value of Fullshare.

Share price performance of the daily ascribed value per Offeree Share

Based on the exchange ratio of 5 new Fullshare Shares per 2 Offeree Shares, we have conducted an analysis on the daily ascribed value per Offeree Share (equivalent to the daily weighted average traded price of Fullshare Shares as quoted on the Stock Exchange multiplied by 5 and divided by 2 for each Offeree Share) ("**Daily Ascribed Value**") as compared to the daily weighted average traded price of the Offeree Shares ("**Daily Value for Offeree Shares**") throughout the Review Period, and the chart below depicts the premium/discount for the Daily Ascribed Value over/to the Daily Value for Offeree Shares.



Source: Bloomberg

Note: the trading of Fullshare Shares and Offeree Shares was suspended from 12 September 2016 to 15 September 2016.

As illustrated on the above chart, it is noted that throughout the Review Period, the Daily Ascribed Value to the Daily Value for Offeree Shares represents an increasing trend and turned from discount rate to premium rate on 28 April 2016, with the maximum premium of approximately 60.4% that was recorded on 5 September 2016. We noted that the daily weighted average traded price of Fullshare Shares has been continuously increasing during the Review Period with a minimum weighted average traded price of HK$1.14 on 9 September 2015 and a maximum weighted average traded price of HK$4.62 on 22 September 2016. With the uptrend of the Daily Ascribed Value to the Daily Value for Offeree Shares ratio and an increasing price trend of Fullshare Shares throughout the Review Period, we are of the view that the exchange ratio of 5 new Fullshare Shares per 2 Offeree Shares under the Offer is fair and reasonable and is favorable to the Offeree Independent Shareholders as a whole.

However, Offeree Independent Shareholders should take into account that the ascribed value per Offeree Share is calculated based on an all-time high of Fullshare Share's price, which has increased by nearly four times during the Pre Announcement Period and has been maintaining at this level up to the Latest Practicable Date. There is no guarantee that the current market price of the Fullshare Shares will or will not sustain during and after the period for the acceptance of the Offer. We strongly suggest that the Offeree Independent Shareholders should closely monitor the market prices and liquidity of the Offeree Shares and the Fullshare Shares during the Offer Period.

Independent Shareholders should note that the information set out above is not an indicator of the future performance of the Fullshare Shares and Offeree Shares and that the price of the Fullshare Shares and Offeree Shares, may increase or decrease from its closing price after the Latest Practicable Date.

2. Liquidity of the Shares

Trading volume of Fullshare Shares

For the purpose of assessing the trading liquidity of the Fullshare Shares, we set out below the total monthly trading volume, the average daily trading volume per month and the respective percentage of average daily trading volume to total number of Shares in issue at month end during the Review Period.

Month	**Total monthly trading volume** *(Number of Fullshare Shares)*	**Average daily trading volume** *(Number of Fullshare Shares) (Note)*	**Percentage of average daily trading volume to total number of Fullshare Shares in issue at month end** *(%)*	**Percentage of average daily trading volume to total number of Fullshare Shares held by public shareholders at month end** *(%)*	**Number of trading days of Fullshare in the relevant month** *(days)*
2015					
September	398,535,000	26,569,000	0.186%	0.648%	15
October	716,991,920	35,849,596.00	0.252%	1.133%	20
November	686,587,000	32,694,619.05	0.215%	0.797%	21
December	639,860,093	30,469,528.24	0.195%	0.722%	21
2016					
January	308,043,817	15,402,190.85	0.098%	0.365%	20
February	357,389,408	19,854,967.11	0.127%	0.471%	18
March	492,076,730	23,432,225.24	0.150%	0.555%	21
April	534,390,620	26,719,531.00	0.171%	0.633%	20
May	773,545,252	36,835,488	0.236%	0.873%	21
June	702,925,631	35,146,281.55	0.223%	0.833%	20
July	446,349,103	22,317,455	0.142%	0.529%	20
August	473,391,205	21,517,782	0.137%	0.510%	22
September	463,318,734	27,254,043	0.166%	0.628%	17
October (Up to the Latest Practicable Date)	362,080,140	20,126,674	0.123%	0.464%	18

Source: Bloomberg

Notes: Average daily trading volume is calculated by dividing the total trading volume of the Fullshare Shares for the month by the number of trading days during the month.

As illustrated in the table above, the average daily trading volume of the Fullshare Shares as a percentage of the total number of the Fullshare Shares in issue ranged from 0.098% to 0.252% and the average daily trading volume of the Fullshare Shares as a percentage of the total number of Fullshare Shares held by the public shareholders of Fullshare ranged from approximately 0.365% to 1.133%. Both of the above average daily trading volume of the Fullshare Shares are below 2%. Hence, the trading volume of Fullshare Shares is relatively thin.

Trading volume of the Offeree Shares

For the purpose of assessing the trading liquidity of the Offeree Shares, we set out below the total monthly trading volume, the average daily trading volume per month and the respective percentage of average daily trading volume to total number of Offeree Shares in issue at month end during the Review Period.

Month	**Total monthly trading volume** *(Number of Offeree Shares)*	**Average daily trading volume** *(Number of Offeree Shares) (Note)*	**Percentage of average daily trading volume to total number of Offeree Shares in issue at month end** *(%)*	**Percentage of average daily trading volume to total number of Offeree Shares held by public shareholders at month end** *(%)*	**Number of trading days of the Offeree Company in the relevant month** *(days)*
2015					
September	185,695,750	12,379,717	0.757%	1.203%	15
October	205,896,348	10,294,817.40	0.630%	1.001%	20
November	182,574,520	8,694,024.76	0.532%	0.845%	21
December	112,410,540	5,352,882.86	0.327%	0.520%	21
2016					
January	132,320,009	6,616,000.45	0.405%	0.643%	20
February	91,507,439	5,083,746.61	0.311%	0.494%	18
March	187,814,147	8,943,530.81	0.547%	0.869%	21
April	102,119,569	5,105,978.45	0.312%	0.496%	20
May	124,034,136	5,906,387	0.361%	0.574%	21
June	177,341,369	8,867,068.45	0.542%	0.862%	20
July	160,151,002	8,007,550	0.490%	0.778%	20
August	224,068,597	10,184,936	0.623%	0.990%	22
September	340,045,901	20,002,700	1.223%	1.945%	17
October (Up to the Latest Practicable Date)	118,648,322	6,591,573	0.403%	0.641%	18

Source: Bloomberg

Note: Average daily trading volume is calculated by dividing the total trading volume of the Offeree Shares for the month by the number of trading days during the month.

As illustrated in the table above, the average daily trading volume of the Offeree Shares as a percentage of the total number of the Offeree Shares in issue ranged from approximately 0.311% to 1.223% and the average daily trading volume of the Offeree Shares as a percentage of the total number of Offeree Shares held by the public shareholders of the Offeree Company ranged from approximately 0.494% to 1.945%. Both of the above average daily trading volume of the Offeree Shares are below 2% throughout the Review Period. Hence, the trading volume of Offeree Shares is relatively thin.

The Offeree Independent Shareholders, especially those with significant shareholdings in the Offeree, should note that if they wish to realise their investments in the Offeree Shares, they might not be able to dispose of the Offeree Shares in the market without exerting a downward pressure on the market price of the Offeree Shares which may be lower than the ascribed value of HK$11.00 per Offeree Share. The Offer provides an investment alternative for the Offeree Independent Shareholders to switch their investments to Fullshare. However, Offeree Independent Shareholders who accept the Offer should also note that since the trading volume in the shares of Fullshare is also very thin, they might not be able to dispose of the Fullshare Shares in the market, if so desired, without exerting a downward pressure on the market price of the Fullshare Shares.

3. Comparable analysis

Comparable analysis of Offeree Company

Based on the ascribed value of HK$11.00 per Offeree Shares and the total number of issued Offeree Shares of 1,635,291,556 as at the Latest Practicable Date, the Offeree Company is valued at approximately HK$17,988.21 million. The P/E and P/B ratio of the Offeree Company implied by the ascribed value of Offeree Shares is approximately 15.01 times (the "**Implied Offeree Company P/E Ratio**") and 1.55 times (the "**Implied Offeree Company P/B Ratio**"), respectively, based on the profit attributable to equity holders of the Offeree Company of approximately RMB1,033.10 million (equivalent to approximately HK$1,198.39 million) for the year ended 31 December 2015 and the net asset value attributable to owners of the Offeree Company of approximately RMB10,015.61 million (equivalent to approximately HK$11,618.11 million) as at 30 June 2016.

In order to assess the fairness and reasonableness of the ascribed value of the Offeree Shares, to the best of our endeavours, we have attempted to identify the comparable companies that are (i) listed on the Stock Exchange; and (ii) principally engaged in the renewable energy industry (with over 70% of revenue in their latest financial year derived from this segment), which is the same or a similar business as the major business segment of the Offeree Company (representing approximately 79.3% of the Offeree Group's total revenue for the year ended 31 December 2015). Based on the above selection criteria, eleven comparable companies (the "**Offeree Company Comparables**") are identified, which are exhaustive under the selection criteria, details of which are listed below:

Company (Stock code)	**Market Capitalisation as at the Latest Practicable Date** *(Note 1)* *(HK$' million)*	**Profit attributable to equity holders** *(Note 2)* *(HK$' million)*	**Net asset value attributable to owners** *(Note 3)* *(HK$' million)*	**P/E** *(Note 4)*	**P/B** *(Note 5)*
China Solar Energy Holdings Ltd. (155.HK) *(Note 6)*	276.93	(136.86)	699.89	N/A	0.40
Concord New Energy Group Ltd. (182.HK)	3,449.49	508.05	5,764.70	6.79	0.60
Hanergy Thin Film Power Group Ltd. (566.HK) *(Note 6) (Note 7)*	163,231.16	(12,233.54)	8,154.73	N/A	20.02
United Photovoltaics Group Ltd. (686.HK)	3,245.69	418.38	2,885.90	7.76	1.12
FDG Electric Vehicles Ltd. (729.HK) *(Note 6)*	9,069.72	(264.66)	3,362.53	N/A	2.70
China Singyes Solar Technologies Holdings Ltd. (750.HK)	3,036.03	412.94	4,299.87	7.35	0.71
Solargiga Energy Holdings Ltd. (757.HK)	542.79	18.16	1,173.37	29.89	0.46
China Energine International (Holdings) Ltd. (1185.HK)	2,665.09	75.47	2,159.58	35.31	1.23
GCL-Poly Energy Holdings Ltd. (3800.HK)	19,516.84	2,813.26	23,388.73	6.94	0.83
China Ground Source Energy Industry Group Ltd. (8128.HK) *(Note 6)*	661.57	(47.51)	1,465.94	N/A	0.45
Honbridge Holdings Ltd. (8137.HK) *(Note 6)*	5,031.57	(1,984.98)	2,090.93	N/A	2.41
			Maximum	35.31	2.70
			Minimum	6.79	0.40
			Mean	15.67	1.09
			Median	7.55	0.77
Offeree Company				15.01	1.55

Source: website of the Stock Exchange (www.hkex.com.hk)

Note:

1. The market capitalisation of the Offeree Company Comparables is calculated on the basis of their respective closing prices of the shares and the total number of issued shares as at Latest Practicable Date.

2. The respective profit attributable to equity holders as disclosed in the latest public annual reports and/or annual results announcements on or before the Latest Practicable Date.

3. The respective net asset values attributable to owners as disclosed in the latest published annual/interim reports and/or annual/interim results announcements on or before the Latest Practicable Date.

4. The P/E ratios of the Offeree Company Comparables are calculated on the basis of their respective market capitalisation and profit attributable to equity holders as disclosed in the latest public annual reports and/or annual results announcements on or before the Latest Practicable Date.

5. The P/B ratios of the Offeree Company Comparables are calculated on the basis of their respective market capitalisation and net asset values attributable to shareholders as disclosed in the latest published annual/interim reports and/or annual/interim results announcements on or before the Latest Practicable Date.

6. Given the P/E ratio of China Solar Energy Holdings Ltd., Hanergy Thin Film Power Group Ltd., FDG Electric Vehicles Ltd., China Ground Source Energy Industry Group Ltd. and Honbridge Holdings Ltd. recorded net loss for their latest published annual net profit, its P/E ratio is not available to be calculated.

7. Given the P/B ratio of Hanergy Thin Film Power Group Ltd. is notably higher than the rest of the Offeree Company Comparables, such P/B ratio was excluded from the analysis.

8. For the purpose of this table, the translation into HK$ is based on the average exchange rate of RMB1.00 to HK$1.16 for the purpose of illustration only.

As shown in the table above, the P/E ratio of the Offeree Company Comparables ranges from approximately 6.79 to approximately 35.31 with an average of 15.67 and the P/B ratio of the Offeree Company Comparables ranges from approximately 0.40 to approximately 2.70 with an average of 1.09. We noted that the Implied Offeree Company P/E Ratio is slightly below the mean but still lies within the range of P/E ratio of the Offeree Company Comparables and above the median of the Offeree Company Comparables. The Implied Offeree Company P/B Ratio lies within the range and above the mean and median of P/B ratio of the Offeree Company Comparables. Based on the above, we consider the ascribed value of the Offeree Shares is fair and reasonable.

VI. FINANCIAL EFFECTS OF THE OFFER

As set out in the Letter from the Offeree Board, the Offeree Group issued the Offeree RMB Bonds on 12 November 2014. Pursuant to the terms and conditions of the Offeree RMB Bonds, the Offeree RMB Bonds are redeemable at the option of the bondholders on the fourteenth day (the "**Bonds Settlement Date**") after the expiry of 30 days following the occurrence of a change of control of the Offeree Company at 101 per cent. of their principal amount together with accrued interest to the Bonds Settlement Date (the "**Early Redemption Obligation**"). As at the Latest Practicable Date, the principal outstanding amount of the Offeree RMB Bonds is RMB264,630,000 and assuming that the Offer becomes unconditional on the First Closing Date and all bondholders elect to exercise their options to redeem all the outstanding offeree RMB Bonds, the total payment to be made by the Offeree Company under the Early Redemption Obligation is approximately RMB281,177,049. The Offeree Directors confirm that the Offeree Company has sufficient cash in possession to fulfill the Early Redemption Obligation. As set out in the 2016 Offeree Interim Report, the Offeree Group had a bank balances and cash of approximately RMB3,356.6 million. Since the total payment to be made under the Early Redemption Obligation accounts for only a small portion of approximately 8.4% of the total bank balances and cash of the Offeree Group, the Offeree Directors confirm, and we concur, that it will not have any material adverse impact to the financial position and existing business operations of the Offeree Group.

RECOMMENDATION

Having taken into account the following principal factors and reasons:

(i) positive outlook of the business segments of Fullshare;

(ii) the significant improvement in the financial performance of the Fullshare Group from FY2014 to FY2015 and from 1H2015 to 1H2016;

(iii) a premium of the ascribed value of Offeree Share and the Six-month Mean Ascribed Value and, despite a premium to the net assets value per Fullshare Shares, a deep discount of the implied issue price of Fullshare Shares to the corresponding recent market price;

(iv) the trading volume of Offeree Shares is relatively thin, Offeree Independent Shareholders (especially those with significant shareholdings in the Offeree) might not be able to dispose of their shareholding in the Offeree in the market without exerting a downward pressure on the market price of the Offeree Shares. The Offer provides an opportunity to switch their investments to Fullshare (however, it should also be noted that the trading volume in the shares of Fullshare is also thin); and

(v) the Implied Offeree Company P/E Ratio is slightly below the mean but still lies within the range of P/E ratio of the Offeree Company Comparables and above the median of the Offeree Company Comparables and the Implied Offeree Company P/B Ratio lies within the range and above the mean and median of P/B ratio of the Offeree Company Comparables,

we are of the opinion that the terms of the Offer are fair and reasonable so far as the Offeree Independent Shareholders are concerned. Accordingly, we recommend the Offeree IBC to advise the Offeree Independent Shareholders to accept the Offer.

The Offeree Independent Shareholders should note the Offer is a share exchange offer which does not involve cash. The ascribed value of the Fullshare Shares under the Offer will change from time to time according to the fluctuations in the price of the Fullshare Shares and the Offeree Shares during the Offer Period, and it is uncertain whether the market prices of the Offeree Shares and/or the Fullshare Shares would rise or not and whether the ascribed value of the Offeree Shares under the Offer would represent a discount or premium to their respective market prices during and after the Offer (whether the Offer becomes unconditional or not).

Further, Offeree Independent Shareholders should note that the Fullshare Share's price has increased significantly during the Pre Announcement Period and has been maintaining at this level up to the Latest Practicable Date. There is no guarantee that the current market price of the Fullshare Shares will or will not sustain during and after the period for the acceptance of the Offer.

The Offeree Independent Shareholders, in particular those who intend to hold their interest as short-term investment, should closely monitor the market prices and liquidity of the Offeree Shares and the Fullshare Shares during the Offer Period.

The Independent Shareholders are strongly advised that the decision to accept the Offer or to hold their investment in the Shares is subject to individual circumstances and investment objectives. As different Independent Shareholders would have different investment criteria, objectives, risk preferences and tolerance levels and/or circumstances, we would recommend any Independent Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser before making the decision to, whether or not, accept the Offer. The Independent Shareholders are also reminded to read carefully the procedures for accepting the Offer as detailed in the Composite Document, the appendices to the Composite Document and the relevant form of acceptance and transfer, if they wish to accept the Offer.

Yours faithfully,
For and on behalf of
TC Capital International Limited

Edward Wu
Chairman

Stanley Chung
Managing Director

Note: Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2005. Mr. Stanley Chung has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2006. Both Mr. Wu and Mr. Chung have participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

*The English translation of the Chinese name(s) in this letter, where indicated with * is included for information purpose only and should not be regarded as the official English name(s) of such Chinese names.*

1. PROCEDURES FOR ACCEPTANCE

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

(a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offeree Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror and the Offeree Company may jointly announce with consent of the Executive in compliance with the Takeovers Code.

(b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offeree Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your holding of Offeree Shares (whether in full or in part), you must either:

(i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Offeree Shares to be registered in your name by the Offeree Company through the Registrar, and deliver the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) if your Offeree Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Offeree Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them.

(c) If you have lodged transfer(s) of any of your Offeree Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Offeree Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Offeror and/or BaoQiao Partners or their respective agent(s) to collect from the Offeree Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

(d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offeree Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Offeree Shares, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(e) Acceptance of the Offer will be treated as effective and valid only if the completed Form of Acceptance is received by the Registrar on or before the latest time for acceptance of the Offer and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:

(i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Offeree Shares; or

(ii) from a registered Offeree Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Offeree Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or

(iii) certified by the Registrar or the Stock Exchange.

(f) If the Form of Acceptance is executed by a person other than the registered Offeree Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

(g) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

(a) The Offer is conditional upon, among other things, the Offeror having received acceptances in respect of the Offeree Shares which, together with the Offeree Shares acquired or agreed to be acquired before or during the Offer, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Offeree Company. Unless the Offer has previously been extended or revised with the consent of the Executive in accordance with the Takeovers Code, the latest time and date for acceptance will be 4:00 p.m. on the First Closing Date, or if the Offer is extended, any subsequent closing date of the Offer will be announced by the Offeror, or in the event that the Offer becomes or is declared unconditional as to acceptances, a statement may be made that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given to those Offeree Independent Shareholders who have not accepted the Offer and an announcement will be published.

(b) Where the Offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptance for not less than 14 days thereafter. When the Offer becomes or is declared unconditional in all respects, at least 14 days' notice in writing must be given before the Offer is closed to those Offeree Independent Shareholders who have not accepted the Offer and an announcement will be published.

(c) In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Offeree Shareholders who have not accepted the Offer.

(d) If the Offeror revises the terms of the Offer, all Offeree Shareholders, whether or not they have already accepted the Offer will be entitled to the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.

(e) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offer so extended.

If there is (i) a tropical cyclone warning signal number 8 or above; or (ii) a "black" rainstorm warning signal: (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the first Closing Date, the latest time and date for acceptance of the Offer will be extended to 4:00 p.m. on the same Business Day; or (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the first Closing Date, the latest time and date for acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve.

3. ANNOUNCEMENT

(a) As required under Rule 19 of the Takeovers Code, by 6: 00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. the Offeror must publish an announcement in accordance with the requirements of Listing Rules by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired or has become or been declared unconditional (and, in such case, whether as to acceptances or in all respects).

Such announcement must state the following:

(i) the total number of Offeree Shares and rights over Offeree Shares for which acceptances of the Offer has been received;

(ii) the total number of Offeree Shares and rights over Offeree Shares held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period;

(iii) the total number of Offeree Shares and rights over Offeree Shares acquired or agreed to be acquired by the Offeror and parties acting in concert with it during the Offer Period;

(iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Offeree Company which the Offeror and parties acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and

(v) the percentages of the relevant classes of issued share capital of the Offeree Company and the percentages of voting rights of the Offeree Company represented by these numbers of Offeree Shares.

(b) In computing the total number of Offeree Shares represented by acceptances, only valid acceptances that are complete, in good order and fulfil the acceptance conditions set out in this Appendix I, and which have been received by the Registrar or the Offeree Company (as the case may be) no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

(c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offer will be published on the website of the Stock Exchange (www.hkexnews.hk), the website of Fullshare (www.fullshare.com) and the website of the Offeree Company (www.chste.com).

4. NOMINEE REGISTRATION

To ensure equality of treatment to all Offeree Independent Shareholders, those registered Offeree Independent Shareholders who hold the Offeree Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offeree Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

5. RIGHT OF WITHDRAWAL

(a) The Offer is conditional upon fulfillment of the Conditions set out in the "Letter from BaoQiao Partners" in this Composite Document.

(b) Acceptance of the Offer tendered by the Offeree Shareholders, respectively, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (c) below or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offer shall be entitled to withdraw his/her acceptance after 21 days from the First Closing Date (being 21 November 2016) if the Offer has not by then become unconditional as to acceptances. An acceptor of the Offer may withdraw his/her acceptance by lodging a notice in writing signed by the acceptor (or his/her agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar or the Offeree Company (as the case may be).

(c) If the Offeror is unable to comply with the requirements set out in paragraph 3 of this Appendix I headed "Announcement" above, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Offeree Shareholders who have tendered acceptance to the Offer, be granted a right of withdrawal on terms that are acceptable to the Executive until the requirement of Rule 19 of the Takeovers Code can be met.

In such case, when the Offeree Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Offeree Shareholder(s).

6. SETTLEMENT OF THE OFFER

Consideration of the Offer will be settled by way of issue of new Fullshare Shares, and new share certificates of such Fullshare Shares will be posted by ordinary post to the Offeree Independent Shareholders accepting the Offer at his/her/its own risk as soon as possible, but in any event within seven (7) Business Days following the later of the date on which the Offer becomes or is declared unconditional in all respects and the date on which receipt of a complete and valid acceptance of the Offer with which relevant Offeree Shares are duly tendered.

Offeree Independent Shareholders should be aware that in accepting the Offer, any resulting fractions of a new Fullshare Share will be disregarded and such fractions of a new Fullshare Share will not be issued.

Offeree Independent Shareholders should also be aware that Fullshare Shares are traded in board lots of 2,500 shares and that no arrangements are intended to be made for the trading of odd lots of Fullshare Shares resulting from the acceptance of the Offer.

The timing and procedures for settlement of the consideration to which the accepting Offeree Independent Shareholders will be entitled (if the Offer becomes, or is declared, unconditional in all respects) are also set out in the Form of Acceptance and in the section headed "Settlement of Consideration" contained in the "Letter from BaoQiao Partners" in this Composite Document. In the event the Offer lapses, any share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnifies in respect thereof) lodged with the Form of Acceptance will be returned to the Offeree Independent Shareholders who have accepted the Offer by ordinary post at the Offeree Independent Shareholders' own risks as soon as possible but in any event within ten (10) days after the Offer has lapsed.

7. HONG KONG STAMP DUTY

Sellers' and buyers' ad valorem stamp duty for the Offeree Shares on the Hong Kong branch share register arising in connection with the acceptances of the Offer, amounting to HK$1.00 for every HK$1,000 or part thereof of the higher of (i) the consideration payable in respect of the relevant acceptances or (ii) the market value of the Offeree Shares tendered for acceptance will be borne by the Offeror.

Offeree Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of Fullshare, the Offeror, parties acting in concert with Fullshare or the Offeror, the Offeree Company, BaoQiao Partners, the Offeree IFA, the Registrar or any of their respective ultimate beneficial owners, directors, officers, advisers, associates, agents or any other professional adviser(s) to Fullshare, the Offeror or the Offeree Company or any other parties involved in the Offer is in a position to advise the Offeree Independent Shareholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

8. OVERSEAS OFFEREE SHAREHOLDERS

This Composite Document will not be filed under the applicable securities or equivalent legislation or rules of any jurisdictions other than Hong Kong.

If this Composite Document is made available to any overseas Offeree Shareholders, such Offeree Shareholder by tendering the Offeree Shares to the Offeror in the Offer will be deemed to constitute a warranty to the Offeror that the offer, allotment, issue of the new Fullshare Shares to such Offeree Shareholder pursuant to the Offer comply with the requirements and restrictions of the applicable laws and regulations of the jurisdiction in which such Offeree Shareholder resides and that such laws and regulations do not require the Offeror to effect any registration of any securities or prospectus or to undertake any other filing or procedure in that jurisdiction, and agrees to indemnify and keep indemnified the Offeror against any liability that may arise if such warranty is breached. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited is subject to any of the warranties.

This Composite Document will also be sent to the Offeree Shareholders with a registered address outside Hong Kong. Offeree Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should obtain appropriate legal advice on, inform themselves about and observe any applicable legal requirement. It is the responsibility of each person who wishes to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due by such accepting Offeree Shareholders in respect of such jurisdiction. Acceptances of the Offer by any such person will constitute a warranty by such person that such person is permitted under all applicable laws to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws. Any such person shall be fully responsible for the payment of any transfer or cancellation or other taxes and duties imposed by whomsoever payable in respect of that jurisdiction due from him, her or it as a result of acceptance. the Offeror and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay.

Overseas Offeree Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

9. GENERAL

(a) All communications, notices, Form of Acceptance, certificates, transfer receipts and other documents of title and/or of indemnity and/or of any other nature to be delivered by or sent to or from the Offeree Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeree Company, the Offeror, Fullshare, their respective ultimate beneficial owners and parties acting in concert with the Offeror, BaoQiao Partners, Offeree IFA, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result thereof.

(b) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Offeree Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of Offeree Shares held by such nominee for such beneficial owners who accept the Offer.

(c) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.

(d) The accidental omission to despatch this Composite Document and/or the accompanying Form of Acceptance or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.

(e) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

(f) Due execution of the Form of Acceptance will constitute an authority to the Offeror and/or such person or persons as any of them may direct to complete and execute on behalf of the person accepting the Offer, and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct the Offeree Shares in respect of which such person has accepted the Offer.

(g) The Offer is made in accordance with the Takeovers Code.

(h) Settlement of the consideration to which any Offeree Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Offeree Shareholder.

(i) References to the Offer in this Composite Document and in the Form of the Acceptance shall include any extension and/or revision thereof.

(j) The English text of this Composite Document and of the accompanying Form of Acceptance shall prevail over the Chinese text.

1. SUMMARY OF FINANCIAL INFORMATION OF THE OFFEREE GROUP

The following is a summary of the financial information of the Offeree Group for each of the three financial years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016 as extracted from the annual reports of the Offeree Company for the year ended 31 December 2013, 2014 and 2015 and the interim report of the Offeree Company for the six months ended 30 June 2016, respectively.

	For the six months ended 30 June	**For the year ended 31 December**		
	2016	**2015**	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	4,532,454	9,845,695	8,147,338	6,539,058
Profit before taxation	729,894	1,347,200	306,607	88,429
Taxation	(178,876)	(344,303)	(130,925)	(57,272)
Profit for the period/year	551,018	1,002,897	175,682	31,157
Attributable to:				
Owners of the Offeree Company	575,843	1,033,097	208,422	64,573
Non-controlling interests	(24,825)	(30,200)	(32,740)	(33,416)
Dividend	–	318,944	–	–
Earnings per Share *(RMB)*				
Basic	0.352	0.632	0.127	0.047
Dividend per Share *(RMB)*	–	0.195	–	–

The audited consolidated financial statements of the Offeree Group for each of three years ended 31 December 2013, 2014 and 2015 did not contain any qualified opinion. There were no extraordinary items which were exceptional because of size, nature or incidence recorded on the financial statements of the Offeree Company during each of the three years ended 31 December 2013, 2014 and 2015, and during the six months ended 30 June 2016.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

Set out below is a reproduction of the text of the audited consolidated financial statements of the Offeree Group together with the accompanying notes contained in the annual report of the Offeree Company for the year ended 31 December 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Revenue	7	9,845,695	8,147,338
Cost of sales		(6,647,674)	(6,103,976)
Gross profit		3,198,021	2,043,362
Other income	8	326,462	399,563
Other gains and losses	9	(154,418)	(266,987)
Distribution and selling costs		(392,555)	(304,160)
Administrative expenses		(612,333)	(679,853)
Research and development costs		(330,688)	(167,482)
Finance costs	10	(643,270)	(741,608)
Share of results of associates		(56,945)	(5,686)
Share of results of joint ventures		12,926	29,458
Profit before taxation		1,347,200	306,607
Taxation	11	(344,303)	(130,925)
Profit for the year	13	1,002,897	175,682
Other comprehensive income (expense) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		307	41
Impairment loss on available-for-sale financial assets reclassified to profit or loss		36,468	–
Fair value (loss) gain on:			
Available-for-sale financial assets		–	(26,090)
Reclassified to profit or loss on:			
disposal of available-for-sale financial assets, net of income tax		–	(932)
Settlement of cash flow hedges		–	1,529
Other comprehensive income (expense) for the year		36,775	(25,452)
Total comprehensive income for the year		1,039,672	150,230

	NOTES	2015 RMB'000	2014 RMB'000
Profit (loss) for the year attributable to:			
Owners of the Company		1,033,097	208,422
Non-controlling interests		(30,200)	(32,740)
		1,002,897	175,682
Total comprehensive income (expense) attributable to:			
Owners of the Company		1,069,872	182,970
Non-controlling interests		(30,200)	(32,740)
		1,039,672	150,230
Earnings per share	*15*		
Basic *(RMB)*		0.632	0.127

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	5,520,057	5,939,512
Prepaid lease payments	18	669,923	596,690
Goodwill	19	2,991	2,991
Intangible assets	20	163,800	230,534
Interests in associates	21	157,277	165,905
Interests in joint ventures	22	96,591	55,007
Other receivable	23	519,874	–
Available-for-sale investments	24	196,174	135,691
Deposit for land lease	25	191,800	280,800
Prepayment for acquisition of property, plant and equipment		3,656	115,832
Deferred tax assets	26	232,385	117,200
Amounts due from an associate	29	226,278	–
		7,980,806	7,640,162
CURRENT ASSETS			
Inventories	27	2,075,239	2,275,180
Prepaid lease payments	18	15,276	13,849
Trade and other receivables	28	8,650,502	7,819,484
Amounts due from associates	29	247,016	34,780
Amounts due from joint ventures	30	39,270	44,529
Tax asset		3,459	5,561
Structured bank deposits	31	1,755,000	1,097,399
Pledged bank deposits	31	2,403,640	2,756,201
Bank balances and cash	31	2,121,873	1,649,705
		17,311,275	15,696,688
Assets classified as held for sale	16	–	1,962,654
		17,311,275	17,659,342

	NOTES	2015 RMB'000	2014 RMB'000
CURRENT LIABILITIES			
Trade and other payables	32	6,408,813	4,279,154
Amounts due to associates	29	1,888	96,089
Amount due to a joint venture	30	510	–
Tax liabilities		329,772	43,067
Borrowings	33	5,618,194	7,971,209
Financial liabilities at fair value through profit or loss	34	596,656	327,072
Warranty provision	35	100,342	99,781
Obligation under finance leases	36	158,556	167,073
		13,214,731	12,983,445
Liabilities directly associated with assets classified as held for sale	16	–	202,923
		13,214,731	13,186,368
NET CURRENT ASSETS		4,096,544	24,472,974
TOTAL ASSETS LESS CURRENT LIABILITIES		12,077,350	12,113,136
NON-CURRENT LIABILITIES			
Borrowings	33	1,948,126	2,967,562
Deferred tax liabilities	26	51,319	39,089
Deferred income	37	96,651	81,824
Obligation under finance leases	36	6,516	154,559
		2,102,612	3,243,034
		9,974,738	8,870,102
CAPITAL AND RESERVES			
Share capital	38	119,218	119,218
Reserves		9,639,884	8,569,153
Equity attributable to owners of the Company		9,759,102	8,688,371
Non-controlling interests		215,636	181,731
		9,974,738	8,870,102

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company												
	Share capital *RMB'000*	Share premium *RMB'000*	Deemed capital contribution reserve *RMB'000* *(note a)*	Capital reserve *RMB'000* *(note b)*	Investment revaluation reserve *RMB'000*	Statutory surplus reserve *RMB'000* *(note c)*	Other reserve *RMB'000* *(note d)*	Exchange reserve *RMB'000*	Hedging reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2014	119,218	5,010,141	77,651	157,765	(9,446)	366,125	52,335	(1,174)	(1,529)	2,742,791	8,513,877	247,824	8,761,701
Profit for the year	–	–	–	–	–	–	–	–	–	208,422	208,422	(32,740)	175,682
Other comprehensive expense for the year	–	–	–	–	(27,022)	–	–	41	1,529	–	(25,452)	–	(25,452)
Total comprehensive (expense) income for the year	–	–	–	–	(27,022)	–	–	41	1,529	208,422	182,970	(32,740)	150,230
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	11,391	11,391
Appropriation	–	–	–	–	–	181	–	–	–	(181)	–	–	–
Capital contributions by non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	12,980	12,980
Acquisition of additional interest in subsidiaries	–	–	–	(8,476)	–	–	–	–	–	–	(8,476)	(57,724)	(66,200)
At 31 December 2014	119,218	5,010,141	77,651	149,289	(36,468)	366,306	52,335	(1,133)	–	2,951,032	8,688,371	181,731	8,870,102

	Attributable to owners of the Company												
	Share capital *RMB'000*	Share premium *RMB'000*	Deemed capital contribution reserve *RMB'000* *(note a)*	Capital reserve *RMB'000* *(note b)*	Investment revaluation reserve *RMB'000*	Statutory surplus reserve *RMB'000* *(note c)*	Other reserve *RMB'000* *(note d)*	Exchange reserve *RMB'000*	Hedging reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
Profit for the year	–	–	–	–	–	–	–	–	–	1,033,097	1,033,097	(30,200)	1,002,897
Other comprehensive income for the year	–	–	–	–	36,468	–	–	307	–	–	36,775	–	36,775
Total comprehensive income (expense) for the year	–	–	–	–	36,468	–	–	307	–	1,033,097	1,069,872	(30,200)	1,039,672
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(31)	(31)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(33,038)	(33,038)
Disposal of partial interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	97,209	97,209
Appropriation	–	–	–	–	–	152	–	–	–	(152)	–	–	–
Capital contributions by non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	1,960	1,960
Acquisition of additional interest in subsidiaries	–	–	–	859	–	–	–	–	–	–	859	(1,995)	(1,136)
At 31 December 2015	119,218	5,010,141	77,651	150,148	–	366,458	52,335	(826)	–	3,983,977	9,759,102	215,636	9,974,738

Note a: The deemed capital contribution reserve arose from a deemed capital contribution from shareholders in 2006.

Note b: The changes in 2015 and 2014 represent the difference between the consideration and the net assets changes of subsidiaries attributable to non-controlling interest upon acquisition of additional interest in subsidiaries, and capital contribution from non-controlling shareholders.

Note c: Pursuant to relevant laws and regulations in the People's Republic of China ("PRC") and the Articles of Association of the PRC subsidiaries of the Company, the PRC subsidiaries are required to make appropriation from profit after taxation to the statutory surplus reserve at a rate of 10%. The statutory surplus reserve may be used to make up losses incurred and, with the approval from relevant government authorities, to increase capital.

Note d: The other reserve represents the net assets of Nanjing High Speed & Accurate Gear (Group) Co., Ltd ("Nanjing High Accurate"), which was contributed to the Group by the founder shareholders of Nanjing High Accurate when the founder shareholders obtained control of Nanjing High Accurate as well as the subsequent acquisition of additional equity interest in Nanjing High Accurate and contributed to the Group by the founder shareholders of Nanjing High Accurate.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES			
Profit before taxation		1,347,200	306,607
Adjustments for:			
Allowance for inventories		39,364	39,223
Amortisation of intangible assets		81,361	95,310
Bank interest income		(91,896)	(116,417)
Depreciation of property, plant and equipment		572,688	629,518
Finance costs		643,270	741,608
Fair value change on financial liabilities at fair value through profit or loss		7,232	2,302
(Gain) Loss on disposal of property, plant and equipment		(1,385)	529
Impairment loss on intangible assets		38,848	47,959
Impairment loss on trade and other receivables		117,418	36,041
Impairment loss on available-for-sale investments		58,989	–
Impairment loss on property, plant and equipment		40,532	23,119
Investment income recognised in profit or loss		(30,203)	(13,254)
Net foreign exchange gain arising from bank borrowing		23,505	4,917
Gain on disposal of available-for-sale investments		–	(932)
Deemed gain on dilution of equity interest in an associate		(1,833)	–
Loss on disposal of a joint venture		–	129,577
Gain from bargain purchase		–	(2,947)
Gain on disposal of subsidiaries		(82,422)	(3,747)
Release of prepaid lease payments		14,138	18,687
Share of results of associates		56,945	5,686
Share of results of joint ventures		(12,926)	(29,458)
Release of deferred income		(4,328)	(4,584)
Operating cash flows before movements in working capital		2,816,497	1,909,744
Inflow from new injection subsidiary		–	96,085
Decrease (increase) in inventories		134,234	(75,711)
Decrease (increase) in trade and other receivables		386,073	(1,451,666)
Net changes in amounts due from/to associates		(213,737)	(9,724)
Net changes in amounts due from/to joint ventures		5,769	(24,537)
Increase in trade and other payables		2,124,778	162,561
Increase in warranty provision		561	44,239

	NOTES	2015 RMB'000	2014 RMB'000
Cash generated from operations		5,254,175	650,991
Income tax paid		(158,451)	(169,581)
NET CASH FROM OPERATING ACTIVITIES		5,095,724	481,410
INVESTING ACTIVITIES			
Placement in pledged bank deposits		(10,825,293)	(5,445,516)
Purchase of property, plant and equipment		(255,365)	(575,562)
Investment in structured bank deposits		(1,755,000)	(1,097,399)
Purchase of other investment		(500,000)	–
Prepaid lease payments paid		–	(150)
Prepayment for acquisition of property, plant and equipment		(280,736)	(115,832)
Expenditure on intangible assets		(21,817)	(126,270)
Acquisition of interest in an associate		(31,291)	(800)
Acquisition of interest in joint ventures		(158)	–
Purchase of available-for-sale investments		(63,004)	(2,400)
Inflow from acquisition of a subsidiary	45	69	57,290
Withdrawal in pledged bank deposits		11,177,854	5,184,859
Inflow (outflow) of disposal of subsidiaries	46	400,181	(30,189)
Capital injection in a subsidiary		–	(96,085)
Proceeds from disposal of an associate		–	1,010
Withdrawal of structured bank deposits		1,097,399	200,000
Other investment income received		10,329	13,254
Government grants related to non-current assets		19,155	11,990
Interest received		91,896	116,417
Dividend received from a joint venture		–	25,000
Proceeds on disposal of property, plant and equipment		82,751	56,159
Proceeds on disposal of available-for-sale investments		–	5,717
NET CASH USED IN INVESTING ACTIVITIES		(853,030)	(1,818,507)

	NOTES	2015 RMB'000	2014 RMB'000
FINANCING ACTIVITIES			
New borrowings raised		8,103,015	12,414,001
Amounts raised from financial liabilities at fair value through profit or loss		1,299,612	324,771
Repayment of financial liabilities at fair value through profit or loss		(1,037,260)	–
Proceeds from sale and leaseback finance lease arrangements		–	54,965
Capital contribution by non-controlling shareholders		1,960	12,980
Repayment of borrowings		(11,299,471)	(11,061,537)
Interest paid		(680,686)	(778,465)
Repayment of obligation under finance leases		(156,560)	(133,333)
Acquisition of additional interests in subsidiaries		(1,136)	(66,200)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(3,770,526)	767,182
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		472,168	(569,915)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,649,705	2,235,371
CASH AND CASH EQUIVALENTS AT END OF THE YEAR,			
bank balances and cash		2,121,873	1,649,705
bank balances and cash included in assets classified as held for sale		–	15,751

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. General

The Company is a public limited company incorporated in the Cayman Islands as an exempted company with limited liability on 22 March 2005 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") with effect from 4 July 2007. The addresses of the registered office and principal place of business of the Company are disclosed in the section Corporate Information in the annual report.

The Company acts as investment holding. Particulars of the principal activities of its subsidiaries, associates and joint ventures are set out in notes 51, 21, and 22 respectively.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. Application of New and Revised International Financial Reporting Standards ("IFRSs")

(a) New and revised IFRSs adopted during the year

The Group has applied for the first time in the current year the following amendments to IFRSs:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions;
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle;
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle;

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[3]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to IAS 7	Disclosure Initiative[5]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[5]

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 2016.*
4 *Effective for annual periods beginning on or after a date to be determined.*
5 *Effective for annual periods beginning on or after 1 January 2017.*

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of IFRS 9 in the future may have an impact on the amounts reported in respect of the Group's financial assets. The Group is still in the process of assessing the impact and such impact will be disclosed in the future consolidated financial statements upon the completion of a detailed review.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors of the Company will assess the impact of the application of IFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of IFRS 16 until the Group performs a detailed review.

The directors of the Company do not anticipate that the application of other new and amendments to IFRSs will have a material impact on the Group's consolidated financial statements.

3. Significant accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with IFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company 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 listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed as of the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in associates and joint ventures

An associate is an entity over which the Group has 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 joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

The Group's accounting policy for recognition of revenue from operation leases is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs increased in negotiating and arranging an operating lease and added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term. Contingent rentals are credited to profit or loss in the period in which they actually arise.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RMB using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the statement of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax of the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Freehold land is stated at cost and is not amortised.

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at costs less accumulated amortisation and any accumulated impairment losses on the basis as intangible assets that are acquired separately. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into the following specified categories: loans and receivables, and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

AFS financial assets

AFS financial assets are non-derivatives that are either designated or not classified as loans and receivables, held-to-maturity investments, or financial assets at fair value through profit or loss ("FVTPL").

Listed securities held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from associates/joint ventures, other investment, structured bank deposits, pledged bank deposits, bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of that investment below its costs is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 6(c).

Other financial liabilities

Other financial liabilities (including trade and other payables, amounts due to associates, amount due to a joint venture and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over Tianjin Chuanzai Jingtong Financial Leasing Co., Ltd.

At 31 December 2015, Tianjin Chuanzai Jingtong Financial Leasing Co., Ltd. ("Tianjin Chuanzai") is considered as a subsidiary of the Group even though the Group has only 46.96% ownership interest (note 46). Based on the contractual arrangements between the Group and other investor, the Group has the power to appoint and remove the majority of the board of directors of Tianjin Chuanzai that has the power to direct the relevant activated of Tianjin Chuanzai. Therefore, the directors of the Company concluded that the Group has the practical ability to direct the relevant activities of Tianjin Chuanzai unilaterally and hence the Group has control over Tianjin Chuanzai.

Significant influence over Nanjing Gaochuan Electrical & Mechanical Auto Control Equipment Co., Ltd.

At 31 December 2015, 南京高傳機電自動控制設備有限公司 Nanjing Gaochuan Electrical & Mechanical Auto Control Equipment Co., Ltd. ("Nanjing Gaochuan") is an associate of the Group although the Group only owns 10% ownership interest in Nanjing Gaochuan (note 46). The Group has significant influence over Nanjing Gaochuan by virtue of the contractual right to appoint one out of the five directors to the board of directors of that company.

Key sources of estimation uncertainty

The following are 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.

Allowances for bad and doubtful debts

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade receivables. Allowances are applied to trade receivables where events or changes in circumstances indicated that the balances may not be collectible. The identification of bad and doubtful debts requires the use of estimates. Where the expectation of future cash receipts is different from the original estimate, such difference will impact the carrying amounts of trade receivables and doubtful debts expenses in the year in which such estimate is changed. As at 31 December 2015, the carrying amount of trade receivables (excluding bills receivable) is RMB3,689,026,000 (net of allowance for bad and doubtful debts of RMB418,288,000) (31 December 2014: carrying amount of RMB3,450,803,000, net of allowance for bad and doubtful debts of RMB301,986,000).

Allowance for inventories

Management exercises their estimates in making allowance for inventories. Management reviews the inventory listing at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that no longer suitable for use in operation. As at 31 December 2015, the carrying amount of inventories is RMB2,075,239,000 (net of allowance for inventories of RMB392,793,000) (31 December 2014: carrying amount of RMB2,275,180,000, net of allowance for inventories of RMB358,006,000).

Useful lives and residual value of property, plant and equipment

The Group reviews the estimated useful lives and residual value of property, plant and equipment at the end of the reporting period. During the reporting period, management is satisfied that there is no change in the estimated useful lives of the property, plant and equipment from prior year. The carrying amounts of property, plant and equipment at the end of the reporting period are disclosed in note 17.

Recognition and useful lives of intangible assets

Development costs are capitalised in accordance with the accounting policy for research and development expenditures in note 3. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. The Group reviews the estimated useful lives of intangible assets at the end of each reporting period. During the reporting period, management is satisfied that there is no change in the estimated useful lives of the intangible assets from prior years. The carrying amounts of intangible assets at the end of the reporting period are disclosed in note 20.

Income taxes

As at 31 December 2015, a deferred tax asset in relation to unused tax losses of RMB23,901,000 (2014: RMB54,231,000) has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB653,626,000 (2014: RMB668,550,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Estimated impairment of goodwill/intangible assets/property, plant and equipment

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of goodwill is RMB2,991,000 (net of accumulated impairment loss of RMB14,724,000) (2014: carrying amount of RMB2,991,000, net of accumulated impairment loss of RMB14,724,000).

When there is objective evidence of impairment loss of intangible assets and property, plant and equipment, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2015, the carrying amount of intangible assets is RMB163,800,000 (net of impairment loss made for the year of RMB38,848,000) (31 December 2014: carrying amount of RMB230,534,000, net of impairment loss made for the year of RMB47,959,000).

As at 31 December 2015, the carrying amount of property, plant and equipment is RMB5,520,057,000 (net of impairment loss made for the year of RMB40,532,000) (31 December 2014: carrying amount of RMB5,939,512,000, net of impairment loss made for the year of RMB23,119,000).

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Chief Financial Officer of the Company determine the appropriate valuation techniques and inputs for fair value measurements.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 6 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

5. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 33, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The management of the Group reviews the capital structure regularly and taking into account of the cost and risk associated with the capital. The Group will balance its capital structure through the payment of dividends, new shares issue as well as the issue of new debt or the redemption of the existing debts.

6. Financial instruments

6a. Categories of financial instruments

	2015	**2014**
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	14,612,897	12,285,163
Available-for-sale investments	196,174	135,691
Financial liabilities		
Amortised cost	12,768,550	14,712,682
Obligation under finance leases	165,072	321,632
Financial liabilities at fair value through profit or loss	596,656	327,072

6b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, other investment, trade and other receivables, amounts due from (to) associates/joint ventures, trade and other payables, structured bank deposits, pledged bank deposits, bank balances and cash, borrowings, obligations under finance leases and financial liabilities at fair value through profit or loss. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) Currency risk

The Group is exposed to currency risks which mainly arise from the foreign currency sales and purchases, bank balances and borrowings denominated in foreign currency. Approximately 22% (2014: 17%) of the Group's sales and 2% (2014: 3%) of the Group's purchases are denominated in currencies other than the functional currency of the respective group entities.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities including available-for-sale investments, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables and borrowings at the end of the reporting period are as follows:

Assets

	2015	**2014**
	RMB'000	*RMB'000*
United States Dollars *(USD)*	1,431,314	335,861
Hong Kong Dollars *(HKD)*	42,215	117,713
Euro *(EUR)*	191,440	116,474
Canadian Dollars *(CAD)*	6,611	15,024
Singapore Dollars *(SGD)*	2,194	8,402
Australian Dollars *(AUD)*	242	253

Liabilities

	2015	2014
	RMB'000	*RMB'000*
United States Dollars *(USD)*	488,528	685,027
Hong Kong Dollars *(HKD)*	246,702	464,007
Euro *(EUR)*	1,063	12,227
Singapore Dollar *(SGD)*	245	244

The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Sensitivity analysis

The Group is mainly exposed to the fluctuation of HKD, USD and EUR against RMB.

The following table details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2014: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2014: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit and investment revaluation reserve where RMB strengthen 5% (2014: 5%) against the relevant foreign currencies. For a 5% (2014: 5%) weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit and investment revaluation reserve.

	USD		HKD		EUR	
	2015	2014	2015	2014	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Increase (decrease) in post-tax profit/ investment revaluation reverse as a result of a 5% strengthening of RMB against the foreign currency:						
Profit or loss	(34,260)	20,609	10,274	19,785	(7,711)	(4,284)
Investment revaluation reserve	–	–	(1,421)	(2,471)	–	–

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings and pledged bank deposits. The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings carrying interest at prevailing interest rate and bank balances carrying interest at prevailing market deposit rates. Currently, the Group adopts a policy of maintaining an appropriate mix of fixed and floating rate borrowings which is achieved primarily through the contractual terms of borrowings. The position is regularly monitored and evaluated by reference to anticipated changes in market interest rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the rate determined by the People's Bank of China, the Hong Kong Interbank Offered Rate (the "HIBOR") and the London Interbank Offered Rate (the "LIBOR") arising from the Group's RMB and foreign currencies denominated borrowings respectively.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings at the end of the reporting period and have not taken into account bank balances and cash as their impact is not expected to be significant. A 50 basis points (2014: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2014: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by RMB1,966,000 (2014: decrease/increase by: RMB4,162,000).

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable-rate borrowings and termination of interest rate swap.

(iii) Equity price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by carefully monitoring their price fluctuation. The Group's equity price risk is mainly concentrated on its available-for-sale investment quoted in the Hong Kong Stock Exchange.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is set at 15% in the current year as a result of the volatile financial market.

If equity price had been 15% higher/lower (2014: 15% higher/lower), the Group's comprehensive/ profit for the year would increase/decrease by RMB4,262,000 (2014: RMB7,415,000) as a result of the changes in fair value of available-for-sale investments.

(iv) Commodity price risk

The Group is exposed to commodity price risk mainly through financial liabilities at fair value through profit or loss quoted in the Shanghai Gold Exchange. The management manages this exposure by using gold forward contract that are not designated as hedging instrument.

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and discounted and endorsed bills with full recourse which were derecognised by the Group (see note 28 for details).

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that followup action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting date 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 Group has concentration of credit risk in respect of bank balances, structured bank deposits and pledged bank deposits. At 31 December 2015, approximately 51% (2014:43%) of the total bank balances, structured bank deposits and pledged bank deposits were deposited at 3 (2014:3) banks, representing deposits at each bank with a balance exceeding 10% of total bank balances, structured bank deposits and pledged bank deposits. The credit risk on liquid funds is limited because the majority of counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

Other than concentration of the credit risk on liquid funds which are deposited with several banks with high credit rating, the Group also has concentration of credit risks with exposure limited to certain counterparties and customers. As at 31 December 2015, five customers engaged in the wind milling industry accounted for approximately 54% (2014: 45%) of the Group's trade receivables. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk. Other than the above, there is no other concentration of credit risk on the Group's trade receivables.

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 monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on borrowings as a significant source of liquidity. At 31 December 2015, the Group's total borrowings (note 33) amounted to approximately RMB7,566 million. During the year, borrowings were reduced from RMB10,938 million at 31 December 2014 to RMB7,566 million at 31 December 2015. Subsequent to the end of the reporting period, the Group has renewed RMB541 million of existing bank facilities. The directors of the Company are of the opinion that the bank loans could be renewed as historical experience is such that the Group has no difficulty to obtain the renewal.

As discussed in note 28, the Group has discounted and endorsed bills with full recourse which were derecognised by the Group. Should the bills issuing banks default on the bills, the Group may be demanded to settle the related liabilities within 180 days from each reporting date. In addition, 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 based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are for floating rate instruments, the undiscounted amount is derived based on interest rate outstanding at the end of each reporting period.

	Weighted average effective interest rate	On demand, 0–30 days	31–90 days	91–365 days	1–5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2015							
Non-derivative financial liabilities							
Trade and other payables	–	922,908	1,329,542	2,947,382	–	5,199,832	5,199,832
Amounts due to associates	–	1,879	–	9	–	1,888	1,888
Amounts due to a joint venture	–	–	–	510	–	510	510
Obligation under finance leases	7.40	–	41,511	122,191	7,290	170,992	165,072
Borrowings	5.41	518,635	663,137	4,701,000	2,183,003	8,065,775	7,566,320
Financial liabilities at fair value through profit or loss		199,995	396,661	–	–	596,656	596,656
		1,643,417	2,430,851	7,771,092	2,190,293	14,035,653	13,530,278
2014							
Non-derivative financial liabilities							
Trade and other payables	–	1,974,895	441,844	1,195,579	–	3,612,318	3,612,318
Amounts due to associates	–	2,091	–	93,998	–	96,089	96,089
Obligation under finance leases	7.90	–	44,135	129,141	172,258	345,534	321,632
Borrowings	6.34	1,661,291	1,301,943	5,763,987	3,436,046	12,163,267	10,938,771
Financial liabilities at fair value through profit or loss		–	–	327,072	–	327,072	327,072
		3,638,277	1,787,922	7,509,777	3,608,304	16,544,280	15,295,882

6c. *Fair value measurements of financial instruments*

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value as at 31.12.2015	Fair value as at 31.12.2014	Fair value hierarchy	Basis of fair value measurement/valuation technique and key input
1) Listed equity securities classified as available-for-sale investments in the consolidated statements of financial position	Listed equity securities in Hong Kong: – Manufacturing industry – RMB28,414,000	Listed equity securities in Hong Kong: – Manufacturing industry – RMB49,415,000	Level 1	Quoted bid prices in an active market.
2) Financial liabilities at fair value through profit or loss	Derivative financial liabilities at FVTPL – RMB596,656,000	Derivative financial liabilities at FVTPL – RMB327,072,000	Level 2	Based on the quoted prices of the underlying commodity.

There were no transfers between Level 1 and 2 in the year.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

The directors of the company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair value.

7. Revenue and segmental information

Revenue represents the amounts received and receivable for goods sold, net of sales taxes and return. The Group's major operation is the manufacture and sale of gear products.

The Group is organised in one business division only. The Group's chief operating decision maker (the "CODM"), being the Company's Board of Directors, make decisions according to the revenue and operating results of each geographical area by location of customers and the related reports on the ageing analysis of trade receivables for the purposes of resources allocation and performance assessment. Accordingly the Group's operating segments are based on geographical location of customers.

No information of liabilities is provided to CODM for the assessment of performance of different geographical area. Therefore only segment revenue, segment results and segment assets are presented.

PRC, the United States of America (the "USA") and Europe are three major operating segments reviewed by the CODM while the remaining market locations are grouped together to report to CODM for analysis.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments for the year under review.

	2015	2014
	RMB'000	*RMB'000*
Segment revenue		
– PRC	7,683,862	6,782,672
– USA	2,011,910	1,178,110
– Europe	110,562	65,236
– Others	39,361	121,320
	9,845,695	8,147,338
Segment profit		
– PRC	2,185,092	1,420,153
– USA	701,638	437,991
– Europe	34,144	33,106
– Others	13,870	8,629
	2,934,744	1,899,879
Other income, gains and losses	42,766	55,899
Finance costs	(643,270)	(741,608)
Share of results of associates	(56,945)	(5,686)
Share of results of joint ventures	12,926	29,458
Unallocated expenses	(943,021)	(931,335)
Profit before taxation	1,347,200	306,607

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the gross profit (including depreciation of production plants), government grants, sales of scraps and materials, and distribution and selling costs earned/incurred by each segment. The remaining items in the profit or loss are unallocated.

Segment assets

	2015	2014
	RMB'000	*RMB'000*
Segment assets		
– PRC	6,479,035	6,206,181
– USA	250,839	146,268
– Europe	152,042	105,552
– Others	55,456	37,116
Total segment assets	6,937,372	6,495,117
Unallocated assets	18,354,709	18,804,387
Consolidated total assets	25,292,081	25,299,504

Only trade receivables of each segment are reported to the CODM for the purposes of resources allocation and performance assessment. Hence, total segment assets represent the trade receivables of the Group while the unallocated assets represent the assets of the Group excluding trade receivables. The related impairment loss on trade receivables are not reported to the CODM as part of segment results.

Other segment information

2015

	PRC *RMB'000*	USA *RMB'000*	Europe *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit:						
Write-down of inventories	30,507	7,659	872	326	–	39,364
Depreciation of production plants	415,012	104,194	11,858	4,441	37,183	572,688
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:						
Impairment loss recognised on trade receivables	117,418	–	–	–	–	117,418
Impairment loss on intangible assets	38,848	–	–	–	–	38,848
Impairment loss on property, plant and equipment	40,532	–	–	–	–	40,532

2014

	PRC *RMB'000*	USA *RMB'000*	Europe *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit:						
Write-down of inventories	32,743	4,688	1,125	667	–	39,223
Depreciation of production plants	489,460	84,345	7,478	8,575	39,660	629,518
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:						
Impairment loss recognised on trade receivables	36,041	–	–	–	–	36,041
Impairment loss on intangible assets	47,959	–	–	–	–	47,959
Impairment loss on property, plant and equipment	23,119	–	–	–	–	23,119

Revenue from major product and services

The following is an analysis of the Group's revenue from its major products:

	2015 *RMB'000*	**2014** *RMB'000*
Wind gear transmission equipment	7,803,764	5,801,985
Gear transmission equipment for construction materials	261,791	327,527
Gear transmission equipment for bar-rolling, wire-rolling and plate-rolling mills	188,536	277,243
Transmission equipment for high-speed locomotives, metros and urban light rails	151,547	157,623
General purpose gear transmission equipment	82,446	63,230
High-speed heavy-load gear transmission equipment	12,833	14,712
Others	664,779	777,286
Marine gear transmission equipment	410,154	350,417
Computer numerical controlled products	142,127	225,325
Diesel engine products	127,718	151,990
	9,845,695	8,147,338

Others mainly include the revenue from light emitting diode, boiler products and transmission parts.

Geographical information

The Group's non-current assets by location of assets at the end of the reporting period are detailed below.

	Non-current assets	
	2015	**2014**
	RMB'000	*RMB'000*
PRC	7,370,280	7,283,972
USA	179,720	90,281
Others	2,247	13,018
	7,552,247	7,387,271

Note: The non-current assets exclude available-for-sale investments and deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2015	**2014**
	RMB'000	*RMB'000*
Customer A[1]	2,075,114	1,234,177
Customer B[2]	1,214,821	906,118
Customer C[2]	1,198,406	892,254

1 Revenue from sale of wind gear transmission equipment in the USA segment.

2 Revenue from sale of wind gear transmission equipment in the PRC segment.

8. Other income

	2015	2014
	RMB'000	*RMB'000*
Sales of scraps and materials	90,939	46,978
Bank interest income	91,896	116,417
Government grants *(Note)*	38,339	136,818
Rental income	21,312	29,145
Investment income	30,203	13,254
Others	53,773	56,951
	326,462	399,563

Note: The amounts mainly represent subsidies or incentives received from PRC local governments for the operations carried out by the Group. The amount includes release of deferred income of RMB4,328,000 (2014: RMB4,584,000).

9. Other gains and losses

	2015	2014
	RMB'000	*RMB'000*
Gain on disposal of available-for-sale investments	–	932
Net exchange gains (losses)	22,961	(32,139)
Loss on disposal of a joint venture *(note 22)*	–	(129,577)
Deemed gain on dilution of equity interest in an associate	1,833	–
Gain on disposal of subsidiaries *(note 46)*	82,422	3,747
Gain (loss) on disposal of property, plant and equipment	1,385	(529)
Impairment losses on intangible assets	(38,848)	(47,959)
Impairment loss on property, plant and equipment	(40,532)	(23,119)
Impairment losses on trade and other receivables	(117,418)	(36,041)
Impairment loss on available for sales investments	(58,989)	–
Changes in fair value of financial liabilities at fair value through profit or loss	(7,232)	(2,302)
	(154,418)	(266,987)

10. Finance costs

	2015	2014
	RMB'000	*RMB'000*
Interests on bank borrowings	680,686	778,465
Less: amount capitalised	(37,416)	(36,857)
	643,270	741,608

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.23% (2014: 6.34%) per annum to expenditure on qualifying assets.

11. Taxation

	2015	2014
	RMB'000	*RMB'000*
Current tax		
– PRC Enterprise Income Tax	426,457	47,300
– USA Corporate Income Tax	225	100
	426,682	47,400
Under provision in prior years		
– PRC Enterprise Income Tax	20,576	13,148
Deferred tax (credit) charge *(note 26)*	(102,955)	70,377
	344,303	130,925

No provision for Hong Kong Profits Tax and Singapore income tax has been made as the Group has no assessable profit arising in Hong Kong and Singapore, respectively.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2014: 25%).

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

Name of subsidiary	Year ended during which approval was obtained	Year ending during which approval will expire
Nanjing High Speed Gear Manufacturing Co., Ltd.	31 December 2014	31 December 2016
Nanjing High Accurate Marine Equipment Co., Ltd.	31 December 2014	31 December 2016
Nanjing High Speed & Accurate Gear (Group) Co., Ltd	31 December 2014	31 December 2016
Nanjing Gaochuan Sky Digital Control Equipment Manufacturing Co., Ltd.	31 December 2015	31 December 2017
CHSTE (Beijing) Shougao Metallurgical Engineering & Equipment Co., Ltd	31 December 2015	31 December 2017
Zhenjiang Tongzhou Propeller Co., Ltd.	31 December 2013	31 December 2015

The EIT Law imposes withholding tax upon the distribution of the profits earned by the PRC subsidiaries on or after 1 January 2008 to their overseas shareholders. At 31 December 2015, deferred tax liabilities of RMB32,199,000 (2014: RMB17,199,000) has been recognised in the consolidated financial statements in respect of the temporary differences attributable to such undistributed profits, details of which are set out in note 26.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015	2014
	RMB'000	*RMB'000*
Profit before taxation	1,347,200	306,607
Tax at income tax rate of 25% (2014: 25%)	336,800	76,652
Tax effect of share of results of associates and joint ventures	11,005	(5,943)
Tax effect of expenses not deductible for tax purpose	63,519	41,519
Tax effect of income not taxable for tax purpose	(19,328)	(1,761)
Tax effect of tax losses not recognised	90,136	75,517
Utilisation of tax losses previously not recognised	(1,576)	(18,747)
Income tax on concessionary rate	(171,960)	(49,501)
Under provision in respect of prior years	20,576	13,148
Tax effect of undistributed earnings of the PRC subsidiaries	15,000	–
Effect of different tax rate of a subsidiary operating in a jurisdiction other than PRC	131	41
Tax charge for the year	344,303	130,925

12. Dividends

A final dividend of HK23 cents per ordinary share (2014: nil) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

13. Profit for the year

	2015	2014
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Total staff costs, including directors' emoluments *(note 14)*	1,422,150	1,231,354
Less: staff cost included in research and development costs	(78,769)	(78,889)
staff cost included in intangible assets	(8,440)	(11,415)
	1,334,941	1,141,050
Auditor's remuneration	4,000	4,000
Write-down of inventories (included in cost of sales)	39,364	39,223
Cost of inventories recognised as an expense	6,645,150	6,089,999
Depreciation of property, plant and equipment	572,688	629,518
Amortisation of prepaid lease payments	14,138	18,687
Amortisation of intangible assets	81,361	95,310
Net exchange (gains) losses	(22,961)	32,139
Loss on disposal of a joint venture	–	129,577
(Gain) loss on disposal of subsidiaries	(82,422)	(3,747)
Loss (gain) on disposal of property, plant and equipment	(1,385)	529
Impairment losses on intangible assets (included in other gains and losses)	38,848	47,959
Impairment losses on trade and other receivables (included in other gains and losses)	117,418	36,041
Impairment loss on property, plant and equipment (included in other gains and losses)	40,532	23,119
Impairment loss on available for sales investments (included in other gains and losses)	58,989	–

14. Directors', chief executive's and employees' emoluments

Details of the emoluments paid or payable to directors for both years are as follows:

	2015	2014
	RMB'000	*RMB'000*
Directors		
– fee	550	550
– salaries and other allowances	21,452	21,979
– retirement benefit plan contributions	583	371
Total emoluments	22,585	22,900

	2015				2014			
	Fee	Salaries and allowances	Retirement benefits scheme contributions	Total	Fee	Salaries and allowances	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors								
Hu Yueming	–	3,397	53	3,450	–	3,397	53	3,450
Chen Yongdao	–	3,097	53	3,150	–	3,097	53	3,150
Liao Enrong	–	3,097	53	3,150	–	3,097	53	3,150
Gou Jianhui *(note)*	–	3,067	53	3,120	–	–	–	–
Wang Zhengbing *(note)*	–	707	53	760	–	–	–	–
Zhou Zhijin *(note)*	–	657	53	710	–	–	–	–
Hu Jichun *(note)*	–	292	53	345	–	–	–	–
Lu Xun *(note)*	–	1,522	53	1,575	–	3,097	53	3,150
Li Shengqiang *(note)*	–	1,522	53	1,575	–	3,097	53	3,150
Liu Jianguo *(note)*	–	2,572	53	2,625	–	3,097	53	3,150
Jin Maoji *(note)*	–	1,522	53	1,575	–	3,097	53	3,150
Independent non-executive directors								
Jiang Xihe	150	–	–	150	150	–	–	150
Zhu Junsheng	150	–	–	150	150	–	–	150
Chen Shimin	150	–	–	150	150	–	–	150
Jiang Jianhua	100	–	–	100	100	–	–	100
	550	21,452	583	22,585	550	21,979	371	22,900

Mr Hu Yueming is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Note: On 27 June 2015, Mr Gou Jianhui, Mr. Zhou Zhijin, Mr. Hu Jichun and Mr. Wang Zhengbing were appointed as directors of the Company and Mr. Lu Xun and Mr. Jin Maoji resigned as directors of the Company. On 26 June 2015, Mr. Li Shengqiang resigned as director of the Company. On 20 October 2015, Mr. Liu Jianguo resigned as director of the Company.

Employees

The five highest paid individuals of the Group for both years are all directors, details of their emoluments are set out above.

Their emoluments were within the following bands:

	2015	**2014**
	No. of employees	*No. of employees*
RMB3,000,001 to RMB4,000,000	4	5
RMB2,000,001 to RMB3,000,000	1	–
	5	5

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during both years.

14a. Loans/quasi-loans with a director

As set out in note 29, at 31 December 2015, included in the Group's amount due from an associate is RMB92,700,000 being advances made to Nanjing Gaochuan, which has been disposed to 達勤新能源產業投資有限公司 Decan New Energy Industry Investment Limited ("Decan New Energy", which is wholly owned by Mr. Liao Enrong, who is the executive director of the Company). As set out in note 28, at 31 December 2015, included in the Group's other receivables is RMB77,504,000 which is the consideration receivable from Decan New Energy for disposal of Nanjing Gaochuan.

Amounts due from companies controlled by a director, Mr. Liao Enrong, disclosed pursuant to section 383 to the Hong Kong Companies Ordinance (Cap. 622), which requires compliance with section 161B of the predecessor Hong Kong Companies Ordinance (Cap. 32), is analysed as follows:

Name of entity	At 1.1.2014 and 31.12.2014	At 31.12.2015	Maximum amount outstanding during the year ended 31.12.2015	31.12.2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Nanjing Gaochuan	–	92,700	92,700	–
Decan New Energy	–	77,504	77,504	–

15. Earnings per share

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2015	2014
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	1,033,097	208,422

	2015	2014
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	1,635,291	1,635,291

No diluted earnings per share is presented for the year ended 31 December 2015 and 31 December 2014 as there was no potential dilutive shares in issue.

16. Assets and liabilities of a disposal group classified as held for sale

In 2014, the Group, through its wholly-owned subsidiary, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. ("Nanjing Drive"), commenced preliminary discussion with non-controlling shareholders of Zhong-Chuan Heavy Duty Equipment Co., Ltd ("Zhong-Chuan") for the disposal of Zhong– Chuan. As the same time, the Group also plan to dispose its wholly-owned subsidiary, Nanjing Gaote Gear Box Manufactory Co., Ltd ("Nanjing Gaote"). In October 2014, pursuant to a directors meeting of Nanjing Drive, it was resolved to proceed with any negotiation which may lead to the disposal. The Group actively located potential buyers since then.

At 31 December 2014, it is considered that the disposal is highly probable and accordingly, the assets and liabilities of Zhong-Chuan and Nanjing Gaote were classified as held for sale in the consolidated statement of financial position at 31 December 2014. The disposal was completed in the current year on 20 January 2015 when Nanjing Drive entered into an agreement (the "Zhong-Chuan Disposal Agreement") with an independent purchaser (the "Purchaser"), pursuant to which Nanjing Drive sold its entire 60% equity interest in Zhong– Chuan and 100% equity interest in Nanjing Gaote for an aggregate consideration of RMB450 million. In addition, the Purchaser repaid trade payable of RMB1,000 million owed by Zhong-Chuan to Nanjing Drive. Details of the disposal is set out in note 46.

17. Property, plant and equipment

	Freehold land *RMB'000*	Buildings *RMB'000*	Plant and machinery *RMB'000*	Fixture and equipment *RMB'000*	Transportation equipment *RMB'000*	Construction in progress *RMB'000*	Leasehold improvements *RMB'000*	Software *RMB'000*	Total *RMB'000*
COST									
At 1 January 2014	17,343	2,260,499	4,733,725	206,692	298,670	1,452,349	1,162	15,911	8,986,351
Additions	–	122	99,945	13,352	1,875	647,661	–	411	763,366
Acquired on acquisition of subsidiaries	–	42,628	213,676	911	1,613	61,013	–	–	319,841
Transfer	–	109,918	220,706	6,043	2,754	(343,067)	–	3,646	–
Disposals	–	–	(57,719)	(1,298)	(6,492)	(31,314)	–	–	(96,823)
Transfer to assets of a disposal group classified as held for sale	–	(100,535)	(208,247)	(23,902)	(9,906)	(860,821)	–	(378)	(1,203,789)
At 31 December 2014	17,343	2,312,632	5,002,086	201,798	288,514	925,821	1,162	19,590	8,768,946
Additions	–	73	29,978	3,211	1,818	509,007	15,734	873	560,694
Transfer	–	48,689	322,079	6,938	(960)	(378,331)	–	1,585	–
Disposals	–	(18,056)	(284,085)	(1,118)	(6,772)	(36,793)	(1,628)	(40)	(348,492)
Disposal of subsidiaries	–		(32,029)	(2,451)	(1,086)	(27,475)	–	(7)	(63,048)
At 31 December 2015	17,343	2,343,338	5,038,029	208,378	281,514	992,229	15,268	22,001	8,918,100
DEPRECIATION									
At 1 January 2014	–	248,783	1,753,270	139,471	200,921	–	1,162	9,752	2,353,359
Provided for the year	–	81,545	487,068	23,241	35,755	–	–	1,909	629,518
Eliminated on disposals	–		(32,889)	(1,192)	(6,054)	–	–	–	(40,135)
Transfer to assets of a disposal group classified as held for sale	–	(20,415)	(90,275)	(18,648)	(6,977)	–	–	(112)	(136,427)
At 31 December 2014	–	309,913	2,117,174	142,872	223,645	–	1,162	11,549	2,806,315
Provided for the year	–	75,181	455,591	19,900	20,517	–	–	1,499	572,688
Eliminated on disposals	–	(1,642)	(32,903)	(926)	(5,349)	–	(28)	(40,848)	
Disposal of subsidiaries	–	–	(2,550)	(1,073)	(137)	–	–	(3)	(3,763)
At 31 December 2015	–	383,452	2,537,312	160,773	238,676	–	1,162	13,017	3,334,392
IMPAIRMENT									
At 1 January 2015	–	–	–	–	–	23,119	–	–	23,119
Provided for the year	–	–	40,000	–	–	532	–	–	40,532
At 31 December 2015	–	–	40,000	–	–	23,651	–	–	63,651
CARRYING VALUES									
At 31 December 2015	17,343	1,959,886	2,460,717	47,605	42,838	968,578	14,106	8,984	5,520,057
At 31 December 2014	17,343	2,002,719	2,884,912	58,926	64,869	902,702	–	8,041	5,939,512

The carrying values of plant and machinery includes an amount of RMB432,426,000 (2014: RMB442,887,000) in respect of assets held under finance leases.

At 31 December 2015, included in the Group's property, plant and equipment was RMB105 million (2014:RMB143 million) which was leased to an associate. During the year, the Group disposed certain of its property, plant and equipment to this associate and the Group also earns rental income by leasing property, plant and equipment kept by the associate, details of which are set out in note 48.

The Group is in the process of obtaining property certificates for the buildings above with carrying amount of RMB1,227,000,000 (2014: RMB1,330,079,000) at the end of reporting period.

The freehold land is situated in the USA.

The above items of property, plant and equipment other than freehold land and construction in progress are depreciated on a straight line basis, after taking into account their estimated residual value, at the following rates per annum:

Buildings	2.8% – 6.5%
Plant and machinery	9.7% – 19.4%
Fixture and equipment	9.7% – 19.4%
Transportation equipment	16.2%
Leasehold improvements	Over the shorter of the lease terms or 3 years
Software	20%

During the year, as the result of poor performance of the boiler manufacturing and sales, the Group carried out a review of the recoverable amount (being the higher of value in use and fair value less costs of disposal) of the manufacturing plant and the related equipment, which represents the value in use from smallest cash generating unit ("CGU") in which those assets are included. The review led to the recognition of an impairment loss of RMB40,532,000 (2014: RMB23,119,000), which has been recognised in profit or loss. The discount rate used in measuring the recoverable amount was 11% (2014: 11%) per annum.

18. Prepaid lease payments

	2015	**2014**
	RMB'000	*RMB'000*
Medium-term land use rights in the PRC	685,199	610,539
Analysed for reporting purpose as:		
Current assets	15,276	13,849
Non-current assets	669,923	596,690
	685,199	610,539

Included in medium-term prepaid lease payments are land use rights located in the PRC with carrying amount of RMB303,706,000 (2014: RMB289,961,000). The Group is in the process of obtaining these land use rights certificates.

19. Goodwill

	Goodwill
	RMB'000
COST	
Balance at 1 January 2014, 31 December 2014 and 31 December 2015	17,715
IMPAIRMENT	
Balance at 1 January 2014, 31 December 2014 and 31 December 2015	14,724
CARRYING AMOUNTS	
At 31 December 2014 and 31 December 2015	2,991

For the purposes of impairment testing, the carrying value of goodwill has been allocated to the CGU as follows:

	2015	2014
	RMB'000	*RMB'000*
Engineering processing and manufacturing ("Unit A")	2,991	2,991

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections bases on financial budgets approved by management covering a five-year period and discount rate of 11% (2014:11%). Other key assumptions for the value in use calculations relate to the estimation of cash inflows/ outflows which include budgeted sales and gross margin, such estimation is based on these units' past performance and management's expectations for the market development.

At 31 December 2015, management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of Unit A to be less than the recoverable amount of the CGU. As a result, the management determined that there is no impairment loss to be recognised in relation to goodwill arising on acquisition of Unit A.

20. Intangible assets

	Development costs RMB'000	Technical know-how RMB'000	Total RMB'000
COST			
At 1 January 2014	596,849	41,623	638,472
Additions	126,270	–	126,270
Transferred to assets of a disposal group classified as held for sale	(39,987)	–	(39,987)
At 31 December 2014	683,132	41,623	724,755
Additions	53,803	–	53,803
Disposal of subsidiaries	(362)	–	(362)
At 31 December 2015	736,573	41,623	778,196
AMORTISATION AND IMPAIRMENT			
At 1 January 2014	345,709	8,575	354,284
Charge for the year	93,236	2,074	95,310
Impairment loss recognised in the year	47,959	–	47,959
Transferred to assets of a disposal group classified as held for sale	(3,332)	–	(3,332)
At 31 December 2014	483,572	10,649	494,221
Charge for the year	78,623	2,738	81,361
Impairment loss recognised in the year	38,848	–	38,848
Disposal of subsidiaries	(34)	–	(34)
At 31 December 2015	601,009	13,387	614,396
CARRYING VALUES			
At 31 December 2015	135,564	28,236	163,800
At 31 December 2014	199,560	30,974	230,534

Development costs are internally generated for the Group's self-developed new products. Technical know-how were acquired from third parties or purchased as part of a business combination in prior years. The intangible assets have finite useful lives, and are amortised on a straight-line basis over the following periods:

Development costs	5 years
Technical know-how	5 – 10 years

During the year, as the result of insufficient sales order for these development projects, the Group carried out a review of the recoverable amount of development costs. The review led to the recognition of an impairment loss of RMB38,848,000 (2014: RMB47,959,000), which has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the on the basis of their value in use. The discount rate used in measuring value in use was 11% (2014: 11%) per annum.

21. Interests in associates

Details of the Group's interests in associates are as follows:

	2015	**2014**
	RMB'000	*RMB'000*
Cost of unlisted investments in associates	239,212	190,895
Accumulated share of post-acquisition results	(81,935)	(24,990)
	157,277	165,905

At 31 December 2015, included in the cost of investments in associates is goodwill of RMB16,226,000 (2014: RMB11,491,000) arising on acquisitions of associates. There is RMB2,052,000 (2014: nil) of unrecognised share of loss of associates for the year ended 31 December 2015.

During the year, the Group invested RMB30,062,000 in 山東能源重裝集團恒信融資租賃有限公司 Shandong Energy Heavy Duty Group Hengxin Financing Leasing Co., Ltd., RMB734,000 in 中和天佑(上海)實業有限公司 Zhonghe Tianyou (Shanghai) Industrial Co., Ltd., and RMB494,000 in 江蘇新貝斯特中傳精密機床有限公司 Jiangsu New Best Zhong-chuan Precision Machine Tool Co., Ltd.

Details of the Group's material associate at the end of the reporting period are as follow:

Name of entity	Form of business structure	Country of establishment/ principal place of operation	Proportion of nominal value of registered capital and proportion of voting power held by the Group		Principal activity
			2015	2014	
南通富來威農業裝備有限公司 Equipment Co. Ltd. equipment ("Nantong FLW")	PRC equity	PRC	49.58%	49.58%	Manufacture and sales Nantong FLW Agricultural joint venture of agriculture

The above table lists the associate of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

Summarised financial information of the material associate

Summarised financial information of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

Nantong FLW

	2015	2014
	RMB'000	*RMB'000*
Current assets	84,051	99,632
Non-current assets	78,544	80,343
Current liabilities	(28,233)	(44,768)

	2015	2014
	RMB'000	*RMB'000*
Revenue	38,824	40,561
Loss for the year	(845)	(16,117)
Total comprehensive expense for the year	(845)	(16,117)
Dividends received from the associate during the year	–	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2015	2014
	RMB'000	*RMB'000*
Net assets of Nantong FLW	134,362	135,207
Proportion of the Group's ownership interest in Nantong FLW	49.58%	49.58%
Goodwill	1,470	1,470
Carrying amount of the Group's interest in Nantong FLW	68,086	68,505

Aggregate information of associates that are not individually material

As at 31 December 2015, there are nine (2014: five) associates that are not individually material to the Group, and their aggregate information is as follows:

	2015	2014
	RMB'000	*RMB'000*
The Group's share of profit (loss) from continuing operations *(note)*	(58,578)	1,741
The Group's share of total comprehensive income (loss)	(58,578)	1,741
Aggregate carrying amount of the Group's interest in these associates	89,191	39,220

Note: Included in the Group's share of loss for the year ended 31 December 2015 was approximately RMB50,630,000 (2014: nil) being impairment losses recognised by the respective associates.

22. Interests in joint ventures

	2015	2014
	RMB'000	*RMB'000*
Cost of unlisted investments in joint ventures	38,658	10,000
Accumulated share of post-acquisition results, net of dividend received	57,933	45,007
	96,591	55,007

Shandong Energy Machinery Group Zhong-Chuan Heavy Duty Mine Equipment Manufacturing Co., Ltd. ("Shandong Heavy Duty") was previously owned by Zhong-Chuan Heavy Duty Equipment Co., Ltd. ("Zhong– Chuan"), a subsidiary disposed in January 2015 and grouped under assets classified held for sale as at 31 December 2014. Upon the disposal of Zhong-Chuan, the Group acquired the interest in Shandong Heavy Duty from Zhong-Chuan and retained its joint control over Shandong Heavy Duty, details of which is set out in note 46. Shandong Heavy Duty is principally engaged in heavy duty mine equipment manufacturing.

During the year, Nanjing Jingze Lighting Technology Limited ("NJZ Nanjing"), one of the Group's subsidiaries, set up a joint venture named as "Nanjing Jingze Lighting Technology USA Inc." ("NJZ USA") in the State of Georgia, United States of America ("USA") with an independent partner. NJZ Nanjing invests USD 25,500 in NJZ USA.

Details of the Group's material joint ventures at the end of the reporting period are as follow:

Name of entity	Form of business structure	Country of establishment/ principal place of operation	Proportion of nominal value of registered capital and proportion of voting power held by the Group		Principal activity
			2015	2014	
Nanjing High Accurate Construction Equipment Co., Ltd ("Nanjing Construction")	PRC equity joint venture	PRC	50%	50%	Metallurgical engineering and manufacturing
Shandong Heavy Duty	PRC equity joint venture	PRC	50%	50%	Heavy duty mine equipment manufacturing

The above table lists the joint ventures of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other joint venture would, in the opinion of the directors of the Company, result in particulars of excessive length.

Summarised financial information of material joint ventures

Summarised financial information of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with IFRSs.

The joint ventures are accounted for using the equity method in this consolidated financial statements.

Nanjing Construction

	2015	2014
	RMB'000	*RMB'000*
Current assets	405,802	413,366
Non-current assets	2,220	2,013
Current liabilities	(286,288)	(305,365)
Non-current liabilities	–	–
The above amounts of assets and liabilities include the following:		
Cash and cash equivalent	28,197	17,672
Current financial liabilities (excluding trade and other payables and provisions)	–	–

	2015	2014
	RMB'000	*RMB'000*
Revenue	249,518	388,470
Profit for the year	24,376	56,971
Other comprehensive income for the year	–	–
Total comprehensive income for the year	24,376	56,971
Dividends received from Nanjing Construction during the year	–	25,000

The above profit for the year include the following:

	2015	2014
	RMB'000	*RMB'000*
Depreciation and amortisation	(489)	(390)
Interest income	304	410
Income tax expense	(4,302)	(5,957)

Shandong Heavy Duty

	2015	2014
	RMB'000	*RMB'000*
Current assets	78,246	54,493
Non-current assets	32,248	36,846
Current liabilities	(39,858)	(21,684)
Non-current liabilities	–	–
The above amounts of assets and liabilities include the following:		
Cash and cash equivalent	394	255
Current financial liabilities (excluding trade and other payables and provisions)	–	–

	2015	2014
	RMB'000	*RMB'000*
Revenue	103,527	114,843
Profit for the year	970	1,945
Other comprehensive income for the year	–	–
Total comprehensive income for the year	970	1,945
Dividends received from Nanjing Construction during the year	–	–

The above profit for the year include the following:

	2015	2014
	RMB'000	*RMB'000*
Depreciation and amortisation	(4,150)	(4,156)
Interest income	2	2
Income tax expense	(329)	(657)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Nanjing Construction and Shandong Heavy Duty recognised in the consolidated financial statements:

	2015	2014
	RMB'000	*RMB'000*
Net assets of Nanjing Construction and Shandong Heavy Duty	192,370	110,014
Proportion of the Group's ownership interest in Nanjing Construction and Shandong Heavy Duty	50%	50%
Carrying amount of the Group's interest in Nanjing Construction And Shandong Heavy Duty	96,185	55,007

Information of joint venture that is not individually material

As at 31 December 2015, there is one (2014: nil) other joint venture, namely NJZ USA, that is not individually material to the Group, and the information is as follows:

	2015	**2014**
	RMB'000	*RMB'000*
The Group's share of profit from continuing operations	253	–

On 6 January 2014, the Group disposed of its 50.01% equity interest in 江蘇省宏晟重工集團有限公司("Jiangsu Hongsheng") to one of the joint venture partners (''Hongsheng JV Partner'') in Jiangsu Hongsheng at an agreed price of RMB338,168,000 in exchange for the acquisition of control in three subsidiaries owned by Jiangsu Hongsheng. At the date of disposal, the investment cost in Jiangsu Hongsheng was RMB548,620,000, accumulated share of post-acquisition losses was RMB102,082,000 and the impairment loss was RMB53,000,000. The transaction has resulted in a loss of RMB55,370,000. In addition, the fair value of the consideration for the acquisition of the three subsidiaries is made reference to the fair value of net assets of the three subsidiaries at the dates of their acquisition and resulted in a loss of RMB74,207,000. The aggregate loss of RMB129,577,000 (note 9) as a result of disposing Jiangsu Hongsheng was included in other gain and loss during the year ended 31 December 2014.

23. Other receivable

	2015	**2014**
	RMB'000	*RMB'000*
Other receivable	519,874	–

At 31 December 2015, the amount represents an advance made to an insurance company in the PRC, which will mature in 2018, and carries 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.

24. Available-for-sale investments

		2015	2014
		RMB'000	*RMB'000*
Equity securities listed in Hong Kong, at fair value	*(1)*	28,414	49,415
Unlisted equity securities issued by private entities established in the PRC, at cost	*(2)*	167,760	86,276
		196,174	135,691

Notes:

(1) On 2 December 2011, the Group entered into a cornerstone agreement ("the Cornerstone Investment Agreement") with, amongst other parties, 國電科技環保集團股份有限公司Guodian Technology & Environment Group Corporation Limited ("Guodian Tech"), a joint stock limited company incorporated in the PRC with limited liability, to the proposed USD40,000,000 (equivalent to approximately RMB254,879,000) equity investment in Guodian Tech. Upon the listing of Guodian Tech's shares on the Hong Kong Stock Exchange on 30 December 2011, the Cornerstone Investment Agreement is completed and 144,100,000 H shares of Guodian Tech each priced at HKD2.16 are issued to the Group, which accounts for 12.12% of the total issued H share, and 2.42% of the total issued shares of Guodian Tech at 30 December 2011.

In 2013 and 2014, the Group disposed of 92,007,000 and 2,000,000 H shares of Guodian Tech, which had been carried at fair value before disposal.

At 31 December 2015, the balance represents the Group's investment in 50,093,000 H shares of Guodian Tech, in which an aggregate impairment loss of RMB58,989,000 (including RMB36,468,000 cumulative losses previously recognised in other comprehensive income now reclassified to profit or loss) was recognised during the year due to a significant decline in the fair value of the investment below its costs.

(2) The amount represents the investments in unlisted equity securities issued by private entities established in the PRC 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.

25. Deposit for land lease

	2015	2014
	RMB'000	*RMB'000*
Deposit for land lease	191,800	280,800

The amount represents deposit for land lease paid partly in relation to the acquisition of land leases situated in the PRC and the transfer is subject to the approval of the PRC government. During the year, deposit for land lease amounted to RMB89,000,000 (2014: RMB nil) had been transferred to prepaid lease payments account.

26. Deferred Tax

The followings are the major deferred tax (assets) liabilities recognised by the Group and movements thereon during the year:

	Doubtful debts allowance	Inventories allowance	Capitalisation of development costs	Withholding tax	Deferred income	Warranty provision	Tax loss	Deferred income arising from land resumption	Others	Total
	RMB'000	*RMB'000*	*RMB'000* *(note)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	(66,154)	(47,902)	49,360	17,199	(20,371)	(8,331)	(69,381)	–	(2,908)	(148,488)
(Credit) charge to profit or loss *(note 11)*	15,051	(3,259)	(9,496)	–	(2,443)	(5,924)	58,132	–	18,316	70,377
At 31 December 2014	(51,103)	(51,161)	39,864	17,199	(22,814)	(14,255)	(11,249)	–	15,408	(78,111)
(Credit) charge to profit or loss *(note 11)*	(13,223)	10,390	(18,694)	15,000	(1,364)	(25,533)	5,274	(76,124)	1,319	(102,955)
At 31 December 2015	(64,326)	(40,771)	21,170	32,199	(24,178)	(39,788)	(5,975)	(76,124)	16,727	(181,066)

Note: The development costs were deductible for tax purpose in the year they were incurred while they were capitalised and subject to amortisation in the consolidated financial statements.

The following is the analysis of the deferred tax balances for financial reporting presentation purposes:

	2015	2014
	RMB'000	*RMB'000*
Deferred tax assets	(232,385)	(117,200)
Deferred tax liabilities	51,319	39,089
	(181,066)	(78,111)

At 31 December 2015, the Group has unused tax losses of RMB677,528,000 (2014: RMB722,781,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB23,901,000 (2014: RMB54,231,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB653,626,000 (2014: RMB668,550,000) due to the unpredictability of future profit streams. The unused tax losses can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits.

Under the EIT Law, starting from 1 January 2008, 10% withholding income tax is imposed on dividends relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. Other than the PRC withholding income tax provided in respect of undistributed profits of PRC subsidiaries, no deferred taxation has been provided for the remaining profits of approximately RMB4,798 million as at 31 December 2015 (2014: RMB4,097 million), which was derived from the PRC subsidiaries, as the Group is able to control the timing of the distribution and it is probable that the amount will not be distributed in the foreseeable future. The Group has applied the preferential rate of 5% as all the Company's subsidiaries in the PRC are directly held by an investment holding company incorporated in Hong Kong.

27. Inventories

	2015	2014
	RMB'000	*RMB'000*
Raw materials	444,348	416,731
Work in progress	647,788	969,935
Finished goods	983,103	888,514
	2,075,239	2,275,180

28. Trade and other receivables

	2015	2014
	RMB'000	*RMB'000*
Accounts receivable	4,107,314	3,752,789
Bills receivable	3,248,346	3,044,314
Less: allowance for doubtful debts of accounts receivable	(418,288)	(301,986)
Total trade receivables	6,937,372	6,495,117
Advances to suppliers *(note 1)*	1,232,041	956,639
Value-added tax recoverable	165,099	193,809
Other receivables *(note 2)*	318,520	176,449
Less: allowance for doubtful debts of other receivable	(2,530)	(2,530)
Total trade and other receivables	8,650,502	7,819,484

Note 1: At 31 December 2015, included in the Group's advances to suppliers is RMB95,457,000 (2014: RMB44,211,000) which is prepayment to Nanjing E-crystal Energy Co., Ltd ("Nanjing E-crystal"). And at 31 December 2015 and 31 December 2014, Nanjing E-crystal is a 29.63% owned associate of the Group. The remaining 70.37% equity interest in Nanjing E-crystal is owned beneficially by employees of the Group.

Note 2: At 31 December 2015, included in the Group's other receivables is RMB77,504,000 (2014: nil) which is the consideration for disposal of Nanjing Gaochuan. At 31 December 2014 included in the Group's other receivable was RMB113,000,000 due from the buyer of the 100% equity interest in Rugao Hongmao Steel Co., Ltd. ("Hongmao Steel"), and the amount is fully settled during the current year.

The Group generally allows a credit period of 180 days to its trade customers. The following is an aged analysis of the trade receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

	2015	**2014**
	RMB'000	*RMB'000*
0 – 90 days	3,991,092	4,313,551
91 – 120 days	867,774	529,655
121 – 180 days	614,221	524,310
181 – 365 days	1,072,427	719,570
1 – 2 years	261,436	377,192
Over 2 years	130,422	30,839
	6,937,372	6,495,117

The trade receivable balances of RMB5,473,087,000 (2014: RMB5,367,516,000) are neither past due norimpaired at the end of the reporting period for which the Group has not provided for impairment loss since they are mainly the customers with good quality. No impairment loss was made on advance to suppliers since they are with good credit quality.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB1,464,285,000 (2014: RMB1,127,601,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss, as 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 settlement.

Ageing of trade receivables which are past due but not impaired

	2015	**2014**
	RMB'000	*RMB'000*
181 – 365 days	1,072,427	719,570
1 – 2 years	261,436	377,192
Over 2 years	130,422	30,839
Total	1,464,285	1,127,601

Movement in the allowance for doubtful debts for trade receivables

	2015	2014
	RMB'000	*RMB'000*
Balance at beginning of the year	301,986	405,343
Acquisition of subsidiaries	–	436
Impairment losses recognised on trade receivables	117,418	36,041
Amounts written off as uncollectible	(1,116)	(134,487)
Transfer to assets of a disposal group classified as held for sale	–	(5,347)
Balance at end of the year	418,288	301,986

Movement in the allowance for doubtful debts for other receivables

	2015	2014
	RMB'000	*RMB'000*
Balance at beginning of the year	2,530	2,530
Impairment losses recognised on other receivables	–	–
Balance at end of the year	2,530	2,530

Included in the allowance for doubtful debts are individually impaired trade and other receivables with an aggregate balance of RMB420,818,000(2014: RMB304,516,000) which have either been placed under liquidation or in financial difficulties. The Group does not hold any collateral over these balances.

Transfers of financial assets

The following were the Group's financial assets that were transferred to suppliers to settle its payables by endorsing those bills receivable on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills receivable, it continues to recognise the full carrying amount of the bills receivable and the payables to suppliers. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

Bills receivable endorsed to suppliers with full recourse

	2015	2014
	RMB'000	*RMB'000*
Carrying amount of transferred assets	40,377	451,721
Carrying amount of associated liabilities	(40,377)	(451,721)
Net position	–	–

In addition to the above, as at 31 December 2015, the Group has discounted certain bills receivable 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 Group has derecognised these bills receivables 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, rule 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 bank 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 2015, the Group's maximum exposure to loss and cash outflow, which is same as the amount payable by the Group to collecting banks or the suppliers in respect of the discounted bills and endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB1,565,639,000 and RMB1,412,911,000, respectively (2014: RMB1,232,000,000 and RMB1,017,139,000, respectively).

All the bills receivable discounted to banks or endorsed to suppliers of the Group have a maturity date of less than six months from the end of the reporting period.

29. Amounts due from/to associates and prepayments to associate

	2015	2014
	RMB'000	*RMB'000*
Amounts due from:		
Nanjing Longwin Windpower Equipment Manufacturing Co., Ltd. ("Nanjing Longwin") – prepayment	41,384	28,777
Nanjing E-crystal prepayment	112,928	6,003
Nanjing E-crystal-disposal of property, plant and equipment	226,278	–
Nanjing Gaochuan-prepayment	92,700	–
Suyang Optoelectronics Co., Ltd. – prepayment	4	–
	473,294	34,780
Amount classified to non-current assets	(226,278)	–
	247,016	34,780
Amounts due to:		
Nantong FLW-other payables	1,879	2,091
Zhonghe Tianyou (Shanghai) Industrial Co., Ltd. – trade payables	9	–
Nanjing E-crystal-construction payable	–	93,998
	1,888	96,089

The trade balances with associates are all aged within 180 days. The amounts are unsecured, interest-free and repayable within 180 days. The above amounts due to associates are repayable on similar credit terms to those offered by the Group's related parties to their major customers.

30. Amounts due from/to joint ventures

	2015	2014
	RMB'000	*RMB'000*
Amounts due from:		
Nanjing Construction-trade receivables	13,351	18,610
Nanjing Construction-dividend receivables	25,000	25,000
Shandong Heavy Duty	919	919
	39,270	44,529
Amounts due to:		
Nanjing Construction-trade payables	510	–

The amounts due from Nanjing Construction and Shandong Heavy Duty relate to trade balances and aged within 180 days. The amount is unsecured, interest-free and repayable within 180 days. The above amounts due to joint ventures are repayable on similar credit terms to those offered by the Group's related parties to their major customers.

31. Structured bank deposits/pledged bank deposits/bank balances and cash

At the end of the reporting period, structured bank deposits represent foreign currency or interest rate or commodity price linked structured bank deposits ("SBDs") placed by the Group to various banks in the PRC for a term within one year (2014: various banks for a term ranging from one day to 180 days). Pursuant to the relevant underlying agreements, the SBDs carry interest at variable rate per annum with reference to the performance of interest rate or commodity price during the investment period and the principal sums are denominated in RMB and guaranteed by the banks. In the opinion of the directors of the Group, the fair value of embedded derivatives does not have material impacts on the results and financial position of the Group.

At the end of the reporting period, the pledged bank deposits carry fixed interest rate of 2.25% (2014: 2.8%) per annum and are pledged to secure banking facilities (note 41).

At the end of the reporting period, bank balances carry interest at prevailing market deposit rates which range from 0.07% to 0.35% (2014: 0.07% to 0.35%) per annum.

32. Trade and other payables

	2015	2014
	RMB'000	*RMB'000*
Accounts payable	1,630,110	1,600,661
Notes payable *(Note)*	3,142,814	1,608,515
Total trade payables	4,772,924	3,209,176
Advances from customers	365,432	373,214
Purchase of property, plant and equipment	160,477	175,289
Payroll and welfare payables	152,200	158,547
Accrued expenses	123,266	197,489
Value-added and other tax payable	50,261	41,663
Deferred income	10,326	11,256
Other payables and payment received from government *(see note 52)*	773,927	112,520
	6,408,813	4,279,154

Note: Notes payable are secured by certain of the Group's assets, details of which are set out in note 41.

The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	2015	2014
	RMB'000	*RMB'000*
0 – 30 days	1,107,968	966,795
31 – 60 days	927,507	637,576
61 – 180 days	2,478,526	1,143,915
181 – 365 days	85,440	345,111
Over 365 days	173,483	115,779
	4,772,924	3,209,176

The credit period on purchases of goods is 30 days to 180 days.

33. Borrowings

	2015	2014
	RMB'000	*RMB'000*
Bank loans	4,809,660	7,208,671
Short-term unsecured commercial papers *(Note 1)*	1,100,000	800,000
Medium-term notes *(Note 2)*	1,000,000	1,000,000
Private placement bond *(Note 3)*	400,000	800,000
Guaranteed bonds *(Note 4)*	256,660	630,100
Monetary direct financing instruments	–	500,000
	7,566,320	10,938,771
Secured	3,417,865	3,450,925
Unsecured	4,148,455	7,487,846
	7,566,320	10,938,771
Carrying amount repayable*:		
Within one year	5,618,194	7,971,209
More than one year, but not exceeding two years	613,501	214,337
More than two years, but not more than five years	1,334,625	2,753,225
	7,566,320	10,938,771
Less: Amounts due within one year shown under current liabilities	(5,618,194)	(7,971,209)
Amounts due over one year	1,948,126	2,967,562

* *The amounts due are based on scheduled repayment dates set out in the loan agreements.*

Note 1: In June 2015, Nanjing Drive, a wholly-owned subsidiary of the Group, issued an unlisted and unsecured short-term commercial paper of RMB300,000,000, which carries an interest rate of 5.68% per annum and shall be repayable in June 2016. In September 2015, Nanjing Drive, a wholly-owned subsidiary of the Group, issued another unlisted and unsecured short-term commercial paper of RMB800,000,000, which carries an interest rate of 4.8% per annum and shall be repayable in July 2016.

Note 2: In May 2013, Nanjing Drive, a wholly-owned subsidiary of the Group, issued an unlisted and unsecured medium-term notes of RMB500,000,000, which carries an interest rate of 6.2% per annum and shall be repayable in May 2018.

In April 2014, Nanjing Drive issued another unlisted and unsecured medium-term notes of RMB500,000,000, which carries an interest rate of 8.5% per annum and shall be repayable in April 2019.

Note 3: In May 2015, Nanjing Drive issued an unlisted and unsecured private placement bond of RMB400,000,000, which carries an interest of 6.6% per annum and shall be repayable in May 2016.

Note 4: In November 2014, the Company issued guaranteed bonds(the "Guaranteed Bonds"), which is listed in the Hong Kong Stock Exchange, with a principal amount of RMB650,000,000 bearing interest at the coupon rate of 8.3% per annum, which will mature on 19 November 2017. The Guaranteed Bonds are guaranteed by subsidiaries of the Group, namely Goodgain Group Limited and China Transmission Holdings Limited. During the year, the Group repurchased RMB385,370,000 principal amount of the Bonds.

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates (or reset dates) are as follows:

	2015	**2014**
	RMB'000	*RMB'000*
Fixed-rate borrowings:		
Within one year	4,825,536	6,727,841
More than one year	1,723,160	2,133,600
	6,548,696	8,861,441

In addition, the Group has variable-rate borrowings of RMB1,017,624,000 (2014: RMB2,077,330,000) which carry interest rates based on the rate of People's Bank of China prescribed interest rate, the HIBOR or the LIBOR.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2015	**2014**
	%	*%*
Effective interest rate:		
Fixed-rate borrowings	4.57-9.77	4.73-9.77
Variable-rate borrowings	1.48-6.72	1.41-6.72

As at 31 December 2015, the Group's borrowings that are denominated in currencies other than RMB (the functional currency of relevant group entities) are USD72,790,000, and HKD294,456,000, which are equivalent to RMB472,669,000and RMB246,695,000 respectively (2014: USD110,000,000, and HKD587,820,000, which are equivalent to RMB673,090,000 and RMB463,731,000). All other borrowings are denominated in RMB.

The above secured borrowings at the end of the reporting period were secured by pledge of assets, details of which are set out in note 41.

34. Financial liabilities at fair value through profit or loss

	2015	**2014**
	RMB'000	*RMB'000*
Financial liabilities designated as fair value through profit and loss	536,982	320,280
Derivative financial liabilities	59,674	6,792
	596,656	327,072

During the year, Nanjing High Speed Gear Manufacturing Co., Ltd ("Nanjing High Speed") entered into several gold commodity agreements with three banks for financing purpose. According to terms of the agreement, Nanjing High Speed borrows commodity gold from the bank, which permits such gold commodity to be sold to third parties, and Nanjing High Speed is obliged to return gold within one year with same quality and weight to the bank when the agreement expires. The obligation to return the gold is recognised as financial liability. At 31 December 2015 and 2014, the financial liabilities at fair value through profit or loss are stated at fair value of gold as quoted in the open market. The Group manage its risk exposure to gold return obligation arising from fluctuation of gold market price, by using gold forward contract that are not designated as hedging instrument.

35. Warranty provision

	RMB'000
Balance at 1 January 2014	55,542
Acquisition of subsidiary	808
Provided for the year	78,220
Utilised during the year	(34,789)
Balance at 31 December 2014	99,781
Provided for the year	53,236
Utilised during the year	(52,675)
Balance at 31 December 2015	100,342

At the end of the reporting period, the amount represents the directors' best estimate of the expected cost that will be required under the Group's obligations for warranties under sale of goods. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality. Included in the provision for the year ended 31 December 2014 was RMB47,900,000 one-off special warranty agreed upon with a customer in 2014.

36. Obligations under finance leases

	2015	**2014**
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Current liabilities	158,556	167,073
Non-current liabilities	6,516	154,559
	165,072	321,632

At 31 December 2015, the balance represents two financial leases entered into in respect of certain property, plant and equipment have terms of 2.5 years and 3 years respectively at their respective inception dates (2014: two finance leases of 2.5years and 3 years respectively). Interest rates are fixed at 9.53% and 5.26% per annum (2014: 9.53% and 6.12% per annum). The Group has option to purchase property, plant and equipment for a notional amount at the end of the lease terms. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		**Present value of minimum lease payments**	
	2015	**2014**	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts payable under finance leases within one year	163,702	173,276	158,556	167,073
In more than one year but not more than two years	7,290	164,978	6,516	148,692
In more than two years but not more than five years	–	7,280	–	5,867
	170,992	345,534	165,072	321,632
Less: future finance charges	(5,920)	(23,902)	N/A	N/A
Present value of lease obligations	165,072	321,632	165,072	321,632
Less: Amount due for settlement within 12 month (shown under current liabilities)			(158,556)	(167,073)
			6,516	154,559

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets, and guaranteed by a wholly-owned subsidiary of the Group, Nanjing Drive.

37. Deferred income

At the end of the reporting period, the amount represent the grants received from the PRC government for the Group's acquisition of assets for technology development, and will be released to income over the useful lives of the relevant assets.

38. Share Capital

	Number of shares *(in thousand)*	Amount *USD'000*	Equivalent to *RMB'000*
Ordinary shares of USD0.01 each			
Authorised:			
At 1 January 2014, 31 December 2014 and 31 December 2015	3,000,000	30,000	234,033
Issued and fully paid:			
At 1 January 2014, 31 December 2014 and 31 December 2015	1,635,291	16,352	119,218

39. Share-based payment transactions

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 8 June 2007 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 8 June 2017. Under the Scheme, the Board of Directors of the Company may grant options to:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries;

(iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and

(iv) such other persons who, in the sole opinion of the Board of Directors, will contribute or have contributed to the Group. The assessment criteria of which are:

– contribution to the development and performance of the Group;

– quality of work performed for the Group;

– initiative and commitment in performing his/her duties; and

– length of service or contribution to the 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 the Company in issue at any point of time, without prior approval from the Company's shareholders to refresh the said limit to not exceed 30% of the issued share capital of the Company 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 the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or any of their associates in excess of 0.1% of the Company's share capital or with a value in excess of HKD 5 million must be approved in advance by the Company's shareholders.

Option granted must be taken up within 12 months of the date of grant, upon payment of HKD1 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 the Company, and must be at least the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

No share option was granted in 2014 and 2015, and there is no outstanding share options at 31 December 2015 and 31 December 2014.

40. Capital commitments

	2015	2014
	RMB'000	*RMB'000*
Commitments contracted for but not provided in the consolidated financial statements in respect of:		
– the acquisition of land leases	83,400	83,400
– the acquisition of property, plant and equipment	209,416	453,065
	292,816	536,465

41. Pledge of assets

At the end of the reporting period, the following assets were pledged to banks to secure banking facilities granted to the Group and pledged to suppliers to settle its payables:

	2015	2014
	RMB'000	*RMB'000*
Bank deposits	2,403,640	2,756,201
Accounts receivable	596,245	451,271
Bills receivable	960,656	1,196,721
Property, plant and equipment	127,500	66,274
Prepaid lease payments	348,411	25,062
Structured bank deposits	100,000	153,499
	4,536,452	4,649,028

At 31 December 2015 and 31 December 2014, the Group also pledged its 25% equity interest in Nanjing High Speed, a wholly-owned subsidiary, for banking facilities granted to the Group.

42. Operating leases

Minimum lease payments paid under operating leases during the year:

	2015	2014
	RMB'000	*RMB'000*
Factory and office premises	3,289	10,320

At the end of the reporting period, the Group had outstanding commitments payable under non-cancellable operating leases in respect of factory, office premises and leasehold land which fall due as follows:

	2015	2014
	RMB'000	*RMB'000*
Within one year	3,157	8,384
In the second to fifth year inclusive	794	1,270
	3,951	9,654

Operating lease payments represent rentals payable by the Group for leasehold land, factory and office premises. The leasehold land is negotiated for a fixed term of 10 years. The leases of the factory and office premises are negotiated annually. Rentals are fixed over the lease terms.

43. Retirement benefit plans

The employees of the PRC subsidiaries are members of a state-managed retirement pension scheme operated by local social security bureaux in the PRC. The PRC subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement pension scheme to fund the benefits. The only obligation of the Group with respect to the retirement pension scheme is to make the specified contributions. The Group also operates a Mandatory Provident Fund Scheme for all employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the scheme, which contribution is matched by the employees. The costs charged to profit or loss during the year were RMB129,636,000 (2014: RMB122,200,000). All the contributions had been paid over to these schemes as at the end of the reporting period.

44. Contingent liabilities

The Group entered an agreement (the "Agreement") with a third party (the "Subcontractor"), pursuant to which effective from 1 January 2013, the Group assigns the Subcontractor and the Subcontractor agrees to repair certain of the wind gear products sold for the Group at a fixed fee at 2.5% of annual sales of those wind gear products of the Group (the "Fixed Fee"). The Group 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 wind gear products' customers for the repair services. In the event of closure, liquidation, or inability of the Subcontractor to provide those repair services, the Group is still liable for such repair obligations should those customers claim for that against the Group. In the opinion of the directors, based on their experience, the financial position of the Subcontractor and their assessment of the current economic environment, the possibility of the default or inability by the Subcontractor to carry out the obligation is remote. Accordingly, no provision for the wind gear products' repair obligation has been made in the consolidated financial statements at the end of the reporting period.

45. Acquisition of subsidiaries

Year ended 31 December 2015:

On 18 March 2015, one of the subsidiaries of the Group, 江蘇新貝斯特中傳科技有限公司 New Best Zhong– Chuan Technology Co., Ltd. ("New Best"), in which the Group has 63% equity interest, acquired from an independent third party, 100% equity interest in南京德馬斯賓納數控機床有限公司 Nanjing Tema Spinner Digital Control Equipment Manufacturing Co., Ltd. ("Nanjing Tema"). Nanjing Tema is principally engaged in the provision of digital control equipment maintenance services and was acquired so as to continue the expansion of the Group's activities on digital control equipment.

Year ended 31 December 2014:

As part of the disposal of joint venture as detailed in Note 22, on 6 January 2014, the Group acquired from Jiangsu Hongsheng, which was a former joint venture of the Group, 100% equity interest in 如皋市宏茂廢舊金屬回收有限公司 Rugao Hongmao Obsolete Metal Recycling Co., Ltd. ("Rugao Hongmao"), 95% equity interest in 南通市振華宏晟重型鍛壓有限公司 Nantong Zhenhua Hongsheng Heavy Metal Forging Co., Ltd. ("Nantong Zhenhua") and 100% equity interest in 如皋市宏茂鑄鋼有限公司 Rugao Hongmao Steel Co., Ltd. ("Hongmao Steel"). Rugao Hongmao is principally engaged in the recycling and sales of steel scrap. Nantong Zhenhua is principally engaged in the steel forging. Hongmao Steel is principally engaged in the manufacturing and sales of steel ingot. The subsidiaries were acquired with the objective of rationalising the Group's purchase of raw materials.

On 30 July 2014, the Group acquired from a third party, a 70% equity interest in 南京京澤照明科技有限公司 Nanjing Jingze Lighting Technology Co., Ltd. ("Jingze Lighting"), which has a 100% interest in南京京澤照明工程有限公司 Nanjing Jingze Lighting Engineering Co., Ltd. ("Jingze Lighting Engineering"). Jingze Lighting and Jingze Lighting Engineering are both principally engaged in manufacturing, sales and installation of Light Emitting Diode ("LED") lighting. The subsidiaries were acquired so as to continue the expansion of the Group's activities on LED.

Consideration transferred

	2015	**2014**
	RMB'000	*RMB'000*
Consideration paid/payable on acquisition of subsidiaries	500	171,376

Assets and liabilities recognised at the date of acquisition

	2015	2014
	RMB'000	*RMB'000*
Current assets		
Bank and cash balances	69	60,790
Inventories	3,622	179,386
Trade and other receivables	1,648	448,678
	5,339	688,854
Non-current assets		
Property, plant and equipment	–	433,608
Prepaid lease payments	–	23,395
	–	457,003
Current liabilities		
Trade and other payables	(4,870)	(668,651)
Tax liabilities	–	(1,492)
Borrowings	–	(290,000)
	(4,870)	(960,143)
	469	185,714

Non-controlling interests

Year ended 31 December 2015:

The non-controlling interest (37%) in Nanjing Tema recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Nanjing Tema and amounted to approximately RMB31,000.

Year ended 31 December 2014:

The non-controlling interest (5%) in Nantong Zhenhua recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Nantong Zhenhua and amounted to approximately RMB7,900,000.

The non-controlling interest (30%) in Jingze Lighting and its subsidiary Jingze Lighting Engineering recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets and amounted to approximately RMB3,491,000.

Goodwill arising on acquisition

	2015	**2014**
	RMB'000	*RMB'000*
Consideration transferred	500	171,376
Plus: Non-controlling interests	(31)	11,391
Less: Recognised amount of identifiable net assets acquired	(469)	(185,714)
Goodwill arising on acquisition (Bargain purchase consideration)	–	(2,947)

Net cash inflow arising an acquisition

Year ended 31 December 2015:

	RMB'000
Consideration payable on acquisition of a subsidiary	500
Setoff of an amount receivable to the former shareholder	(500)
Less: cash and cash equivalent balances acquired	69
	69

Year ended 31 December 2014:

	RMB'000
Consideration receivable on disposal of Jiangsu Hongsheng *(note 22)*	338,168
Consideration payable on acquisition of Rugao Hongmao, Nantong Zhenhua and Hongmao Steel	(167,876)
Fair value loss on acquisition of subsidiaries *(note 22)*	(74,207)
Amount payable to the former joint venture	(96,085)
Consideration paid in cash for Jingze Lighting and Jingze Lighting Engineering	(3,500)
Less: cash and cash equivalent balances acquired	60,790
	57,290

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2015 is RMB28,000 loss attributable to Nanjing Tema. Revenue for year includes RMB7,179,000 is attributable to Nanjing Tema.

Had the acquisition been completed on 1 January 2015, total group revenue for the year would have been RMB9,853 million, and profit for the year would have been RMB1,006 million.

Included in the profit for the year ended 31 December 2014 is RMB75,000 loss attributable to Rugao Hongmao, RMB4,921,000 loss attributable to Nantong Zhenhua, RMB545,000 profit attributable to Jingze Lighting and RMB973,000 profit attributable to Jingze Lighting Engineering. Hongmao Steel did not contribute significantly since it was acquired on 6 January 2014 and disposed shortly on 9 February 2014. Revenue for the year 2014 includes RMB2,887,000 which is attributable to Rugao Hongmao, RMB408,851,000 attributable to Nantong Zhenhua, RMB15,115,000 attributable to Jingze Lighting and RMB4,605,000 attributable to Jingze Lighting Engineering.

46. Disposal of subsidiaries

(i) As detailed in note 16, pursuant to the Zhong-Chuan Disposal Agreement, the Group disposed 60% equity interest in Zhong-Chuan and 100% equity interest in Nanjiang Gaote for a total consideration of RMB450 million and the Purchaser also repaid trade debts of RMB1,000 million owed by Zhong-Chuan and Nanjng Gaote to the Group. After the disposal, the Group retains 8% equity interest in Zhong-Chuan and is accounted for as an available-for-sale equity investment. As part of the arrangement, the Group retains the 50% equity interest in Shandong Heavy Duty previously owned by Zhong-Chuan at a consideration of RMB28,500,000 and Shandong Heavy Duty remains as a joint venture of the Group.

(ii) During the year, the Group entered into agreement to withdraw its investment in Tianjin Aokai Laser Technology Co., Ltd ("Tianjin Aokai"). The withdrawal was completed on 17 March 2015, on which date the Group lost control of Tianjin Aokai.

(iii) On 24 December 2015, China Transmission Holdings Limited, a subsidiary of the Group, entered into an agreement (the "Nanjing Gaochuan Disposal Agreement") with Decan New Energy (as defined in note 14, and which is wholly owned by Mr. Liao Enrong, who is the executive director of the Company) to dispose of the Group's 83.61% equity interest in Nanjing Gaochuan (as defined in note 4) at a total consideration of RMB77,504,000. Details of the disposal are set out in the Company's announcement dated 24 December 2015. Before the disposal, Nanjing Gaochuan owned 100% interest in several subsidiaries and a 53.04% equity interests in Tianjin Chuanzai, (These entities together with Nanjing Gaochuan are hereinafter referred to as the "Nanjing Gaochuan Group"). The remaining 46.96% equity interest in Tianjin Chuanzai is owned by China Transmission Holdings Limited. The Nanjing Gaochuan Disposal Agreement is unconditioned and the disposal of Nanjing Gaochuan was completed on 29 December 2015, on which date the Group lost control of Nanjing Gaochuan. Pursuant to the Nanjing Gaochuan Disposal Agreement, the Group's retained 16.39% interest in Nanjing Gaochuan is recognised as interest in associate. On 30 December 2015, Decan New Energy introduced new investor to inject further capital in Nanjing Gaochuan. The Group's interests in Nanjing Gaochuan was reduced to 10% after the capital injection. The decrease from 16.39% to 10% is treated as a deemed disposal and the resulting gain or loss on this deemed disposal is insignificant. The Group has significant influence over Nanjing Gaochuan by virtue of the contractual right to appoint one out of the five directors to the board of directors of Nanjing Gaochuan. As explained above, pursuant to the terms of the agreement governing the disposal of Nanjing Gaochuan, the Group disposed 53.04% equity interest in Tianjin Chuanzai, which was previously a 100%

indirectly owned subsidiary of the Group. After the disposal of Nanjing Gaochuan Group, the Group retained 46.96% in Tianjin Chuanzai and the control of Tianjin Chuanzai as the Group has the power to appoint and remove the majority of the board of directors and has the power to direct the relevant activated of Tianjin Chuanzai. At 31 December 2015, the Group recognised a non-controlling interests of RMB97,209,000 representing the interests of non-controlling interests in Tianjin Chuanzai.

The net assets of Zhong-Chuan, Nanjing Gaote and their subsidiaries (the "ZC Disposal Group"), Tianjin Aokai and Nanjing Gaochuan Group at the date of disposal and the resulting gain on disposal recognised were as follows:

	The ZC Disposal Group	**Tianjin Aokai**	**Nanjing Gaochuan Group**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank balances and cash	16,301	3,963	1,055	21,319
Pledged bank deposits	19,071	–	–	19,071
Trade and other receivables	128,739	2,100	331,293	462,132
Inventories	219,314	11	29,954	249,279
Interest in an associate	800	–	97,550	98,350
Property, plant and equipment	1,013,994	8,256	51,029	1,073,279
Prepaid lease payments	437,508	–	–	437,508
Intangible assets	5,561	–	328	5,889
Trade and other payables	(1,361,450)	(1,848)	(247,898)	(1,611,196)
Borrowings	(65,504)	–	(199,500)	(265,004)
Net assets disposed of, excluding the joint venture retained	414,334	12,482	63,811	490,627
Non-controlling interests	(27,114)	(5,924)	–	(33,038)
Gain (loss) on disposal recognised and charged to profit or loss	54,280	(744)	28,886	82,422
Cash consideration excluding joint venture retained	421,500	5,814	77,504	504,818
Fair value of the investment retained	20,000	–	15,193	35,193

	The ZC Disposal Group *RMB'000*	Tianjin Aokai *RMB'000*	Nanjing Gaochuan Group *RMB'000*	Total *RMB'000*
Satisfied by:				
Cash	421,500	–	–	421,500
Deferred cash consideration	–	5,814	77,504	83,318
	421,500	5,814	77,504 *(note)*	504,818
Net cash outflow arising on disposal:				
Total cash consideration received	421,500	–	–	421,500
Bank balances and cash disposed of	(16,301)	(3,963)	(1,055)	(21,319)
	405,199	(3,963)	(1,055)	400,181

Note: Pursuant to the relevant agreements, out of the total RMB77,504,000, the Group has received the 20% of consideration for disposal of Nanjing Gaochuan Group subsequent to the end of the reporting period, the remaining deferred consideration will be settled by Decan New Energy on or before 30 April 2016.

47. Major non-cash transactions

In 2014, the Group entered into an agreement to dispose of its 100% equity interest in Hongmao Steel to an unrelated third party. Pursuant to the relevant agreements, the deferred consideration of RMB113 million, which is unsecured and interest free, was included under trade and other receivables in the consolidated statement of financial position at 31 December 2014.

48. Related party disclosures

During the year, other than those disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with related parties:

(I) Related party transactions

During the year, the Group entered into the following transactions with related parties:

Name of company	Relationship	Nature of transactions	2015 *RMB'000*	2014 *RMB'000*
Nanjing Longwin	Associate	Purchase of goods	72,481	97,838
Nanjing Construction	Joint venture	Sales of goods	22,147	33,502
		Purchase of goods	355	463
		Rental income	331	331
		Service income	–	73
		Utility charge income	98	91
Nantong FLW	Associate	Technology development income	236	–
E-crystal	Associate	Purchase of goods	24,796	6,482
		Rental income	15,694	12,824
		Sales of property, plant and equipment	193,385	–
Shandong Heavy Duty	Joint venture	Sales of goods	9,419	16,270
		Purchase of goods	3,083	–
Zhonghe Tianyou (Shanghai). Industrial Co., Ltd	Associate	Purchase of goods	9	–
Nanjing Yuhuatai District Saihong Bridge Office 南京雨花臺賽虹橋街道辦事處	Holding company of a non-controlling shareholder of a subsidiary	Rental expenses	1,031	1,206

(II) Compensation of key management personnel

Other than the emolument paid to the directors of the Company, who are also considered as the key management of the Group as set out in note 14, the Group did not have any other significant compensation to key management personnel.

49. Restatement of comparative figures

During the year, certain comparative figures in respect of the year ended 31 December 2014 have been reclassified to conform with the current period presentation.

50. Financial information of the company

	2015	2014
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Interests in subsidiaries	5,383,515	5,646,503
Property, plant and equipment	3	2
Available-for-sale investments	28,414	49,415
	5,411,932	5,695,920
CURRENT ASSETS		
Trade and other receivables	64,926	57,015
Bank balances and cash	16,253	206,277
	81,179	263,292
CURRENT LIABILITIES		
Trade and other payables	2,734	9,579
Amounts due to subsidiaries	9,000	8,835
Borrowings	256,660	823,381
	268,394	841,795
	5,224,717	5,117,417
CAPITAL AND RESERVES		
Share capital	119,218	119,218
Reserves	5,105,499	4,998,199
	5,224,717	5,117,417

Movement in reserves

	Share premium *RMB'000*	Deemed capital contribution reserve *RMB'000*	Investment revaluation reserve *RMB'000*	Hedging reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2014	5,010,141	77,651	(9,446)	(1,529)	(8,685)	4,242,307
Loss for the year	–	–	–	–	(44,440)	(44,440)
Other comprehensive expense for the year	–	–	(27,022)	1,529	–	(25,493)
Total comprehensive (expense) income for the year	–	–	(27,022)	1,529	(44,440)	(69,933)
At 31 December 2014	5,010,141	77,651	(36,468)	–	(53,125)	4,998,199
Profit for the year	–	–	–	–	70,832	70,832
Other comprehensive income for the year	–	–	36,468	–	–	36,468
Total comprehensive income for the year	–	–	36,468	–	70,832	107,300
At 31 December 2015	5,010,141	77,651	–	–	17,707	5,105,499

51. Particulars of principal subsidiaries of the Company

Details of the Company's material subsidiaries at 31 December 2015 and 2014 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interest indirectly held by the Company		Principal activities
			2015	2014	
			%	%	
Nanjing High Speed & Accurate Gear (Group) Co., Ltd. (3) 南京高精齒輪集團有限公司	PRC 16 August 2001	RMB693,800,000	100	100	Manufacture and sales of gear, gear box and fittings
Nanjing High Speed Gear Manufacturing Co., Ltd. (2) 南京高速齒輪製造有限公司	PRC 8 July 2003	RMB2,000,000,000	100	100	Manufacture and sales of gear, gear box and fittings
Nanjing Ningkai Mechanical Co., Ltd. (2) 南京寧凱機械有限公司	PRC 19 November 2002	RMB41,077,000	85.83	85.83	Engineering processing and manufacturing
Nanjing High Accurate Marine Equipment Co., Ltd. (2) 南京高精船用設備有限公司	PRC 2 February 2007	RMB500,000,000	100	100	Manufacture and sales of gear, gear box and fittings
Nanjing Ninghongjian Mechanical Co., Ltd. (2) 南京寧宏建機械有限公司	PRC 15 March 2007	RMB20,000,000	100	100	Engineering processing and manufacturing
Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. (1) 南京高精傳動設備製造集團有限公司	PRC 27 March 2007	USD448,300,000	100	100	Manufacture and sales of gear box and fittings
Nanjing Zhong-Chuan Shipping Drive Equipment Co., Ltd. (3) 南京中傳船舶設備有限公司	PRC 10 June 2008	USD45,600,000	100	100	Manufacture and sales of shipping drive equipment
CHSTE (Beijing) Shougao Metallurgical Engineering & Equipment Co., Ltd. (2) 北京中傳首高冶金成套設備有限公司	PRC 25 April 2008	RMB30,000,000	75	75	Metallurgical engineering and manufacturing

Name of subsidiary	Place and date of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interest indirectly held by the Company		Principal activities
			2015	2014	
			%	%	
Nantong Diesel Engine Co., Ltd. (2) 南通柴油機股份有限公司	PRC 27 November 1993	RMB300,000,000	89.36	89.36	Manufacture and sales of diesel engines
Nanjing Gaochuan Sky Digital Control Equipment Manufacturing Co., Ltd. (2) 南京高傳四開數控裝備製造有限公司	PRC 27 February 1993	RMB26,000,000	99.16	99.16	Engineering processing and manufacturing
Zhenjiang Tongzhou Propeller Co., Ltd (2) 鎮江同舟螺旋槳有限公司	PRC 24 November 2005	RMB50,000,000	76.33	76.33	Manufacture and sales of propellers
Zhong-Chuan Heavy Duty Machine Tool Corporation Ltd. (3) 中傳重型機床有限公司	PRC 11 October 2010	USD44,200,000	90	90	Manufacture and sales of heavy duty machine tools
AE&E Nanjing Boiler Co., Ltd. (3) 南京奧能鍋爐有限公司	PRC 25 January 1991	RMB128,824,800	90	90	Manufacture and sales of industrial boilers, heat recovery equipment and related products
New Best Zhong-Chuan Technology Co., Ltd. (2) 江蘇新貝斯特中傳科技有限公司	PRC 27 December 2011	RMB200,000,000	63	63	Manufacture and sales of machine tools
Nanjing Jingjing Photoelectric Science & Technology Co. Ltd 南京京晶光電科技有限公司	PRC 15 March 2012	RMB300,000,000	100	100	Manufacture and sales of LED products
Nanjing Handa Import and Export Trading Co., Ltd. (2) 南京翰達進出口貿易有限公司	PRC 25 April 2012	RMB41,000,000	100	100	Trading business
China Transmission Holdings Limited 中傳控股有限公司	Hong Kong 7 November 2007	HKD100	100	100	Investment holding

The above table lists the 17 subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

At the end of the reporting period, the Company considers these subsidiaries below that are not material to the Group. A majority of these subsidiaries operate in PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries 31/12/2015	Number of subsidiaries 31/12/2014
Production and after sale service of wind gear transmission equipment	USA	2	2
	Canada	1	1
	Germany	1	1
	Singapore	2	2
Manufacture and sales of marine gear transmission equipment	Singapore	1	1
Manufacture and sales of computer numerical controlled ("CNC") machine tool products	PRC	4	4
Manufacture and sales of traditional and other transmission products	PRC	11	11
Manufacture and sales of LED products	PRC	2	3
Investment holding	British Virgin Island	2	2
	Hong Kong	2	2
Manufacture and sales of mechanical and electrical equipment and automatic control systems	PRC	–	18
		28	47

At 31 December 2015, the Group has 45 (2014: 68) subsidiaries, in which 19 (2014:38) subsidiaries are wholly-owned by the Group.

Notes:

(1) Wholly-foreign owned enterprise established in the PRC

(2) Domestic enterprise established in the PRC

(3) Sino-foreign owned enterprise established in the PRC

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of a non-wholly-owned subsidiary subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tianjin Chuanzai	PRC	53.04%	nil	–	–	97,209	–
Individually immaterial subsidiaries with non-controlling interests						118,427	181,731
						215,636	181,731

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Tianjin Chuanzai

	31/12/2015
	RMB'000
Current assets	184,758
Non-current assets	–
Current liabilities	(1,486)
Non-current liabilities	–
Equity attributable to owners of the Company	86,063
Non-controlling interests	97,209

	Year ended 31/12/2015 *RMB'000*
Revenue	–
Expenses	(302)
Profit for the year	5
Profit attributable to owners of the Company	5
Profit attributable to the non-controlling interests	–
Profit for the year	5
Other comprehensive income attributable to owners of the Company	–
Other comprehensive income attributable to the non-controlling interests	–
Other comprehensive income for the year	–
Total comprehensive income attributable to owners of the Company	5
Total comprehensive income attributable to the non-controlling interests	–
Total comprehensive income for the year	5
Dividends paid to non-controlling interests	–
Net cash outflow from operating activities	(873)
Net cash outflow from investing activities	–
Net cash inflow from financing activities	–
Net cash inflow (outflow)	(873)

52. Other matter

On 14 March 2015, Nanjing High Speed entered into an agreement (the "Land Resumption Agreement") with the local district government of Jiangning (the "Jiangning Government"). Pursuant to the Land Resumption Agreement, Nanjing High Speed will return and the Jiangning Government will resume the land (together as the "Land Resumption") on which one of the plants currently owned by Nanjing High Speed is located (the "Resumed Land") by the end of 2016 in consideration for amount of RMB1.3 billion payable by the Jiangning Government to the Group. The amount will be payable by three instalments, with the first instalment of RMB300 million payable on or before 25 March 2015, the second instalment of RMB400 million payable on or before 30 September 2015, and the last instalment of RMB600 million payable when the Resumed Land is successfully sold by auction, subsequent to the resumption by the Jiangning Government.

During the year, the Group collected an aggregate RMB700 million from the Jiangning Government, representing the full amount of the first instalment and the second instalment. The RMB700 million is principally to compensate for the costs incurred in relation to and as a result of the Land Resumption and is accounted for as government grant for compensation of expenses or losses. During the year ended 31 December 2015, the Group in accordance with the Group's accounting policy recognised and released RMB193 million against costs incurred in relation to the Land Resumption. At 31 December 2015, the balance of the RMB507 million is recorded as other payables in note 32.

	RMB'000
Receipt from the Jiangning Government	700,000
Release and credited to related costs during the year	(192,505)
Balance at 31 December 2015	507,495

3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

Set out below is a reproduction of the text of the unaudited condensed consolidated financial statements of the Offeree Group together with the accompanying notes contained in the interim report of the Offeree Company for the six months ended 30 June 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended	
		30 June 2016	**30 June 2015**
	NOTES	*RMB'000* (Unaudited)	*RMB'000* (Unaudited & restated)
Revenue	*3*	4,532,454	4,751,493
Cost of sales		(3,001,629)	(3,342,584)
Gross profit		1,530,825	1,408,909
Other income		112,077	77,185
Other gains and losses	*4*	(36,496)	11,361
Distribution and selling costs		(142,828)	(139,097)
Administrative expenses		(315,876)	(292,420)
Research and development costs		(136,782)	(74,499)
Finance costs		(286,305)	(317,489)
Share of results of associates		3,178	(7,875)
Share of results of joint ventures		2,101	6,981
Profit before taxation		729,894	673,056
Taxation	*5*	(178,876)	(163,853)
Profit for the period	*6*	551,018	509,203
Other comprehensive expense for the period:			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operations		(396)	–
Fair value loss on available-for-sale financial assets		–	(3,195)
Other comprehensive expense for the period		(396)	(3,195)
Total comprehensive income for the period		550,622	506,008

		Six months ended	
		30 June 2016	**30 June 2015**
	NOTES	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited & restated)
Profit for the period attributable to:			
Owners of the Company		575,843	524,168
Non-controlling interests		(24,825)	(14,965)
		551,018	509,203
Total comprehensive income attributable to:			
Owners of the Company		575,447	520,973
Non-controlling interests		(24,825)	(14,965)
		550,622	506,008
EARNINGS PER SHARE	*8*		
Basic *(RMB)*		0.352	0.321

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2016

	NOTES	**30 June 2016** *RMB'000* (Unaudited)	**31 December 2015** *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	5,278,923	5,520,057
Prepaid lease payments	*9*	707,249	669,923
Goodwill		2,991	2,991
Intangible assets	*10*	143,910	163,800
Interests in associates		160,455	157,277
Interests in joint ventures	*11*	98,692	96,591
Other receivable	*12*	535,656	519,874
Available-for-sale investments	*13*	485,313	196,174
Deposit for land lease		191,800	191,800
Prepayment for acquisition of property, plant and equipment	*9*	336	3,656
Deferred tax assets		206,529	232,385
Amounts due from an associate	*24(II)*	–	226,278
		7,811,854	7,980,806
CURRENT ASSETS			
Inventories		2,186,125	2,075,239
Prepaid lease payments	*9*	16,689	15,276
Trade and other receivables	*14*	8,395,098	8,650,502
Amounts due from associates	*24(II)*	536,446	247,016
Amounts due from joint ventures	*24(II)*	30,489	39,270
Tax asset		–	3,459
Structured bank deposits	*15*	372,000	1,755,000
Pledged bank deposits		4,609,785	2,403,640
Bank balances and cash		3,356,614	2,121,873
		19,503,246	17,311,275

	NOTES	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	16	7,065,178	6,408,813
Amounts due to associates	24(II)	14,716	1,888
Amount due to a joint venture	24(II)	889	510
Tax liabilities		234,529	329,772
Borrowings	17	7,449,968	5,618,194
Financial liabilities at fair value through profit or loss	18	–	596,656
Dividend payable	7	318,944	–
Warranty provision		99,808	100,342
Obligation under finance leases		86,173	158,556
		15,270,205	13,214,731
NET CURRENT ASSETS		4,233,041	4,096,544
TOTAL ASSETS LESS CURRENT LIABILITIES		12,044,895	12,077,350
NON-CURRENT LIABILITIES			
Borrowings	17	1,698,596	1,948,126
Deferred tax liabilities		51,160	51,319
Deferred income		88,723	96,651
Obligation under finance leases		–	6,516
		1,838,479	2,102,612
		10,206,416	9,974,738
CAPITAL AND RESERVES			
Share capital	19	119,218	119,218
Reserves		9,896,387	9,639,884
Equity attributable to owners of the Company		10,015,605	9,759,102
Non-controlling interests		190,811	215,636
		10,206,416	9,974,738

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company											
	Share capital	Share premium	Deemed capital contribution reserve	Capital reserve	Investment revaluation reserve	Statutory surplus reserve	Other reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015 (audited)	119,218	5,010,141	77,651	149,289	(36,468)	366,306	52,335	(1,133)	2,951,032	8,688,371	181,731	8,870,102
Profit (loss) for the period (unaudited)	–	–	–	–	–	–	–	–	524,168	524,168	(14,965)	509,203
Other comprehensive expense for the period (unaudited)	–	–	–	–	(3,195)	–	–	–	–	(3,195)	–	(3,195)
Total comprehensive (expense) income for the period (unaudited)	–	–	–	–	(3,195)	–	–	–	524,168	520,973	(14,965)	506,008
Acquisition of a subsidiary (unaudited)	–	–	–	–	–	–	–	–	–	–	(31)	(31)
Disposal of subsidiaries (unaudited)	–	–	–	–	–	–	–	–	–	–	(33,038)	(33,038)
Capital contributions by non-controlling shareholders of subsidiaries (unaudited)	–	–	–	–	–	–	–	–	–	–	1,960	1,960
Acquisition of additional interest in subsidiaries (unaudited)	–	–	–	1,308	–	–	–	–	–	1,308	(1,808)	(500)
At 30 June 2015 (unaudited)	119,218	5,010,141	77,651	150,597	(39,663)	366,306	52,335	(1,133)	3,475,200	9,210,652	133,849	9,344,501
At 1 January 2016 (audited)	119,218	5,010,141	77,651	150,148	–	366,458	52,335	(826)	3,983,977	9,759,102	215,636	9,974,738
Profit (loss) for the period (unaudited)	–	–	–	–	–	–	–	–	575,843	575,843	(24,825)	551,018
Other comprehensive expense for the period (unaudited)	–	–	–	–	–	–	–	(396)	–	(396)	–	(396)
Total comprehensive (expense) income for the period (unaudited)	–	–	–	–	–	–	–	(396)	575,843	575,447	(24,825)	550,622
Dividends *(note 7)*	–	–	–	–	–	–	–	–	(318,944)	(318,944)	–	(318,944)
At 30 June 2016 (unaudited)	119,218	5,010,141	77,651	150,148	–	366,458	52,335	(1,222)	4,240,876	10,015,605	190,811	10,206,416

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

		Six months ended	
		30 June 2016	**30 June 2015**
	NOTE	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited)
Net cash from operating activities		1,881,858	2,815,448
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(152,394)	(26,943)
Additions of intangible assets		(6,520)	(6,203)
Purchase of available-for-sale investments		(300,000)	(61,483)
Prepayment for acquisition of property, plant and equipment		–	(186,988)
Payment for prepaid lease payments		(47,881)	–
Placement of pledged bank deposits		(7,097,111)	(5,255,634)
Withdrawal of pledged bank deposits		4,890,966	4,642,775
Government grants related to non-current assets		–	17,090
Interest received		59,142	29,838
Proceeds on disposal of property, plant and equipment		17,984	39,207
Inflow from acquisition of a subsidiary		–	69
(Outflow) inflow from disposal of subsidiaries	*23*	(2,459)	401,236
Acquisition of interest in an associate		–	(734)
Placement of structured bank deposits		(370,600)	(377,000)
Withdrawal of structured bank deposits		1,753,600	1,107,109
Purchase of other receivable		–	(500,000)
Net cash used in investing activities		(1,255,273)	(177,661)

		Six months ended	
		30 June 2016	**30 June 2015**
	NOTE	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited)
FINANCING ACTIVITIES			
New bank borrowings raised		5,421,023	2,610,908
Capital contribution by non-controlling shareholders		–	1,960
Repayment of bank borrowings		(3,844,169)	(5,511,207)
Interest paid		(293,143)	(337,337)
Acquisition of additional interest in subsidiaries		–	(500)
Repayment of obligation under finance leases		(78,899)	(78,050)
Amounts raised from financial liabilities at fair value through profit or loss		–	843,718
Settlement of financial liabilities at fair value through profit or loss		(596,656)	–
Net cash from (used in) financing activities		608,156	(2,470,508)
Net increase in cash and cash equivalents		1,234,741	167,279
Cash and cash equivalents at 1 January		2,121,873	1,649,705
Cash and cash equivalents at 30 June, representing bank balances and cash		3,356,614	1,816,984

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2016

1. General and basis of preparation

China High Speed Transmission Equipment Group Co., Ltd. (the "Company") is a public limited company incorporated in the Cayman Islands as an exempted company with limited liability on 22 March 2005 and its shares are listed on The Stock Exchange of Hong Kong Limited with effect from 4 July 2007.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (same as the functional currency of the Company).

Since the end of last annual reporting period, there has been no significant events or transactions which have had a significant impact on the Group's current interim financial position and performance.

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values.

Except as described below, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") issued by IASB that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. Revenue and segmental information

Revenue represents the amounts received and receivable for goods sold, net of sales taxes and return, for the period. The Group's major operation is the manufacture and sale of gear products.

The Group is organised in one business division only. The Group's chief operating decision maker (the "CODM"), being the Company's Board of Directors, makes decisions according to the revenue and operating results of each geographical area by location of customers and the related reports on the aging analysis of trade receivables for the purposes of resources allocation and performance assessment. Accordingly the Group's operating segments are based on geographical location of customers.

No information of liabilities is provided to CODM for the assessment of performance of different geographical area while there is no significant change in segment assets during the current period. Therefore, only segment revenue and segment results are presented.

The People's Republic of China (the "PRC"), the United States of America (the "USA") and Europe are three major operating segments reviewed by the CODM while the remaining market locations are grouped together to report to CODM for analysis.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments for the period under review.

	Six months ended 30 June 2016 *RMB'000* (Unaudited)	Six months ended 30 June 2015 *RMB'000* (Unaudited & restated)
Segment revenue		
– PRC	2,962,740	3,825,165
– USA	1,121,819	883,088
– Europe	421,500	30,583
– Others	26,395	12,657
	4,532,454	4,751,493
Segment profit		
– PRC	755,005	957,941
– USA	506,899	318,612
– Europe	145,967	11,696
– Others	2,556	2,530
	1,410,427	1,290,779
Other income, gains and losses	53,151	67,579
Finance costs	(286,305)	(317,489)
Share of results of associates	3,178	(7,875)
Share of results of joint ventures	2,101	6,981
Unallocated expenses	(452,658)	(366,919)
Profit before taxation	729,894	673,056

Segment profit represents the gross profit (including depreciation of production plants), government grants, sales of scraps and materials, and distribution and selling costs earned/incurred by each segment. The remaining items in the profit or loss are unallocated.

4. Other gains and losses

	Six months ended 30 June 2016 RMB'000 (Unaudited)	Six months ended 30 June 2015 RMB'000 (Unaudited & restated)
(Loss) gain on disposal of property, plant and equipment	(83)	888
Changes in fair value of financial liabilities at fair value through profit or loss	–	(6,508)
(Loss) gain on disposal of subsidiaries	(2,305)	53,536
Net exchange gains (losses)	33,408	(15,433)
Impairment losses on intangible assets	(5,094)	(5,653)
Impairment losses on property, plant and equipment	–	(532)
Impairment losses on trade and other receivables	(51,561)	(14,937)
Impairment losses on available for sales investments	(10,861)	–
	(36,496)	11,361

5. Taxation

	Six months ended 30 June 2016 RMB'000 (Unaudited)	Six months ended 30 June 2015 RMB'000 (Unaudited)
Current tax		
– PRC Enterprise Income Tax	139,892	151,017
– USA Corporate Income Tax	–	497
	139,892	151,514
Under provision in prior years		
– PRC Enterprise Income Tax	13,287	18,787
Deferred tax charge (credit)	25,697	(6,448)
	178,876	163,853

No provision for Hong Kong Profits Tax and Singapore income tax has been made as the Group has no assessable profit arising in Hong Kong and Singapore, respectively.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 June 2015: 25%).

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

Name of company	Year-end during which approval was obtained	Year ending during which approval will expire
Nanjing High Speed Gear Manufacturing Co., Ltd. ("Nanjing High Speed")	31 December 2014	31 December 2016
Nanjing High Accurate Marine Equipment Co., Ltd.	31 December 2014	31 December 2016
Nanjing High Speed & Accurate Gear (Group) Co., Ltd.	31 December 2014	31 December 2016
Nanjing Gaochuan Sky Digital Control Equipment Manufacturing Co., Ltd.	31 December 2015	31 December 2017
CHSTE (Beijing) Shougao Metallurgical Engineering & Equipment Co., Ltd.	31 December 2015	31 December 2017

At 30 June 2016, the Group has unused tax losses of RMB889,352,000 (31 December 2015: RMB677,528,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB25,129,000 (31 December 2015: RMB23,901,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB864,223,000 (31 December 2015: RMB653,626,000) due to the unpredictability of future profit streams. The unused tax losses can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits.

Under the EIT Law, starting from 1 January 2008, 10% withholding income tax is imposed on dividends relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. Other than the PRC withholding income tax provided in respect of undistributed profits of PRC subsidiaries of approximately RMB644 million

(31 December 2015: approximately RMB644 million), no deferred taxation has been provided for the remaining profits of approximately RMB5,631 million as at 30 June 2016 (31 December 2015: RMB4,798 million), which was derived from the PRC subsidiaries, as the Group is able to control the timing of the distribution and it is probable that the amount will not be distributed in the foreseeable future. The Group has applied the preferential rate of 5% as all the Company's subsidiaries in the PRC are directly held by an investment holding company incorporated in Hong Kong.

There is no other significant unprovided deferred taxation for the period or at the end of the reporting period.

6. Profit for the period

Profit for the period has been arrived at after charging (crediting):

	Six months ended	
	30 June 2016	**30 June 2015**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Allowance for inventories (included in cost of sales)	65,894	37,024
Amortisation of intangible assets	21,316	42,090
Bank interest income	(59,142)	(29,838)
Depreciation of property, plant and equipment	280,519	290,471
Release of prepaid lease payments	7,494	10,243
Exchange (gains) losses (included in other gains and losses)	(33,408)	15,433
Loss (gain) on disposal of subsidiaries (included in other gains and losses)	2,305	(53,536)
Loss (gain) on disposal of property, plant and equipment (included in other gains and losses)	83	(888)
Impairment loss on trade and other receivables, net (included in other gains and losses)	51,561	14,937
Impairment loss on intangible assets (included in other gains and losses)	5,094	5,653
Impairment loss on property, plant and equipment (included in other gains and losses)	–	532
Impairment loss on available-for-sale investments (included in other gains and losses)	10,861	–

7. Dividends

During the current interim period, 2015 final dividend amounting to Hong Kong 23 cents (approximately RMB19.5 cents) per share was proposed by the Company's directors on 18 March 2016, and subsequently approved at the annual general meeting on 17 June 2016. The aggregated amount of the 2015 final dividend declared amounted to approximately RMB318,944,000.

The directors of the Company have determined that no dividend will be declared in respect of the interim period (six-month period ended 30 June 2015: nil).

8. Earnings per share

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30 June 2016	**30 June 2015**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share (Profit for the period attributable to owners of the Company)	575,843	524,168

	30 June 2016	**30 June 2015**
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Number of ordinary shares in issue for the purpose of basic earnings per share	1,635,291	1,635,291

No diluted earnings per share is presented for the six months ended 30 June 2016 and 2015 as there is no potential dilutive shares in issue.

9. Property, plant and equipment and prepaid lease payments

For the six months ended 30 June 2016, the Group acquired and prepaid for property, plant and equipment of RMB140,410,000 (the six months ended 30 June 2015: RMB186,988,000) in order to upgrade the manufacturing capabilities.

At 30 June 2016, the Group is in the process of obtaining property certificates for the buildings with carrying amount of RMB1,228,160,000 (at 31 December 2015: RMB1,227,000,000).

At 30 June 2016, the Group is in the process of obtaining land use rights certificates in respect of medium-term land use rights located in the PRC with carrying amount of RMB317,421,000 (at 31 December 2015: RMB303,706,000).

10. Intangible assets

During the six months ended 30 June 2016, the Group capitalised development cost of RMB6,520,000 (six months ended 30 June 2015: RMB6,203,000) for the purpose of developing new products.

11. Interests in joint ventures

	30 June 2016 *RMB'000* (Unaudited)	31 December 2015 *RMB'000* (Audited)
Cost of unlisted investments in joint ventures	38,658	38,658
Accumulated share of post-acquisition results	60,034	57,933
	98,692	96,591

12. Other receivable

	30 June 2016 *RMB'000* (Unaudited)	31 December 2015 *RMB'000* (Audited)
Other receivable	535,656	519,874

At 30 June 2016, the amount represents an advance made to an insurance company in the PRC, which will mature in 2018, and carries 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.

13. Available-for-sale investments

	30 June 2016	**31 December 2015**
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Equity securities listed in Hong Kong, at fair value	17,553	28,414
Investment in a partnership, at fair value *(Note i)*	300,000	–
Unlisted equity securities issued by private entities established in the PRC, at cost *(Note ii)*	168,160	167,760
	485,313	196,174

Note i: During the period, the Group has entered into an agreement with 南京伊晶能源有限公司 Nanjing E-crystal Energy Co., Ltd., an associate of the Group ("Nanjing E-crystal"), and three independent third parties, 南京豐盛產業控股集團有限公司 Nanjing Fengsheng Industrial Holding Group Co., Ltd., 南京豐盛大族科技股份有限公司 Nanjing Fengsheng Dazu Technologies Inc., and 杭州基建華融投資合夥企業（有限合夥）Hangzhou Huarong Infrastructure Investment Partnership (Limited Partnership) ("Hangzhou Huarong"), to establish 杭州國京匯章股權投資基金合夥企業（有限合夥）Hangzhou Guojing Huizhang Equity Investment Fund Partnership (Limited Partnership) (the "Partnership"). The Group has invested RMB300,000,000 to the Partnership during the period.

Other than Hangzhou Huarong which is a general partner, all the remaining partners are limited partners.

The Group has 33% equity interest in the Partnership. In the opinion of the directors of the Company, the Group could not control the Partnership because the Group does not expose, or have rights, to variable returns from its involvement with the Partnership and does not have the ability to affect those returns through its power over the Partnership, and the Group do not participate in the financial and operating decision, the Group could neither exercise significant influence nor joint control over the Partnership, therefore, in the opinion of the directors of the Company, the Partnership is classified as available-for-sale investment.

Note ii: The remaining amount represents the investments in unlisted equity securities issued by private entities established in the PRC 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.

14. Trade and other receivables

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Accounts receivable	4,621,883	4,107,314
Bills receivable	2,543,938	3,248,346
Less: allowance for doubtful debts	(468,736)	(418,288)
Total trade receivables	6,697,085	6,937,372
Advances to suppliers	1,203,275	1,232,041
Value-added tax recoverable	140,084	165,099
Other receivables *(Note)*	357,184	318,520
Less: allowance for doubtful debts of other receivable	(2,530)	(2,530)
Total trade and other receivables	8,395,098	8,650,502

Note: At 30 June 2016, the balance of approximately RMB62,003,000 (31 December 2015: RMB77,504,000), included in the Group's other receivables, was the consideration for disposal of Nanjing Gaochuan Electrical & Mechanical Auto Control Equipment Co., Ltd. ("Nanjing Gaochuan"). The balance was subsequently settled.

The Group generally allows a credit period of 180 days to its trade customers. The following is an aged analysis of the trade receivables based on invoice date, net of allowance for doubtful debts, at the end of the reporting period which approximated the respective revenue recognition dates:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 - 90 days	4,442,224	3,991,092
91 - 120 days	380,160	867,774
121 - 180 days	281,551	614,221
181 - 365 days	1,061,380	1,072,427
1 - 2 years	382,502	261,436
Over 2 years	149,268	130,422
	6,697,085	6,937,372

15. Structured bank deposits

As at 30 June 2016 and 31 December 2015, structured bank deposits represent foreign currency or interest rate or commodity price linked structured bank deposits ("SBDs") placed by the Group to various banks in the PRC for a term within one year. Pursuant to the relevant underlying agreements, the SBDs carry interest at variable rate per annum with reference to the performance of interest rate or commodity price during the investment period and the principal sums are denominated in RMB and guaranteed by the banks. In the opinion of the directors of the Company, the fair value of embedded derivatives does not have material impacts on the results and financial position of the Group.

16. Trade and other payables

	30 June 2016	**31 December 2015**
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Accounts payable	1,955,006	1,630,110
Notes payable *(note)*	3,629,134	3,142,814
Total trade payables	5,584,140	4,772,924
Advances from customers	460,572	365,432
Purchase of property, plant and equipment	145,173	160,477
Payroll and welfare payables	78,290	152,200
Accrued expenses	86,609	123,266
Value-added and other tax payable	101,037	50,261
Deferred income	11,204	10,326
Other payables and payment received from government *(see note 26)*	598,153	773,927
Total trade and other payables	7,065,178	6,408,813

Note: Notes payable are secured by certain of the Group's assets as set out in note 21.

The following is an aged analysis of the Group's trade payables based on invoice date at the end of the reporting period:

	30 June 2016 *RMB'000* (Unaudited)	31 December 2015 *RMB'000* (Audited)
0 - 30 days	906,288	1,107,968
31- 60 days	1,110,173	927,507
61 - 180 days	2,656,317	2,478,526
181 - 365 days	741,243	85,440
Over 365 days	170,119	173,483
	5,584,140	4,772,924

17. Borrowings

During the period, the Group obtained new borrowings in the amount of approximately RMB5,421,023,000 (six months ended 30 June 2015: RMB2,610,908,000). At 30 June 2016, the borrowings bear fixed or floating interest at interest rates ranging from 1.48% to 9.77% per annum (at 31 December 2015: fixed or floating interest at interest rates ranging from 1.48% to 9.77%) and are repayable within 1 to 5 years (at 31 December 2015: repayable within 1 to 6 years). The Group also repaid borrowings of approximately RMB3,844,169,000 (six months ended 30 June 2015: RMB5,511,207,000) during the period.

Certain borrowings are secured by certain of the Group's own assets as set out in note 21.

18. Financial liabilities at fair value through profit or loss

	30 June 2016 *RMB'000* (Unaudited)	31 December 2015 *RMB'000* (Audited)
Financial liabilities designated as fair value through profit and loss	–	536,982
Derivative financial liabilities	–	59,674
	–	596,656

In 2015, Nanjing High Speed entered into several gold commodity agreements with three banks for financing purpose. According to terms of the agreement, Nanjing High Speed borrows commodity gold from the bank, which permits such gold commodity to be sold to third parties, and Nanjing High Speed is obliged to return gold within one year with same quality and weight to the banks when the agreement expires. The obligation to return the gold is recognised as financial liability. The financial liabilities extinguished upon the expiry of the agreement.

19. Share capital

	Number of shares	Amount	Equivalent to
	(in thousand)	*US$'000*	*RMB'000*
Ordinary shares of US$0.01 each			
Authorised:			
At 1 January 2015, 31 December 2015 and 30 June 2016 (unaudited)	3,000,000	30,000	234,033
Issued and fully paid:			
At 1 January 2015, 31 December 2015 and 30 June 2016 (unaudited)	1,635,291	16,352	119,218

20. Capital commitments

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Commitments contracted for but not provided in the condensed consolidated financial statements in respect of:		
– prepaid lease payment	83,400	83,400
– property, plant and equipment	120,419	209,416
	203,819	292,816

21. Pledge of assets

At the end of the reporting period, the following assets were pledged to secure banking facilities granted to the Group and pledged to suppliers to settle its notes payable:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Pledged bank deposits	4,609,785	2,403,640
Trade receivables	61,143	596,245
Bills receivable	844,786	960,656
Property, plant and equipment	127,500	127,500
Prepaid lease payments	338,747	348,411
Structured bank deposits	–	100,000
	5,981,961	4,536,452

At 30 June 2016 and 31 December 2015, the Group also pledged its 25% equity interest in Nanjing High Speed which is the Company's wholly-owned subsidiary, for banking facilities granted to the Group.

22. Fair value measurement of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis:

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Financial assets/ financial liabilities	Fair value as at 30 June 2016	Fair value as at 31 December 2015	Fair value hierarchy	Basis of fair value measurement/ valuation technique and key input
1)	Listed equity securities classified as available-for-sale investments in the condensed consolidated statements of financial position	Listed equity securities in Hong Kong: – Manufacturing industry – RMB17,553,000	Listed equity securities in Hong Kong: – Manufacturing industry – RMB28,414,000	Level 1	Quoted bid prices in an active market.
2)	Investment in a partnership classified as available-for-sale investments in the condensed consolidated statements of financial position	Investment in a partnership – RMB300,000,000	N/A	Level 2	Based on the listed prices of the underlying investment in securities.
3)	Financial liabilities at fair value through profit or loss in the condensed consolidated statements of financial position	Financial liabilities at FVTPL – nil	Financial liabilities at FVTPL – RMB536,982,000	Level 2	Based on the quoted prices of the underlying commodity.
4)	Financial liabilities at fair value through profit or loss in the condensed consolidated statements of financial position	Derivative financial liabilities at FVTPL – nil	Derivative financial liabilities at FVTPL – RMB59,674,000	Level 2	Based on the forward prices of the underlying commodity.

At the end of the reporting period, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

23. Disposal of subsidiaries

30 June 2016

During the current period, Nanjing High Speed entered into an agreement with an independent third party to dispose of the Group's 100% equity interest in 南京寧宏建機械有限公司 Nanjing Ninghongjian Machinery Co., Ltd. ("Nanjing Ninghongjian"). The disposal was completed on 30 April 2016.

The net assets of Nanjing Ninghongjian at the date of disposal and the resulting loss on disposal recognised were as follows:

	Nanjing Ninghongjian *RMB'000*
Bank balances and cash	9,459
Trade and other receivables	16,446
Property, plant and equipment	36,949
Prepaid lease payments	1,648
Trade and other payables	(39,297)
Net assets disposed of	25,205
Loss on disposal recognised and charged to profit or loss	(2,305)
Net consideration	22,900
Satisfied by:	
Cash	7,000
Deferred cash consideration *(Note)*	15,900
	22,900
Net cash inflow (outflow) arising on disposal:	
Total cash consideration received	7,000
Bank balances and cash disposed of	(9,459)
	(2,459)

Note: Pursuant to the disposal agreement, the deferred consideration will be settled on or before 30 June 2017.

30 June 2015

(i) On 20 January 2015, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. ("Nanjing Drive"), a subsidiary of the Group, entered into an agreement (the "Disposal Agreement") with a purchaser (the "Purchaser") to dispose of the Group's entire 60% equity interest in Zhong-Chuan and the Group's 100% equity interest in Nanjing Gaote Gear Box Manufactory Co., Ltd. ("Nanjing Gaote"). Pursuant to the Disposal Agreement, an aggregate consideration of RMB500 million will be payable by the Purchaser, in which RMB450 million payable to the Group and RMB50 million payable to non-controlling shareholders owning the other 20% interest in Zhong-Chuan. The Purchaser also agreed to repay trade debts of RMB1,000 million owned by Zhong-Chuan and Nanjng Gaote to Nanjing Drive. Before the disposal, Zhong-Chuan owned 100% interest in Shenyang Mingshenghang Enterprise Management Consulting Co., Ltd. ("Mingshenghang", Zhong-Chuan together with Mingshenghang are hereinafter referred to as the "Zhong-Chuan Group") and Nanjing Gaote owned 100% interest in Nanjing Jiuyi Heavy Duty Gear Box Manufacturing Co., Ltd. ("Nanjing Jiuyi", Nanjing Gaote together with Nanjing Jiuyi are hereinafter referred to as the "Nanjing Gaote Group"). The Disposal Agreement is unconditioned and the disposal of Zhong-Chuan Group and Nanjing Gaote Group was completed on 20 January 2015, on which date the Group lost control of Zhong-Chuan Group and Nanjing Gaote Group. As part of the Disposal Agreement, the Group acquired the 50% equity interest in Shandong Heavy Duty from Zhong– Chuan at a cost consideration of RMB28,500,000.

(ii) During the six months period ended 30 June 2015, the Group entered into agreement to withdraw its investment in Tianjin Aokai Laser Technology Co., Ltd. ("Tianjin Aokai"). The disposal was completed on 17 March 2015, on which date the Group lost control of Tianjin Aokai.

The net assets of Zhong-Chuan Group & Nanjing Gaote Group and Tianjin Aokai at the date of disposal and the resulting gain (loss) on disposal recognised were as follows:

	Zhong-Chuan Group & Nanjing Gaote Group	**Tianjin Aokai**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Net assets disposed of, excluding the joint venture retained	414,334	12,482	426,816
Non-controlling interests	(27,114)	(5,924)	(33,038)
Gain (loss) on disposal recognised and charged to profit or loss	54,280	(744)	53,536
Fair value of the 8% investment retained	(20,000)	–	(20,000)
Net consideration	421,500	5,814	427,314
Satisfied by:			
Cash	421,500	–	421,500
Deferred cash consideration *(Note)*	–	5,814	5,814
	421,500	5,814	427,314
Net cash inflow (outflow) arising on disposal:			
Total cash consideration received	421,500	–	421,500
Bank balances and cash disposed of	(16,301)	(3,963)	(20,264)
	405,199	(3,963)	401,236

Note: The deferred consideration was settled by the buyer in 2015.

24. Related party disclosures

(I) Related party transactions

During the period, the Group entered into the following transactions with related parties:

Name of company	Relationship	Nature of transactions	Six months ended 30 June 2016 *RMB'000* (Unaudited)	30 June 2015 *RMB'000* (Unaudited)
Nanjing Longwin Windpower Equipment Manufacturing Co., Ltd.	Associate	Purchase of goods	60,476	36,598
Nanjing High Accurate Construction Equipment Co., Ltd.	Joint venture	Sales of goods	2,229	13,772
Shandong Energy Machinery Group Zhong-Chuan Heavy Duty Mine Equipment Manufacturing Co., Ltd.	Joint venture	Purchase of goods	430	–
Nantong FLW Agricultural Equipment Co., Ltd.	Associate	Purchase of goods	6,475	75
Inner Mongolia Jingjing Photoelectric Technology Co., Ltd. 內蒙古京晶光電科技有限公司 ("Inner Mongolia Jingjing")	Associate	Purchase of goods	11,408	1,673
		Rental income	–	9,766
Nanjing Jingze Lighting Technology USA Inc.	Joint venture	Sales of goods	1,972	–
Nanjing Yuhuatai District Saihong Bridge Office 南京雨花台賽虹橋街道辦事處	Holding company of a non-controlling shareholder of a subsidiary	Rental expenses	600	600

(II) Related party balances

Details of the Group's outstanding balances with related parties are set out on the condensed consolidated statement of financial position.

At the end of the reporting period, amounts due from (to) joint ventures and amounts due from (to) associates are related to trade balances, except for the amount due from associates namely Nanjing E-crystal of RMB6,575,000 (31 December 2015: RMB112,928,000) and Nanjing Gaochuan of RMB95,634,000 (31 December 2015: RMB92,700,000) related to prepayment, and Inner Mongolia Jingjing of RMB226,278,000 (31 December 2015: RMB226,278,000) related to sales of property, plant and equipment. The trade amounts are aged within 180 days. All the amounts are unsecured, interest-free and repayable within 180 days.

On 21 December 2015, the Group has entered into a sales and purchase agreement with Inner Mongolia Jingjing, a wholly-owned subsidiary of an associate, to dispose certain plants and machineries at an aggregate consideration of approximately RMB226,278,000 (including the value added tax) (the "Original Agreement"). According to the Original Agreement, the consideration should be settled to the Group by 31 December 2016. After further communication with the management of Inner Mongolia Jingjing, the Group allowed Inner Mongolia Jingjing to settle the balance on or before 30 June 2017, and classified the balance as non-current asset in the annual report of 2015. During the current period, the supplementary settlement agreement has been signed to ratify the above extension of settlement term.

(III) Guarantee granted to an associate

At 30 June 2016, the Group provided guarantees to Nanjing Gaochuan in favour of Nanjing Gaochuan's bank loans of RMB365,500,000 (31 December 2015: RMB199,500,000).

(IV) Compensation of key management personnel

	Six months ended	
	30 June 2016	**30 June 2015**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Fees	275	275
Salaries and other emoluments	8,285	7,350
	8,560	7,625

25. Contingent liabilities

The Group entered an agreement (the ''Agreement'') with a third party (the ''Subcontractor''), pursuant to which effective from 1 January 2013, the Group assigns the Subcontractor and the Subcontractor agrees to repair certain of the wind gear products sold for the Group at a fixed fee at 2.5% of annual sales of those wind gear products of the Group (the ''Fixed Fee''). The Group 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 wind gear products' customers for the repair services. In the event of closure, liquidation, or inability of the Subcontractor to provide those repair services, the Group is still liable for such repair obligations should those customers claim for that against the Group. In the opinion of the directors, based on their experience, the financial position of the Subcontractor and their assessment of the current economic environment, the possibility of the default or inability by the Subcontractor to carry out the obligation is remote. Accordingly, no provision for the repair obligation has been made in the condensed consolidated financial statements at the end of the reporting period.

26. Other matter

On 14 March 2015, Nanjing High Speed entered into an agreement (the "Land Resumption Agreement") with the local district government of Jiangning (the "Jiangning Government"). Pursuant to the Land Resumption Agreement, Nanjing High Speed will return and the Jiangning Government will resume the land (together as the "Land Resumption") on which one of the plants currently owned by Nanjing High Speed is located (the "Resumed Land") by the end of 2016 in consideration for amount of RMB1.3 billion payable by the Jiangning Government to the Group. The amount will be payable by three instalments, with the first instalment of RMB300 million payable on or before 25 March 2015, the second instalment of RMB400 million payable on or before 30 September 2015, and the last instalment of RMB600 million payable when the Resumed Land is successfully sold by auction, subsequent to the resumption by the Jiangning Government.

During the year 2015, the Group collected an aggregate RMB700 million from the Jiangning Government, representing the full amount of the first instalment and the second instalment. The RMB700 million is principally to compensate for the costs incurred in relation to and as a result of the Land Resumption and is accounted for as government grant for compensation of expenses or losses. During the six months ended 30 June 2016, the Group recognised and released of approximately RMB147 million against costs incurred in relation to the Land Resumption. At 30 June 2016, the balance of approximately RMB360 million is recorded as other payable in note 16.

	RMB'000 (Unaudited)
Receipt from the Jiangning Government	700,000
Release and credited to related costs in 2015	(192,505)
Release and credited to related costs during the period	(147,310)
Balance at 30 June 2016	360,185

27. Restatement of comparative figures

During the period, certain comparative figures in respect of the six months ended 30 June 2015 have been reclassified to conform with the current period presentation.

4. STATEMENT OF INDEBTEDNESS

Borrowings:

As at 31 August 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Offeree Group had the following outstanding borrowings:

Bank and other borrowings:	*RMB'000*
Secured	1,919,414
Guaranteed	3,000
Unsecured and Unguaranteed	4,378,880
	6,301,294
Secured obligations under finance leases	53,191
Unsecured and unguaranteed notes	1,300,000
Unsecured and unguaranteed corporate bonds (i.e. Offeree RMB Bonds)	259,312
	7,913,797

Contingent liabilities:

As of 31 August 2016, the Offeree Group provided guarantees to Nanjing Gaochuan Electrical & Mechanical Auto Control Equipment Co., Ltd. ("Nanjing Gaochuan"), an associate of the Offeree Group, in favour of Nanjing Gaochuan's bank loans of RMB166,000,000.

The Offeree Group entered an agreement (the "Agreement") with a third party (the "Subcontractor"), pursuant to which effective from 1 January 2013, the Offeree Group assigns the Subcontractor and the Subcontractor agrees to repair certain of the wind gear products sold for the Offeree Group at a fixed fee at 2.5% of annual sales of those wind gear products of the Offeree Group (the "Fixed Fee"). The Offeree Group 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 wind gear products' customers for the repair services. In the event of closure, liquidation, or inability of the Subcontractor to provide those repair services, the Offeree Group is still liable for such repair obligations should those customers claim for that against the Offeree Group. In the opinion of the directors of the Offeree, 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.

Save as aforesaid and apart from intra-group liabilities, none of the entities of the Offeree Group had any debt securities which are issued and outstanding, or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing of the Offeree Group including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments, mortgage, charges, guarantees or other material contingent liabilities as at the close of business on 31 August 2016.

5. MATERIAL CHANGE

The Offeree Directors confirm that there has been no material change in the financial or trading position or outlook of the Offeree Group since 31 December 2015, being the date to which the latest published audited financial statements of the Offeree Group were made up, up to and including the Latest Practicable Date.

1. FINANCIAL SUMMARY OF THE FULLSHARE GROUP

The following is a summary of the consolidated financial results of Fullshare Group as extracted from the respective annual and interim reports of Fullshare for the three years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016.

	For the six months ended 30 June	For the year ended 31 December		
	2016	2015	2014	2013
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(Unaudited)	(Audited)	(Audited) *(Note 1)*	(Audited)
Continuing operations				
Revenue	1,361,830	2,657,931	793,403	859,393
Cost of sales	(936,300)	(2,370,801)	(597,136)	(627,327)
Gross profit	425,530	287,130	196,267	232,066
Other income and gains	25,908	129,317	26,366	2,307
Change in fair value of convertible bonds	–	–	(1,360,118)	(292,866)
Change in fair value of properties held for sale transferred to investment properties	–	147,464	–	1,324
Change in fair value of investment properties	–	8,000	–	–
Change in fair value of financial assets at fair value through profit or loss	1,768,319	621,095	–	–
Gain on disposal of subsidiaries	14,283	194,047	–	–
Gain on bargain purchase recognised in acquisition of subsidiaries	–	363,428	237,978	–
Selling expenses	(69,279)	(76,226)	(33,319)	(29,858)
Administrative expenses	(141,554)	(110,507)	(69,401)	(25,816)
Finance costs	(12,173)	(97,949)	(3,035)	(412)
Profit (loss) before tax	2,011,034	1,465,799	(1,005,262)	(113,255)
Income tax expense	(364,983)	(226,809)	(59,481)	(88,083)
Profit (loss) for the period/year from continuing operations	1,646,051	1,238,990	(1,064,743)	(201,338)
Discontinued operation *(Note 2)*				
Loss for the year from discontinued operation	–	–	–	(32,042)
Profit (loss) for the period/year	1,646,051	1,238,990	(1,064,743)	(233,380)
Profit (loss) for the period/year attributable to:				
Owners of the Company	1,662,155	1,237,507	(1,070,988)	(241,746)
Non-controlling interests	(16,104)	1,483	6,245	8,366
Other comprehensive income				
Exchange differences on translation of foreign operations	56,738	26,511	–	–
Other comprehensive income, net of tax	56,738	26,511	–	–
Total comprehensive income for the period/year	1,702,789	1,265,501	(1,064,743)	(233,380)

	For the six months ended 30 June 2016 *(RMB'000)* (Unaudited)	For the year ended 31 December 2015 *(RMB'000)* (Audited)	2014 *(RMB'000)* (Audited) *(Note 1)*	2013 *(RMB'000)* (Audited)
Total comprehensive income (expenses) attributable to:				
Owners of the Company	1,718,893	1,264,018	(1,070,988)	(241,746)
Non-controlling interests	(16,104)	1,483	6,245	8,366
	1,702,789	1,265,501	(1,064,743)	(233,380)
Earning (loss) per share				
Basic and diluted	10.63 cents	8.83 cents	(27.04 cents)	(18.15 cents)

Notes:

(i) Certain figures for the year ended 31 December 2014 were subsequently restated for comparative purpose and to conform with the presentation for the year ended 31 December 2015 during the year ended 31 December 2015.

(ii) On 5 April 2013, Fullshare entered into a sale agreement to dispose of entire interest in Up Stand Holdings Limited and its subsidiary (collectively referred to as the "Disposal Group"), which carried out the manufacturing and sale of household electrical appliances operation (the "Disposal"), at a cash consideration of HK$10,000,000 (equivalent to approximately RMB7,808,000). The Disposal was completed on 12 December 2013. As such, the financial results of the Disposal Group as presented herein were included in the discontinuing operations of the Fullshare Group for the year ended 31 December 2013.

(iii) The above financial information relating to Fullshare for the years ended 31 December 2013, 2014 and 2015 is derived from but does not constitute the Fullshare's statutory annual consolidated financial statements for these three years.

(iv) The auditors of Fullshare did not issue any qualified audit opinion in respect of the audited consolidated financial statements of Fullshare Group for each of the three years ended 31 December 2013, 2014 and 2015. Fullshare Group had no items which are exceptional because of size, nature or incidence for each of the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016.

(v) For the two years ended 31 December 2013 and 31 December 2014 and for the six months ended 30 June 2016, the board of directors of Fullshare resolved not to declare dividend. For the year ended 31 December 2015, the board of directors of Fullshare declared dividend of approximately RMB156,380,000 (approximately RMB$0.01 per Fullshare Share) and such dividend was paid during the six months ended 30 June 2016.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FULLSHARE GROUP FOR THE YEAR ENDED 31 DECEMBER 2015

Set out below is a reproduction of the text of the audited consolidated financial statements of Fullshare Group together with the accompanying notes contained in the annual report of Fullshare for the year ended 31 December 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
Revenue	8	2,657,931	793,403
Cost of sales		(2,370,801)	(597,136)
Gross profit		287,130	196,267
Other income and gains	10	129,317	26,366
Change in fair value of convertible bonds	40	–	(1,360,118)
Change in fair value of properties held for sale transferred to investment properties	18	147,464	–
Change in fair value of investment properties	18	8,000	–
Change in fair value of financial assets at fair value through profit or loss		621,095	–
Gain on disposals of subsidiaries	45	194,047	–
Gain on bargain purchase recognised in acquisition of subsidiaries	43	363,428	237,978
Selling expenses		(76,226)	(33,319)
Administrative expenses		(110,507)	(69,401)
Finance costs	11	(97,949)	(3,035)
Profit (loss) before tax		1,465,799	(1,005,262)
Income tax expense	12	(226,809)	(59,481)
Profit (loss) for the year	13	1,238,990	(1,064,743)

	Notes	2015 *RMB'000*	2014 *RMB'000* (Restated)
Profit (loss) for the year attributable to:			
Owners of the Company		1,237,507	(1,070,988)
Non-controlling interests		1,483	6,245
		1,238,990	(1,064,743)
		RMB	*RMB* (Restated)
Earnings (loss) per share			
Basic and diluted	*16*	8.83 cents	(27.04) cents
Profit (loss) for the year		1,238,990	(1,064,743)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		26,511	–
Total comprehensive income (expense) for the year		1,265,501	(1,064,743)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		1,264,018	(1,070,988)
Non-controlling interests		1,483	6,245
		1,265,501	(1,064,743)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	31/12/2015 RMB'000	31/12/2014 RMB'000 (Restated)	1/1/2014 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	17	148,466	148,136	127,767
Investment properties	18	330,600	5,600	5,600
Goodwill	19	1,474	1,474	–
Intangible assets	20	1,643	–	–
Interest in a joint venture	21	4,900	–	–
Prepaid land lease payments	22	1,661	1,699	1,737
Loan receivable	23	–	350,000	–
Financial assets at fair value through profit or loss	24	10,419	–	–
Deferred tax assets	42	13,371	14,736	523
		512,534	521,645	135,627
Current assets				
Deposit paid for potential acquisition	25	360,000	50,000	–
Receivables in respect of disposal of subsidiaries	45	1,349,936	–	–
Trade and other receivables	26	274,127	394,661	243,798
Inventories	27	8,964	–	–
Financial assets at fair value through profit or loss	24	1,598,115	30,024	–
Amounts due from customers for contract work	28	40,549	20,801	–
Tax prepaid	29	12,316	24,820	–
Properties under development	30	2,379,083	2,540,309	1,448,807
Properties held for sale	31	933,536	504,516	667,908
Pledged bank deposits	32	–	11,947	1,445
Bank balances and cash	33	1,194,328	325,013	122,777
		8,150,954	3,902,091	2,484,735

	Notes	31/12/2015 RMB'000	31/12/2014 RMB'000 (Restated)	1/1/2014 RMB'000 (Restated)
Current liabilities				
Trade and other payables	34	943,540	344,614	345,149
Receipts in advance and deposits received	35	1,285,373	602,994	510,286
Income tax payables		175,206	157,535	109,202
Consideration payables	36	–	156,000	–
Amount due to a shareholder	37	–	8,815	–
Bank and other borrowings – due within one year	38	761,280	910,103	174,000
		3,165,399	2,180,061	1,138,637
Net current assets		4,985,555	1,722,030	1,346,098
Total assets less current liabilities		5,498,089	2,243,675	1,481,725
Capital and reserves				
Issued equity	39	547,775	530,763	439,307
Reserves		4,210,562	1,429,366	108,808
Equity attributable to owners of the Company		4,758,337	1,960,129	548,115
Non-controlling interests		201,300	208,718	29,473
Total equity		4,959,637	2,168,847	577,588
Non-current liabilities				
Convertible bonds	40	–	–	683,247
Corporate bond	41	7,743	7,089	–
Consideration payables	36	21,058	43,758	–
Bank and other borrowings – due after one year	38	131,250	–	195,000
Deferred tax liabilities	42	378,401	23,981	25,890
		538,452	74,828	904,137
Total equity and non-current liabilities		5,498,089	2,243,675	1,481,725

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company											
	Issued equity											
	Ordinary share capital RMB'000 (note 39)	Equity reserve RMB'000 (note i)	Statutory reserves RMB'000 (note ii)	Share premium RMB'000	Merger reserve RMB'000 (note iii)	Exchange reserve RMB'000	Other reserve RMB'000 (note iv)	Reverse acquisition reserve RMB'000	(Accumulated losses) retained profits RMB'000	Total equity RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2014, as originally stated	16,474	422,833	25,298	–	–	–	8,533	(390,381)	(305,331)	(222,574)	27,829	(194,745)
Effect of adopting merger accounting for common control combinations *(note 44)*	–	–	10,022	–	733,852	–	–	–	26,815	770,689	1,644	772,333
At 1 January 2014, as restated	16,474	422,833	35,320	–	733,852	–	8,533	(390,381)	(278,516)	548,115	29,473	577,588
Reduction in share premium *(note v)*	–	–	–	(1,872,821)	–	–	–	–	1,872,821	–	–	–
Issue of shares upon conversion of convertible bonds *(note 40)*	79,829	–	–	1,963,536	–	–	–	–	–	2,043,365	–	2,043,365
Issues of shares under placing *(note 39)*	11,627	–	–	530,359	–	–	–	–	–	541,986	–	541,986
Expenses on placing shares	–	–	–	(2,349)	–	–	–	–	–	(2,349)	–	(2,349)
Acquisition of subsidiaries *(note 43(d))*	–	–	–	–	–	–	–	–	–	–	173,000	173,000
(Loss) profit and total comprehensive (expense) income for the year	–	–	–	–	–	–	–	–	(1,070,988)	(1,070,988)	6,245	(1,064,743)
Dividend to the shareholder before adopting merger accounting for common control combinations *(note 15)*	–	–	–	–	–	–	–	–	(100,000)	(100,000)	–	(100,000)
Transfers to statutory reserves	–	–	15,002	–	–	–	–	–	(15,002)	–	–	–
At 31 December 2014, as restated, and 1 January 2015	107,930	422,833	50,322	618,725	733,852	–	8,533	(390,381)	408,315	1,960,129	208,718	2,168,847
At 31 December 2014, as originally stated, and 1 January 2015	107,930	422,833	33,678	618,725	–	–	8,533	(390,381)	449,456	1,250,774	207,624	1,458,398
Effect of adopting merger accounting for common control combinations *(note 44)*	–	–	16,644	–	733,852	–	–	–	(41,141)	709,355	1,094	710,449
At 31 December 2014 and 1 January 2015, as restated	107,930	422,833	50,322	618,725	733,852	–	8,533	(390,381)	408,315	1,960,129	208,718	2,168,847
Profit for the year	–	–	–	–	–	–	–	–	1,237,507	1,237,507	1,483	1,238,990
Other comprehensive income for the year	–	–	–	–	–	26,511	–	–	–	26,511	–	26,511
Total comprehensive income for the year	–	–	–	–	–	26,511	–	–	1,237,507	1,264,018	1,483	1,265,501
Issues of shares under subscription *(note 39)*	3,773	–	–	584,925	–	–	–	–	–	588,698	–	588,698
Expenses on placing shares	–	–	–	(190)	–	–	–	–	–	(190)	–	(190)
Acquisition of subsidiaries *(note 43(b) & (c))*	13,239	–	–	2,112,523	–	–	(485,080)	–	–	1,640,682	86,854	1,727,536
Disposal of subsidiaries *(note 45)*	–	–	(24,130)	–	–	–	(8,533)	–	32,663	–	(86,210)	(86,210)
Dividend to non-controlling interest	–	–	–	–	–	–	–	–	–	–	(9,545)	(9,545)
Considerations paid for acquisition of subsidiaries under common control combination *(note 44)*	–	–	–	–	(695,000)	–	–	–	–	(695,000)	–	(695,000)
Transfers to statutory reserves	–	–	85,558	–	–	–	–	–	(85,558)	–	–	–
At 31 December 2015	124,942	422,833	111,750	3,315,983	38,852	26,511	(485,080)	(390,381)	1,592,927	4,758,337	201,300	4,959,637

Notes:

(i) 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") 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 and the nominal value of ordinary shares of the Company issued in respect of the reverse takeover transaction.

(ii) Statutory reserve

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

(iii) Merger reserve

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

(iv) Other reserve

Other reserve represents (i) the gain (losses) arising from transactions with non-controlling interests and (ii) the difference between the fair value of consideration paid for the acquisition of the assets through acquisition of subsidiaries from the owner of the Company and the fair value of the assets acquired at the date of acquisition.

(v) Reduction in share premium

Pursuant to a resolution passed by the shareholders of the Company ("Shareholders") on an extraordinary general meeting held on 17 December 2014, the amount standing to the credit of the share premium account of the Company as at 31 December 2014 was reduced by the Company's accumulated losses.

* *For identification purpose only.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
OPERATING ACTIVITIES		
Profit (loss) before tax	1,465,799	(1,005,262)
Adjustments for:		
Gain on bargain purchase recognised in acquisition of subsidiaries	(363,428)	(237,978)
Gain on disposal of subsidiaries	(194,047)	–
Amortisation of deferred gain on other borrowings	(39,131)	–
Waiver of interest for early repayment of other borrowings	(24,486)	–
Change in fair value of convertible bonds	–	1,360,118
Change in fair value of financial assets at fair value through profit or loss	(621,095)	–
Change in fair value of properties held for sale transferred to investment property	(147,464)	–
Change in fair value of investment properties	(8,000)	–
Gain on disposal of property, plant and equipment	(14,048)	–
Depreciation for property, plant and equipment	10,925	10,152
Amortisation of intangible assets	57	–
Amortisation of prepaid land lease payments	38	38
Written back of other payables	(1,268)	(672)
Waiver of interest on convertible bonds	–	(2,922)
Finance costs	97,949	3,035
Bank interest income	(1,659)	(636)
Investment return from loan receivable	(20,712)	(2,887)

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Operating cash inflows before movements in working capital	139,430	122,986
Decrease in properties held for sale	2,240,329	567,329
Increase in properties under development	(1,315,348)	(422,665)
Increase in inventories	(8,964)	–
Increase in financial assets held for trading	(82,430)	–
Decrease in trade and other receivables	62,109	479,557
Increase in amounts due from customers for contract work	(19,748)	(11,871)
Increase (decrease) in trade and other payables	786,640	(60,371)
(Decrease) increase in receipts in advance and deposits received	(337,428)	13,344
Cash generated from operations	1,464,590	688,309
Income tax paid	(161,214)	(67,242)
Interest paid	(96,270)	(42,987)
NET CASH FROM OPERATING ACTIVITIES	1,207,106	578,080

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
INVESTING ACTIVITIES			
Net cash outflow from acquisition of subsidiaries not under common control	43	(351,659)	(388,437)
Payments for common control business combinations	44	(695,000)	–
Repayment of consideration payables		(183,000)	–
Net cash inflow from disposal of subsidiaries	45	913,877	–
Placement of pledged bank deposits		–	(1,947)
Withdrawal of pledged bank deposits		11,947	1,445
Acquisition of property, plant and equipment		(25,773)	(30,267)
Acquisition of intangible assets		(1,700)	–
Capital injection to a joint venture upon incorporation		(4,900)	–
Acquisition of financial asset designated as at fair value through profit or loss		(10,000)	(30,024)
Proceeds from disposal of financial asset designated as at fair value through profit or loss		30,024	–
Investment return from loan receivable		20,712	2,887
Interest received		1,659	636
Deposit paid for potential acquisition		(360,000)	(50,000)
Proceeds from disposal of property, plant and equipment		31,108	292
Loan receivable repaid (made)		350,000	(350,000)
NET CASH USED IN INVESTING ACTIVITIES		(272,705)	(845,415)

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
FINANCING ACTIVITIES			
Bank borrowings raised		2,783,000	333,913
Repayment of bank borrowings		(3,426,977)	(319,800)
Advance from a shareholder		–	8,815
Repayment to a shareholder		(8,815)	–
Dividend paid to the shareholders before adopting merger accounting		–	(100,000)
Proceeds on issue of corporate bond		–	8,268
Expenses on issue of corporate bond		–	(1,262)
Proceeds from placing shares	*39*	588,698	541,986
Expenses on placing shares	*39*	(190)	(2,349)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(64,284)	469,571
NET INCREASE IN CASH AND CASH EQUIVALENTS		870,117	202,236
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		325,013	122,777
Effect of foreign exchange rate changes		(802)	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		1,194,328	325,013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. General

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 addresses of the registered office and principal place of business of the Company are set out in the "Corporate Information" section of the annual report.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are property development, provision of green building services, investment and healthcare products and services business. In the opinion of the directors of the Company, the parent and the ultimate holding company of the Company is Magnolia Wealth International Limited ("Magnolia"), a limited company incorporated in the British Virgin Islands ("BVI").

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the Company's functional currency.

2. Basis of Preparation of Consolidated Financial Statements

Adoption of merger accounting and restatement

As disclosed in note 44, several business combinations under common control were effected during the year ended 31 December 2015, as the subsidiaries acquired under these business combinations and the Company are both ultimately controlled by Mr. Ji Changqun ("Mr. Ji"). These business combinations have been accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements include the financial statements items of the combining entities or businesses in which the common control combination occurs as if the combination 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 parties' 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 combination, 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 combination.

The comparative amounts in the consolidated financial statements are restated as if the entities had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is later. The impact on the Group arising from the common control combinations is disclosed in note 44 of the consolidated financial statements.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Companies Ordinance

The Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS"), amendments and Interpretations ("Int"), issued by the HKICPA for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[1]
Amendment to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]

[1] *Effective for annual periods beginning on or after 1 January 2016.*

[2] *Effective for annual periods beginning on or after 1 January 2018.*

[3] *Effective date not yet been determined.*

The directors of the Company anticipate that, except as described below, the application of other new and revised standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss ("FVTPL"), HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and investment properties that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

In addition to merger accounting for business combination involving entities under common control as set out in note 2, the principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company 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 entities of the Group are eliminated in full on consolidation.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

Business combinations

Businesses combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with HKAS 12 Income Taxes;

- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with HKAS 19 Employee Benefits;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Interests in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. 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 interests in joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method, interests in joint ventures are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the joint ventures are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of a joint venture equals or exceeds its interest in the joint venture, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

If a joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the joint venture's accounting policies conform to those of the Group when the joint venture's financial statements are used by the Group in applying the equity method.

An interest in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the joint venture is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognising the joint venture's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its interest in the joint venture. Goodwill that forms part of the carrying amount of an interest in a joint venture is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the interest in the joint venture. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be a joint venture upon the Group losing joint control over the joint venture, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

When the Group's ownership interest in a joint venture is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its joint venture are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the joint venture. The Group's share in the joint venture's gains or losses resulting from these transactions is eliminated.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

The Group transfers a property from properties held for sale to investment properties when there is a change of intention to hold the property to earn rentals or/and for capital appreciation which is evidenced by the commencement of an operating lease to another party rather than for sale in the ordinary course of business. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings (classified as finance leases) held for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimated amounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Properties under development

Properties under development are stated at the lower of cost and net realisable value.

Cost comprises the costs of land use rights, construction costs, borrowing costs capitalised and other direct development expenditure.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and applicable selling expenses.

On completion, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost comprises the costs of land use rights, construction costs, borrowing costs capitalised and other direct development expenditure attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses at the end of the reporting period, or by management estimates based on prevailing market conditions.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories of items is assigned by using specific identification of their individual costs. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash.

Retirement benefit costs

Payments to (i) the local government defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the respective jurisdictions and (ii) Mandatory Provident Fund ("MPF") Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Impairment losses on tangible and intangible assets (excluding goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets include loan and receivables and financial assets at FVTPL. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in separate line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 7(c).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including receivables in respect of disposal of subsidiaries, loan receivable, trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, and an increase in the number of delayed payments in the portfolio past the average credit period.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan receivable, receivables in respect of disposal of subsidiaries and trade and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a loan receivable, trade or other receivable or receivable in respect of disposal of subsidiaries is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities are classified into either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are designated as at FVTPL on initial recognition.

A financial liability may be designated as at FVTPL upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in a separate line item in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities, including trade and others payables, consideration payables, amount due to a shareholder, corporate bond and bank and other borrowings, are subsequently measured at the amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Convertible bonds designated as at FVTPL

Convertible bonds issued by the Group (including related embedded derivatives) are designated at FVTPL on initial recognition. At each end of the reporting period subsequent to initial recognition, the entire convertible bonds are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit (loss) before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities for such investment property are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the property will be recovered).

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services rendered in the normal course of business, net of discounts and sales related taxes.

(i) Sales of properties

Revenue 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 installments 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.

(ii) Service income

Service income is recognised when services are provided.

(iii) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(iv) Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Construction contracts

Where the outcome of a construction contract including construction of buildings can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income (attributed to non-controlling interests as appropriate) and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Fair value measurement

When measuring fair value except for the Group's net realisable value of inventories and value in use of cash-generating unit and intangible asset for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets 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 the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. On disposal of its investment properties, the Group is subject to land appreciation tax ("LAT") and enterprise income tax ("EIT") in the PRC. Accordingly, deferred taxes on changes in fair value of investment properties are recognised in such manner.

Key sources of estimation uncertainty

The following are 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.

PRC LAT

The Group is subject to LAT in the PRC. The provision of the LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for its property development projects. The final outcome could be different from the amounts that were initially recorded. At 31 December 2015, the carrying amount of LAT payable included under income tax payables was approximately RMB115,304,000 (2014: RMB125,220,000).

Estimated net realisable value of properties held for sale

The management of the Group determines the net realisable value of properties held for sale by using prevailing market data such as most recent sales transactions and internal estimates of cost based on quotes from contractors. These estimates require judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales), the legal and regulatory framework and general market conditions. At 31 December 2015, the carrying amount of properties held for sale was approximately RMB933,536,000 (2014: RMB504,516,000). No impairment loss was recognised for the year ended 31 December 2015 (2014: nil).

Estimated net realisable value of properties under development

In determining whether allowances should be made to the Group's properties under development, the directors of the Company take into consideration the current market environment and the estimated market value (i.e. the estimated selling price less estimated costs to sell) less estimated costs to completion of the properties. An allowance is made if the estimated market value is less than the carrying amount. If the actual net realisable value of properties under development is less than expected as a result of a change in market condition and/or significant variation in the budgeted development cost, material provision for impairment losses may result. At 31 December 2015, the carrying amount of properties under development was approximately RMB2,379,083,000 (2014: RMB2,540,309,000). No impairment loss was recognised for the year ended 31 December 2015 (2014: nil).

Estimated allowance for impairment of trade and other receivables and receivables in respect of disposal of subsidiaries

When there is objective evidence of impairment loss, the directors of the Company take into consideration the estimation of future cash flows. The amount of the impairment loss 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 been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of trade and other receivables and receivables in respect of disposal of subsidiaries are approximately RMB274,127,000 (2014: RMB394,661,000) and RMB1,349,936,000 (2014: nil), respectively. No impairment loss was recognised for the year ended 31 December 2015 (2014: nil).

Estimated fair value of financial guarantees

In estimating the fair value of the financial guarantees in respect of mortgage facilities for property purchasers, the directors of the Company consider the net realisable value of the relevant properties against the outstanding principal and interest.

In the opinion of the directors of the Company, the fair value of the financial guarantees at 31 December 2015 and 2014 was immaterial. Details of the financial guarantees are set out in note 49.

6. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the amount due to a shareholder, corporate bond, convertible bonds and bank and other borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued equity, reserves and retained profits.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, issuance of new share and debt, share buy-backs as well as the repayment of existing debt.

7. Financial Instruments

a) Categories of financial instruments

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Financial assets		
Financial assets at FVTPL		
Held for trading	1,598,115	–
Designated as at FVTPL	10,419	30,024
	1,608,534	30,024
Loans and receivables (including bank balances and cash)	3,049,560	796,772
Financial liabilities		
Financial liabilities at amortised costs	1,838,482	1,469,195

b) Financial risk management objectives and policies

The Group's major financial instruments include loan receivable, financial assets at fair value through profit or loss, deposit paid for potential acquisition, receivables in respect of disposal of subsidiaries, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, consideration payables, amount due to a shareholder, convertible bonds, corporate bond and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including foreign currency risk, interest rate risk and other 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.

Market risk

(i) Foreign currency risk

The carrying amounts of the Group's monetary assets (mainly cash and bank balances) and monetary liabilities (mainly corporate bond and trade and other payables) denominated in currencies other than the respective functional currencies of the relevant group entities at the reporting date are as follows:

		Assets		**Liabilities**
	2015	**2014**	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)		(Restated)
Hong Kong dollars ("HK$")	561,824	76,582	14,064	22,256
United States dollars ("US$")	12,891	–	158	–

Sensitivity analysis

The Group is mainly exposed to the currency risk of HK$. For the entities of which their functional currency is HK$ while holding assets and liabilities denominated in US$, the Group believe that the pegged rate between US$ and HK$ will not materially affected by any changes in the value of US$ against other currencies. In this respect, the Group considers its exposure to foreign currency risk in respect of US$ to be insignificant.

The following table details the Group's sensitivity to a 10% (2014: 10%) increase and decrease in RMB against the relevant foreign currencies. 10% (2014: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates a decrease in post-tax profit (2014: increase in post-tax loss) and other equity where RMB strengthens 10% (2014: 10%) against the relevant currency. For a 10% (2014: 10%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit (loss) and the balances below would be negative.

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
HK$	45,738	4,536

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings (note 38), loan receivable (note 23), convertible bonds (note 40) and corporate bond (note 41).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings (note 38). The 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 rate. However, such exposure is minimal to the Group as these bank balances are all short-term in nature.

The Group's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the fixed deposit rate as stipulated by the People's Bank of China arising from the Group's RMB borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative financial liabilities at the end of the reporting period. For variable-rate bank and other borrowings, the analysis 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 2015 would decrease by approximately RMB1,509,000 (2014: loss after tax would increase by approximately RMB1,321,000).

(iii) Other price risk

The Group's price risk is mainly exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange. The Group closely monitors the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 10% (2014: N/A) higher/lower, the post-tax profit for the year ended 31 December 2015 would increase/decrease by approximately RMB133,443,000 (2014: nil) as a result of the changes in fair value of the equity instruments.

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 49.

In order to minimise the credit risk on receivables in respect of disposal of subsidiaries and deposit paid for potential acquisition, the Group would assess the credit quality of each potential purchaser before accepting any transaction. The Group would also monitor the repayment history of each purchaser with reference to the repayment schedule to determine the recoverability of a receivable.

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 Group 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 is approximately RMB1,080,207,000 as at 31 December 2015 (2014: RMB412,804,000). 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 locations is mainly in the PRC, which accounted for all of the total trade receivables and loan receivable as at 31 December 2015 and 2014.

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 flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis, and the undiscounted gross outflows on those derivatives that require gross settlement.

Liquidity risk tables

	Within one year or on demand RMB'000	More than one year but not exceeding two years RMB'000	More than two years but not exceeding five years RMB'000	More than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying Amount RMB'000
As at 31 December 2015						
Trade and other payables	917,151	–	–	–	917,151	917,151
Bank and other borrowings	802,299	22,718	62,860	83,171	971,048	892,530
Consideration payables	–	23,000	–	–	23,000	21,058
Corporate bond	619	619	10,122	–	11,360	7,743
Financial guarantee contracts *(note 49)*	1,080,207	–	–	–	1,080,207	–
	2,800,276	46,337	72,982	83,171	3,002,766	1,838,482
As at 31 December 2014 (Restated)						
Trade and other payables	343,430	–	–	–	343,430	343,430
Bank and other borrowings	954,470	–	–	–	954,470	910,103
Consideration payables	156,000	25,000	25,000	–	206,000	199,758
Amount due to a shareholder	8,815	–	–	–	8,815	8,815
Corporate bond	579	579	1,737	8,847	11,742	7,089
Financial guarantee contracts *(note 49)*	412,804	–	–	–	412,804	–
	1,876,098	25,579	26,737	8,847	1,937,261	1,469,195

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 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.

c) Fair values of financial assets and liabilities

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis are determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The fair value of financial guarantee contracts is determined using discounted cash flow models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

The directors of the Company consider that the carrying amounts of current financial assets and current financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to short-term or immediate maturities.

The directors of the Company consider that the fair value of the non-current interest-free financial assets and liabilities not measured at fair value approximates to their carrying amount as the impact of discounting is not significant.

The directors of the Company also consider that the fair value of the non-current interest-bearing financial assets and liabilities measured at fair value approximates to their carrying amount.

Fair value measurements recognised in the consolidated statement of financial position on a recurring basis

	Level 1	
	2015	**2014**
	RMB'000	*RMB'000*
Financial assets at FVTPL		
– Equity securities listed in Hong Kong	1,598,115	–

	Level 2	
	2015	**2014**
	RMB'000	*RMB'000*
Financial assets at FVTPL		
– Investment-linked insurance policy	10,419	–
– Structured deposit	–	30,024

The following table gives information about how the fair values of these financial instruments were determined (in particular, the valuation technique and inputs used).

Financial assets	Fair value hierarchy	Valuation technique	Key inputs and significant unobservable input(s)
Equity securities listed in Hong Kong	Level 1	Quoted price in an active market	N/A
Investment-linked insurance policy	Level 2	Income approach: discounted cash flow method was used to capture the presented value of the expected future economic benefits to be derived from the financial assets, based on an appropriate discount rate.	Discount rate *(Note)*
Structured deposit	Level 2	Income approach: discounted cash flow method was used to capture the presented value of the expected future economic benefits to be derived from the financial assets, based on an appropriate discount rate.	Discount rate *(Note)*

Note: The fair values of investment-linked insurance policy and structured deposit was determined by using 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.

There were no transfers into or out of Level 1 and Level 2 during the years ended 31 December 2015 and 2014.

Valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The appropriate valuation techniques and inputs for fair value measurements are determined by the directors of the Company and the independent qualified valuers.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent qualified valuers to perform the valuation. The directors of the Company work closely with the independent qualified valuers to establish the appropriate valuation techniques and inputs to the model. The directors of the Company will review the cause of fluctuations in fair value of the assets and liabilities semi-annually.

8. Revenue

Revenue represents the net amounts received and receivable from sales of properties, investment income, green construction contracts and green building services provided by the Group, less sales related taxes.

	2015	**2014**
	RMB'000	*RMB'000*
		(Restated)
Sales of properties	2,407,982	763,988
Revenue from green building services	205,153	16,862
Revenue from green construction contracts	37,035	12,553
Interest income and dividend from investments	7,761	–
	2,657,931	793,403

9. Segment Information

Information reported to the chief executive officer, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group is principally engaged in the property development and provision of green building services. During the year ended 31 December 2015, the Group commenced to engage in two new segments – Investment and Healthcare. Despite that the healthcare business is still on the startup stage with insignificant contribution to the Group, the Group has formulated a detailed operating and development plan in which the chief operating decision-maker considers that the disclosure of such segment will be meaningful. Specifically, the Group currently organises the reportable and operating segments by differentiations in products and services as follows:

1. Property development – development and sales of properties;

2. Green building – green building services, which principally include green building, green urban Engineering-Procurement-Construction, Energy Management Contract services and other supporting services in relation to the operation of the relevant green building projects in the PRC;

3. Investment – holding and trading of a variety of investments and financial products with potential or for strategic purpose including but not limited to listed and unlisted securities, bonds, funds, derivatives, structured and other treasury products; and

4. Healthcare – healthcare products and services.

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment.

	2015					2014 (Restated)				
	Property development	Green building	Investment	Healthcare	Total	Property development	Green building	Investment	Healthcare	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE										
External Sales	2,407,982	242,188	7,761	–	2,657,931	763,988	29,415	–	–	793,403
Inter-segment sales	–	215,380	–	–	215,380	–	–	–	–	–
Segment revenue	2,407,982	457,568	7,761	–	2,873,311	763,988	29,415	–	–	793,403
Eliminations					(215,380)					–
Group revenue					2,657,931					793,403
Segment profit/(loss)	61,763	106,304	629,099	(19)	797,147	130,250	(10,229)	–	–	120,021
Unallocated corporate expenses					(39,323)					(23,587)
Unallocated other income and gains					92,985					23,479
Change in fair value of properties held for sale transferred to investment properties					147,464					–
Change in fair value of investment properties					8,000					–
Change in fair value of convertible bonds					–					(1,360,118)
Gain on disposal of subsidiaries					194,047					–
Gain on bargain purchase recognised in acquisition of subsidiaries					363,428					237,978
Finance costs					(97,949)					(3,035)
Profit (loss) before tax					1,465,799					(1,005,262)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit (loss) represents the profit earned or loss incurred by each segment without allocation of central administration costs, directors' salaries, finance costs and changes in fair value of convertible bonds, changes in fair value of investment properties, changes in fair value of properties held for sale transferred to investment properties, gain on disposal of subsidiaries, gain on bargain purchase recognised in acquisition of subsidiaries and certain other income and gains. This is the measure reported to the chief executive officer, being the chief operating decision-maker, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

	2015					2014 (Restated)				
	Property development	Green building	Investment	Healthcare	Total	Property development	Green building	Investment	Healthcare	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	3,511,389	245,616	1,608,534	26,241	5,391,780	3,410,546	547,739	30,024	–	3,988,309
Unallocated corporate assets					3,271,708					435,427
Total assets					8,663,488					4,423,736
Segment liabilities	1,882,427	324,855	–	–	2,207,282	796,386	141,664	–	–	938,050
Unallocated corporate liabilities					1,496,569					1,316,839
Total liabilities					3,703,851					2,254,889

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segments other than investment properties, certain property, plant and equipment, deferred tax assets, certain other receivables, interest in a joint venture, receivables in respect of disposal of subsidiaries, deposit paid for potential acquisition, tax prepaid, pledged bank deposits and bank balances and cash.

- All liabilities are allocated to operating segments other than certain other payables, amount due to a shareholder, consideration payables, bank and other borrowings, income tax payables, corporate bond and deferred tax liabilities.

Other segment information

For the year ended 31 December 2015

	Property development RMB'000	Green building RMB'000	Investment RMB'000	Healthcare RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets						
Addition to non-current assets *(Note)*	43,161	25,598	–	–	317,387	386,146
Depreciation and amortisation	3,552	6,813	–	–	655	11,020
Gain on disposal of property, plant and equipment	14,048	–	–	–	–	14,048
Investment return from loan receivable	–	20,712	–	–	–	20,712
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Finance costs	–	–	–	–	97,949	97,949
Bank interest income	–	–	–	–	1,659	1,659
Income tax expense	85,577	20,300	102,363	–	18,569	226,809

For the year ended 31 December 2014 (Restated)

	Property development RMB'000	Green building RMB'000	Investment RMB'000	Healthcare RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets						
Addition to non-current assets *(Note)*	4,274	26,366	–	–	1,647	32,287
Depreciation and amortisation	2,553	7,257	–	–	380	10,190
Investment return from loan receivable	–	2,887	–	–	–	2,887
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Finance costs	–	–	–	–	3,035	3,035
Bank interest income	–	–	–	–	636	636
Income tax expense	58,991	357	–	–	133	59,481

Note: Non-current assets excluded interest in a joint venture, financial assets at fair value through profit or loss, deferred tax assets and loan receivable. Included in the addition for the year ended 31 December 2015 of RMB5,061,000 (2014: RMB546,000) was made through acquisition of subsidiaries not under common control.

Information about geographical areas

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about its non-current assets is presented based on the geographical location of the assets.

All of the Group's revenue is derived from customers based in the PRC (country of domicile).

Non-current assets

	2015	**2014**
	RMB'000	*RMB'000*
		(Restated)
PRC (country of domicile)	482,863	155,724
Hong Kong	969	1,185
Singapore	12	–
	483,844	156,909

Non-current assets excluded interest in a joint venture, financial assets at fair value through profit or loss, deferred tax assets and loan receivable.

Information about major customers

During the years ended 31 December 2015 and 2014, there was no single external customer contributing over 10% of the Group's revenue.

10. Other Income and Gains

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Bank interest income	1,659	636
Exchange gain	7,132	–
Gain on disposal of property, plant and equipment	14,048	–
Amortisation of deferred gain on other borrowings	39,131	–
Waiver of interest for early repayment of other borrowings	24,486	–
Investment return from loan receivable	20,712	2,887
Property rental income *(Note a)*	12,724	17,334
Subletting rental income *(Note b)*	2,420	1,262
Waiver of interest on convertible bonds *(note 40)*	–	2,922
Written back of other payable	1,268	672
Management services income	4,957	–
Others	780	653
	129,317	26,366

Note a: The direct costs of the property rental income for the year ended 31 December 2015 is approximately RMB2,920,000 (2014: RMB3,633,000).

Note b: The direct costs of the subletting rental income for the year ended 31 December 2015 is approximately RMB1,899,000 (2014: RMB1,077,000).

11. Finance Costs

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Interest expenses on:		
bank and other borrowings *(Note)*	159,308	42,987
convertible bonds	–	2,997
corporate bond	741	38
consideration payable	4,300	–
Less: Interest capitalised in the cost of qualifying assets *(note 30)*	(66,400)	(42,987)
	97,949	3,035

Note:

Borrowing costs capitalised during the years ended 31 December 2015 and 2014 arose from specific bank borrowings for qualifying assets.

12. Income Tax Expense

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Current tax:		
PRC EIT	167,538	48,198
PRC LAT	44,464	42,809
	212,002	91,007
Deferred tax		
Current year *(note 42)*	14,807	(31,526)
	226,809	59,481

Notes:

(a) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for taxation in Hong Kong has been made as the Group has no assessable profits arising from Hong Kong for both years.

(b) Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the applicable tax rate of Company's PRC subsidiaries is 25% for the years ended 31 December 2015 and 2014.

Pursuant to the EIT Law, 10% withholding tax is levied on foreign investor in respect of gain on disposal of a foreign investment enterprise in the PRC.

(c) The provision of PRC LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. PRC LAT has been provided at progressive rates ranging from 30% to 60% on the appreciation value, with certain allowable deductions including land costs and the relevant property development expenditures. According to the State Administration of Taxation's official circulars, PRC LAT shall be payable provisionally upon sales of the properties, followed by final ascertainment of the gain at the completion of the properties development.

(d) Tax arising from other jurisdictions is calculated at the rates applicable in the relevant jurisdictions.

	2015	**2014**
	RMB'000	*RMB'000*
		(Restated)
Profit (loss) before tax	1,465,799	(1,005,262)
Tax at the domestic income tax rate of 25%	366,450	(251,316)
Provision for LAT for the year	44,464	42,809
Tax effect of expenses not deductible for tax purpose	5,986	357,882
Tax effect of PRC LAT deductible for PRC EIT	(4,328)	(34,564)
Tax effect of income not taxable for tax purpose	(103,319)	(60,393)
Deferred LAT in respect of investment properties	39,471	–
Deferred LAT in respect of properties held for sale	(66,623)	–
Effect of different tax rate of subsidiaries operating in other jurisdiction	(55,629)	–
Tax effect of tax losses not recognised	337	5,063
Income tax expense for the year	226,809	59,481

Details of the deferred tax are set out in note 42.

13. Profit (Loss) for the Year

Profit (loss) for the year has been arrived at after charging:

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
(a) Staff costs, excluding directors' and chief executive's emoluments		
Salaries, wages and other benefits	41,113	19,281
Retirement benefits scheme contributions	7,237	3,318
	48,350	22,599
(b) Other items		
Auditors' remuneration	1,581	1,319
Depreciation of plant and equipment	10,925	10,152
Minimum lease payments under operating lease rentals of properties	4,896	4,504
Costs of properties held for sale recognised as expenses (included in cost of sales)	2,237,370	567,330
Amortisation of intangible assets	57	–
Amortisation of prepaid land lease payments	38	38

14. Directors' and Chief Executive's, and Employees' Emoluments

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the ten (2014: nine) directors and chief executive were as follows:

	For the year ended 31 December 2015			
	Fees	Salaries, wages and other benefits	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				
Executive director and chief executive				
Mr. Ji	195	–	–	195
Executive directors				
Mr. Shi Zhiqiang	195	1,813	56	2,064
Mr. Wang Bo	195	2,056	15	2,266
Mr. Fang Jian	195	1,008	17	1,220
Mr. Zhou Yanwei (resigned on 31 March 2015)	49	512	–	561
Non-executive directors				
Mr. Eddie Hurip (re-designated from executive director to non-executive director on 31 March 2015)	195	–	–	195
Mr. Chen Minrui (appointed on 31 March 2015 and resigned on 30 March 2016)	148	526	22	696
Independent non-executive directors				
Mr. Lau Chi Keung	195	–	–	195
Mr. Chow Siu Lui	195	–	–	195
Mr. Tsang Sai Chung	195	–	–	195
Total	1,757	5,915	110	7,782

	For the year ended 31 December 2014			
	Fees	**Salaries, wages and other benefits**	**Retirement benefits scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				
Executive director and chief executive				
Mr. Ji	191	–	–	191
Executive directors				
Mr. Shi Zhiqiang	191	1,808	75	2,074
Mr. Wang Bo (appointed on 10 September 2014)	59	155	–	214
Mr. Fang Jian (appointed on 24 December 2014)	4	–	–	4
Mr. Eddie Hurip	191	1,810	13	2,014
Mr. Zhou Yanwei	191	614	–	805
Independent non-executive directors				
Mr. Lau Chi Keung	191	–	–	191
Mr. Chow Siu Lui	191	–	–	191
Mr. Tsang Sai Chung	191	–	–	191
Total	1,400	4,387	88	5,875

No directors and chief executives waived or agreed to waive any emoluments paid by the Group during the years ended 31 December 2015 and 2014. No emoluments were paid by the Group to any directors and chief executives as an incentive payment for joining the Group or as compensation for loss of office during the years ended 31 December 2015 and 2014.

(b) Employees' emoluments

Of the five individuals with highest emoluments in the Group, two (2014: three) were the directors of the Company whose emoluments are included in the disclosures in note 14(a). The emoluments of the remaining three (2014: two) individuals were as follows:

	2015	**2014**
	RMB'000	*RMB'000*
		(Restated)
Salaries, allowances and other benefits	4,890	1,871
Retirement benefits scheme contributions	112	23
	5,002	1,894

During the years ended 31 December 2015 and 2014, no emoluments have been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

Their remuneration was within the following bands:

	2015	**2014**
Nil to HK$1,000,000 (equivalent to nil to RMB841,000)	–	1
HK$1,500,001 to HK$2,000,000 (equivalent to RMB1,262,000 to RMB1,682,000)	1	1
HK$2,000,001 to HK$2,500,000 (equivalent to RMB1,682,001 to RMB2,103,000)	2	–

15. Dividends

No dividend was paid or proposed during the year ended 31 December 2015 (2014: nil). Subsequent to the end of the reporting period, a final dividend of RMB1 cent per share (2014: nil) in respect of the year ended 31 December 2015 has been proposed by the Board and is subject to approval by the Shareholders in the forthcoming general meeting.

During the year ended 31 December 2014, dividend of RMB100,000,000 has been paid to shareholders of Nanjing Fullshare Dazu Technology Company Limited* (南京豐盛大族科技股份有限公司) ("Nanjing Fullshare Technology") before the Group adopting merger accounting for common control combinations of Nanjing Fullshare Technology. Further details of the dividend are set out in the Company's circular dated 30 December 2014.

16. Earnings (Loss) per Share

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Earnings (loss)		
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share for the year attributable to the owners of the Company	1,237,507	(1,070,988)

	2015	2014
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	14,021,177	3,960,630

Diluted earnings per share for the year ended 31 December 2015 is the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the year.

The computation of diluted loss per share for the year ended 31 December 2014 did not assume the conversion of the Company's outstanding convertible bonds, since their exercise would result in a change from a loss to a profit for the purpose of diluted earnings per share which was anti-dilutive.

17. Property, Plant and Equipment

	Leasehold land and building RMB'000	Leasehold improvement RMB'000	Office equipment RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2014 (Restated)	66,907	1,705	10,905	71,177	1,715	–	152,409
Additions	2,251	1,136	1,935	102	1,137	23,706	30,267
Acquired on acquisition of subsidiaries	–	–	251	–	295	–	546
Disposals	–	–	(127)	–	(346)	–	(473)
At 31 December 2014 and 1 January 2015 (Restated)	69,158	2,841	12,964	71,279	2,801	23,706	182,749
Additions	–	261	3,372	–	–	22,140	25,773
Acquired on acquisition of subsidiaries	–	–	2,329	–	2,732	–	5,061
Disposals through disposal of subsidiaries	–	–	(3,300)	–	(698)	–	(3,998)
Disposals	(17,198)	–	(70)	–	(1,226)	–	(18,494)
At 31 December 2015	51,960	3,102	15,295	71,279	3,609	45,846	191,091
ACCUMULATED DEPRECIATION							
At 1 January 2014 (Restated)	6,726	1,432	3,698	12,288	498	–	24,642
Charge for the year	2,903	413	2,230	4,421	185	–	10,152
Eliminated on disposals	–	–	(55)	–	(126)	–	(181)
At 31 December 2014 and 1 January 2015 (Restated)	9,629	1,845	5,873	16,709	557	–	34,613
Charge for the year	2,686	558	3,753	3,422	506	–	10,925
Eliminated on disposal of subsidiaries	–	–	(1,340)	–	(139)	–	(1,479)
Eliminated on disposals	(1,209)	–	(34)	–	(191)	–	(1,434)
At 31 December 2015	11,106	2,403	8,252	20,131	733	–	42,625
CARRYING VALUES							
At 31 December 2015	40,854	699	7,043	51,148	2,876	45,846	148,466
At 31 December 2014 (Restated)	59,529	996	7,091	54,570	2,244	23,706	148,136

Depreciation is recognised so as to write off the cost of property, plant and equipment less their residual value, if any, using the straight line method over their estimated useful lives as follows:

Leasehold land and building	the shorter of 40 years or lease terms
Leasehold improvement	the shorter of 3 years or lease terms
Office equipment	3 to 5 years
Plant and machinery	10 years
Motor vehicles	5 years

18. Investment Properties

	RMB'000
FAIR VALUE	
At 1 January 2014, 31 December 2014 and 1 January 2015	5,600
Transferred from properties held for sale	169,536
Increase in fair value of properties held for sale transferred to investment properties recognised in profit or loss	147,464
Increase in fair value recognised in profit or loss	8,000
At 31 December 2015	330,600

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and is classified and accounted for as investment properties.

During the year ended 31 December 2015, certain properties held for sales with a carrying amount of approximately RMB169,536,000 were transferred to investment properties as these properties are held for rental income or capital appreciation purpose. The fair value of these properties of RMB317,000,000 at the date of transfer to investment properties were valued by Savills Valuation and Professional Services Limited ("Savills"), an independent qualified professional valuer not connected with the Group, by reference to comparable sales transactions as available in relevant markets and where appropriate, 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 RMB147,464,000 was recognised in profit or loss during the year ended 31 December 2015.

At 31 December 2015, the Group's investment properties were valued by Savills and Crowe Horwath (HK) Consulting & Valuation Limited ("Crowe Horwath") (2014: Crowe Horwath), independent qualified professional valuers not connected with the Group. The valuation was determined by reference to comparable sales transactions as available in relevant markets and where appropriate, the basis of capitalisation of rental income derived from the existing tenancies with due allowance for reversionary income potential of the properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2015 and 2014 are as follows:

	Level 2	Fair value as at 31 December 2015
	RMB'000	*RMB'000*
Commercial property units located in the PRC	330,600	330,600

	Level 2	Fair value as at the date of transfer
	RMB'000	*RMB'000*
Commercial property units located in the PRC	317,000	317,000

	Level 2	Fair value as at 31 December 2014 and 1 January 2014
	RMB'000	*RMB'000*
Commercial property units located in the PRC	5,600	5,600

There were no transfers into or out of Level 2 fair value measurement during both years.

The following table gives information about how the fair values of the investment properties as at 31 December 2015 and 2014 are determined (in particular, the valuation techniques and inputs used):

	Fair value hierarchy	Fair value as at 31 December 2015 *RMB'000*	Fair value as at 31 December 2014 *RMB'000*	Valuation technique and key inputs
Investment properties	Level 2	RMB330,600	RMB5,600	Market comparison approach – by reference to recent sales price of comparable properties on a price per square meter basis using market data which is publicly available; Income capitalisation approach – by reference to market monthly rental rate and appropriate yield

19. Goodwill

	2015 *RMB'000*	2014 *RMB'000*
CARRYING VALUE		
At beginning of the year	1,474	–
Arising on acquisition of subsidiaries *(notes 43b and 43e)*	36,612	1,474
Derecognised upon disposal of subsidiaries *(note 45b)*	(36,612)	–
At the end of the year	1,474	1,474

Note:

a) The goodwill is allocated to the cash generating unit of green building services ("CGU 1").

The recoverable amount of CGU 1 has been determined on the basis of value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management of the Group covering a 5 years period and pre-tax discount rate of 25.8% (2014: 25.8%). Cash flow beyond the 5 years period has been extrapolated using a steady 3% (2014: 3%) growth rate. This growth rate is based on industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The directors of the Company were of the opinion that the recoverable amount exceeded its respective carrying amount as at 31 December 2015, and no impairment loss of goodwill was recognised (2014: nil).

20. Intangible Assets

	Patents
	RMB'000
COST	
At 1 January 2014, 31 December 2014 and 1 January 2015	–
Additions	1,700
At 31 December 2015	1,700
ACCUMULATED AMORTISATION	
At 1 January 2014, 31 December 2014 and 1 January 2015	–
Charge for the year	57
At 31 December 2015	57
CARRYING VALUES	
At 31 December 2015	1,643
At 31 December 2014	–

The patents are amortised on a straight-line basis over their estimated useful lives not exceeding 10 years.

21. Interest in a Joint Venture

	2015	2014
	RMB'000	*RMB'000*
Cost of interest in an unlisted joint venture	4,900	–
Share of post-acquisition losses and other comprehensive income	–	–
	4,900	–

As at 31 December 2015, the Group had interests in the following joint venture:

Name of entity	Place of registration and operation	Paid up registered capital	Proportion of ownership interests held by the Group		Proportion of voting power held		Principal activity
			2015	2014	2015	2014	
Hangzhou Infrastructure Huarong Investment Partnership (Limited Partnership)* (杭州基建華融投資合伙企業(有限合伙))	The PRC	RMB10,000,000	49%	N/A	50%	N/A	Not yet commenced operation

The financial information and carrying amount of the Group's interest in an immaterial joint venture accounted for using the equity method are set out below:

	2015
	RMB'000
The Group's share of results	–
The Group's share of other comprehensive income	–
The Group's share of total comprehensive income	–

	2015
	RMB'000
Carrying amount of the Group's interest in a joint venture	4,900

22. Prepaid Land Lease Payments

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Analysed for reporting purposes as:		
Current asset (included in trade and other receivables)	38	38
Non-current asset	1,661	1,699
	1,699	1,737

23. Loan Receivable

Loan receivable represented investment costs incurred for discharging the Company's obligations as the main contractor under an investment construction contract relating to a green building project for the People's Government of Huayang Town, Jurong City*（句容市華陽鎮人民政府）("Jurong Government"), which amounted to RMB350,000,000 with a performance return rate of 9.5% per annum. The balance was unsecured and repayable by Jurong Government on or before 31 December 2016. During the year ended 31 December 2015, the Company and Jurong Government entered into a termination agreement whereby the investment construction contract was terminated and Jurong Government has fully paid the investment amount, together with the corresponding return of approximately RMB20,712,000 (included in other income) up to the date of payment.

24. Financial Assets at Fair Value through Profit or Loss

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Financial assets held for trading		
Equity securities listed in Hong Kong	1,598,115	–
Financial assets designated as at FVTPL		
Investment-linked insurance policy *(Note)*	10,419	–
Structured deposit	–	30,024
	1,608,534	30,024

* *For identification purpose only*

Analysed for reporting purposes as:

	2015	2014
	RMB'000	*RMB'000*
Current assets	1,598,115	30,024
Non-current assets	10,419	–
	1,608,534	30,024

Note:

During the year ended 31 December 2015, the Group has entered into an investment-linked insurance policy with an insurance company to insure certain key employees of a subsidiary of the Group, under which the Group is the beneficiary and policy holder for an one-off payment of RMB10,000,000. The Group designated this insurance policy as financial asset at fair value through profit or loss at initial recognition. During the year ended 31 December 2015, change in fair value of approximately RMB419,000 (2014: nil) has been recognised in profit or loss. As at 31 December 2015, the fair value of this policy is approximately RMB10,419,000. The fair value is quoted by the insurance company with reference to the future cash flow of the investment and is discounted by an appropriate discount rate and is under Level 2 fair value hierarchy as set out in note 7c.

25. Deposit paid for Potential Acquisition

	2015	2014
	RMB'000	*RMB'000*
Deposit paid for potential acquisition	360,000	50,000

On 24 December 2014, the Group entered into a memorandum of understanding with Nanjing Huigu Enterprise Management Consulting Co., Limited*（南京慧谷企業管理諮詢有限公司）("Nanjing Huigu"), an independent third party, for potential acquisition of the entire interests in Jiangsu Anjiali Zhiye Company Limited*（江蘇安家利置業有限公司）("Jiangsu Anjiali") and made a deposit of RMB50,000,000 which was refundable within 3 months. During the year ended 31 December 2015, the acquisition has been completed and the amount has been utilised as part of the consideration of such acquisition *(note 43(a))*.

On 30 November 2015, the Group entered into a letter of intent with Hainan Zhongkun Yu'an Investment Co., Ltd.* (海南中坤渝安投資有限公司) ("Zhongkun Yu'an"), an entity under the control of Mr. Ji, for potential acquisition of commercial and hotel properties in the Hainan Province and made a refundable deposit of RMB360,000,000. The deposit is interest bearing at the prevailing deposit interest rate of banks in the PRC and refundable upon the expiry of a six-month exclusive negotiation period where no formal agreement has been entered into. Details of the potential acquisition were set out in the Company's announcement dated 30 November 2015.

26. Trade and Other Receivables

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Trade receivables *(note a)*	108,489	12,758
Other receivables and deposits *(note b)*	36,807	32,776
Amounts due from related companies *(note c)*	–	14,278
Prepayments for construction works	45,916	310,172
Other prepayments	29,798	3,519
Other taxes prepaid	53,117	21,158
	274,127	394,661

The Group does not hold any collateral over these balances.

Note a: The following is an aging analysis of the Group's trade receivables presented based on invoice dates at the end of the reporting period:

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Within 90 days	106,904	7,777
91-180 days	338	4,533
181-365 days	869	–
Over 1 year	378	448
	108,489	12,758

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customers is considered on a case-by-case basis and stipulated in the relevant contracts, as appropriate.

The following is an aged analysis of the Group's trade receivables which are past due but not impaired:

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Within 90 days	338	–
91-180 days	435	–
181-365 days	623	–
Over 1 year	189	448
	1,585	448

As at 31 December 2015, trade receivables of approximately RMB1,585,000 (2014: RMB448,000) were past due but not impaired. The Group has individually assessed all the past due but not impaired trade receivables' credit worthiness and past payment history. The directors of the Company are of the opinion that the amounts are still recoverable and no provision for impairment is necessary in respect of these balances.

Note b: Included in the Group's other receivables and deposits are security deposits with an aggregate balance of approximately RMB13,987,000 (2014: RMB29,775,000) which are paid to certain PRC government authorities for the Group's property development business in the PRC. Such security deposits will be released upon completion of construction of the relevant development projects. All other receivables and deposits were neither past due nor impaired.

Note c: The related companies were ultimately controlled by Mr. Ji and the balances were unsecured, interest-free and repayable on demand.

The directors of the Company consider that there has not been a significant change in the credit quality of the trade receivables, other receivables, prepayments and deposits and there is no recent history of default, therefore the amounts are considered recoverable.

27. Inventories

	2015	2014
	RMB'000	*RMB'000*
Work in progress	8,964	–

28. Amounts due from Customers for Contract Work

	2015	2014
	RMB'000	*RMB'000*
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	235,531	38,577
Less: progress billings	(194,982)	(17,776)
Amounts due from customers for contract work	40,549	20,801

29. Tax Prepaid

Pursuant to the PRC tax rule, the local tax authority requires the Group to prepay the PRC LAT and PRC EIT when pre-sales of properties have been occurred. Tax prepaid represented the PRC LAT and PRC EIT prepaid.

30. Properties under Development

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
At the beginning of the year	2,540,309	1,448,807
Additions	1,315,348	422,665
Acquisition of subsidiaries *(note 43)*	2,830,689	1,029,787
Interest capitalised *(note 11)*	66,400	42,987
Disposal of subsidiaries *(note 45)*	(2,819,932)	–
Transferred to properties held for sale	(1,553,731)	(403,937)
At the end of the year	2,379,083	2,540,309

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Represented by:		
Land use rights	789,544	1,930,160
Construction costs and capitalised expenditure	1,589,539	610,149
	2,379,083	2,540,309

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 amounts of properties under development of approximately RMB430,571,000 as at 31 December 2015 (2014: RMB1,074,565,000) are expected not to be realised within the next twelve months from the end of the reporting period.

31. Properties Held for Sale

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

32. Pledged Bank Deposits

The pledged bank deposits carried interest at floating daily bank deposits rate.

33. Bank Balances and Cash

(i) Bank balances and cash comprised of cash on hand and deposits with an original maturity of three months or less.

(ii) Bank balances carried interest at prevailing market interest rate of ranged from 0.001% to 0.35% per annum for the year ended 31 December 2015 (2014: 0.001% to 0.4%).

34. Trade and Other Payables

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Trade payables	301,562	89,299
Bills payables	–	11,947
	301,562	101,246
Other tax payables	26,389	1,184
Other payables	24,817	56,879
Dividend payables to a non-controlling interest	9,545	–
Amounts due to related companies *(Note)*	8,138	23,641
Accrued expenses	573,089	161,664
	943,540	344,614

Note: The related companies are ultimately controlled by Mr. Ji and the balances are unsecured, non-interest bearing and repayable on demand.

The following is an aging analysis of the Group's trade and bills payables presented based on the invoice dates at the end of the reporting period:

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Within 90 days	210,890	72,756
91 – 180 days	45,419	14,355
181 – 365 days	39,606	2,564
Over 1 year	5,647	11,571
	301,562	101,246

The average credit period on trade payables is 180 days. The Group has financial risk management policies in place to ensure that all trade payables are settled within the credit timeframe.

35. 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 green building services.

36. Consideration Payables

	2015	2014
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Current liabilities	–	156,000
Non-current liabilities	21,058	43,758
	21,058	199,758

Consideration payables as at 31 December 2014 represented acquisition-date fair value of the outstanding considerations in respect of acquisitions of Nanjing Tianyun Real Estate Development Company Limited* (南京天韻房地產開發有限公司) ("Nanjing Tianyun") and Fullshare Lujian Group of which RMB156,000,000, RMB25,000,000 and RMB25,000,000 were payable prior to February 2015, March 2016 and June 2017 respectively. Details of the acquisitions have been set out in notes 43(d) and 43(e).

During the year ended 31 December 2015, the Group repaid RMB183,000,000 and as at 31 December 2015, the outstanding consideration payables stated at amortised cost amounted to approximately RMB21,058,000.

37. Amount due to a Shareholder

Amount due to a shareholder as at 31 December 2014 represented advance from Magnolia, a substantial shareholder of the Company, which was non-interest bearing, unsecured and was repayable within one year.

38. Bank and Other Borrowings

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Secured		
Bank borrowings	592,530	279,690
Other borrowings	300,000	320,000
Unsecured other borrowings	–	310,413
	892,530	910,103
Carrying amount repayable:		
On demand or within one year	761,280	910,103
More than one year but not exceeding two years	15,000	–
More than two years but not exceeding five years	45,000	–
More than five years	71,250	–
	892,530	910,103
Less: amounts due within one year shown under current liabilities	(761,280)	(910,103)
Amounts shown under non-current liabilities	131,250	–

The Group's bank and other borrowings are interest-bearing as follows:

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Fixed-rate borrowings		
From independent third parties	490,000	415,000
From related parties *(Note)*	–	142,913
	490,000	557,913
Variable-rate borrowings	402,530	352,190
	892,530	910,103

Note:

As at 31 December 2014, fixed-rate borrowings from related parties represented unsecured entrusted loans of approximately RMB70,000,000 and an unsecured loan of approximately RMB72,913,000 received from Nanjing Fullshare Industrial Holding Group Co., Limited*(南京豐盛產業控股集團有限公司 ("Nanjin Fullshare Holding")) and Nanjing Fullshare Energy Science & Technology Company Limited*(南京豐盛新能源科技股份有限公司)("Nanjing Fullshare Energy"), companies controlled by Mr. Ji, respectively. The loans carried interest ranging from 5.6% to 7.2% per annum and were repayable within one year.

The ranges of effective interest rates per annum on the Group's borrowings at the end of the reporting period are as follows:

	2015	2014
Fixed-rate borrowings	5.35%~7.895%	5.60%~7.995%
Variable-rate borrowings	5.61%~7.20%	6.00%~7.50%

As at 31 December 2015, bank and other borrowings of approximately RMB842,530,000 (2014: RMB599,690,000) was secured by certain assets of the Group as disclosed in note 48.

As at 31 December 2014, bank and other borrowings of approximately RMB40,000,000 (2015: nil) were guaranteed by China City Construction Second Engineering Bureau Group Co, Limited*(中城建第二工程局集團有限公司), an independent third party to the Group.

As at 31 December 2015, the Group's unutilised banking facilities were approximately RMB130,000,000 (2014: RMB190,000,000).

* *For identification purpose only*

39. Issued Equity

(a) Issued capital of the Group

	RMB'000
At 1 January 2014	439,307
Issuance upon conversion of convertible bonds *(note 40)*	79,829
Issuance under placing *(Note i)*	11,627
At 31 December 2014 and 1 January 2015	530,763
Issuance upon acquisition of subsidiaries *(note 43(b)&(c))*	13,239
Issuance under placing *(Note ii)*	3,773
At 31 December 2015	547,775

Notes:

(i) On 13 November 2014, the Company issued 680,000,000 ordinary shares of HK$0.01 each for HK$0.45 each, raising proceeds of HK$306,000,000 (equivalent to approximately RMB241,649,000), before issue costs of RMB374,000.

On 23 December 2014, the Company issued 780,000,000 ordinary shares of HK$0.01 each for HK$0.48 each, raising proceeds of HK$374,400,000 (equivalent to approximately RMB300,337,000), before issue costs of RMB1,975,000.

(ii) On 29 December 2015, the Company issued 448,717,500 ordinary shares of HK$0.01 each for HK$1.56 each, raising proceeds of approximately HK$699,999,000 (equivalent to approximately RMB588,698,000), before issue costs of RMB190,000.

(b) Share Capital of the Company

	Number of shares	Nominal value of ordinary shares	
		HK$'000	*RMB'000*
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	20,000,000,000	200,000	
Issued and fully paid:			
At 1 January 2014	2,110,000,000	21,100	16,474
Issuance upon conversion of convertible bonds *(note 40)*	10,000,000,000	100,000	79,829
Issuance under placing *(note 39(a)(i))*	1,460,000,000	14,600	11,627
At 31 December 2014 and 1 January 2015	13,570,000,000	135,700	107,930
Issuance upon acquisition of subsidiaries *(note 43(b)&(c))*	1,619,390,000	16,194	13,239
Issuance under placing *(note 39(a)(ii))*	448,717,500	4,487	3,773
At 31 December 2015	15,638,107,500	156,381	124,942

40. Convertible Bonds

On 12 December 2013, the Company issued 2% convertible bonds with principal amount of HK$500,000,000 (equivalent to approximately RMB390,381,000), in which HK$420,000,000 (equivalent to approximately RMB327,920,000) was issued to Magnolia and HK$80,000,000 (equivalent to approximately RMB62,461,000) was issued to a former director, Mr. Kan Che Kin, Billy Albert. The convertible bonds can be converted up to 10,000,000,000 ordinary shares at a conversion price of HK$0.05 each. The convertibles bonds entitled their holders to convert them into ordinary shares of the Company at any time from the date of the issue up to and including the date which is 5 business days prior to the maturity date (i.e. 12 December 2018) of the convertible bonds. During the year ended 31 December 2014, various conversions took place between 2 April 2014 and 31 December 2014 and all the convertible bonds were fully converted into ordinary shares of the Company and interests on convertible bonds amounted to RMB2,922,000 was waived. In addition, change in fair value of convertible bonds of approximately RMB1,360,118,000 has been recognised in profit or loss during the year ended 31 December 2014.

The movements in the convertible bonds during the reporting periods were as follows:

	RMB'000
Convertible bonds issued by the Company:	
At 1 January 2014	683,247
Conversion to ordinary shares	(2,043,365)
Change in fair value of convertible bonds	1,360,118
At 31 December 2014, 1 January 2015 and 31 December 2015	–

The fair value of the convertible bonds at the dates of conversion were calculated using the market value basis. Major parameters adopted in the calculation of the fair value are summarised below:

	At the dates of conversion
Share price	HK$0.241-0.55
Conversion price	HK$0.05
Expected volatility *(note i)*	42.2-44%
Expected life *(note ii)*	47.4-56.4 months
Discount rate *(note iii)*	13.78-16.42%

Notes:

(i) Expected volatility was determined by the average volatility of the comparable companies as the proxy to derive the expected volatility of the underlying share.

(ii) Expected life was the expected remaining life of the convertible bonds.

(iii) Discount rate is derived based on yield of comparable bonds with similar credit ratings applicable for the Company, after adjustments for country risk premium, illiquidity, etc.

41. Corporate Bond

On 8 December 2014, the Company issued a six-year semi-annual coupon corporate bond with 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 effective interest rate as at 31 December 2015 is 9.6% (2014: 9.6%).

	RMB'000
At 1 January 2014	–
Issued during the year	8,268
Transaction costs	(1,262)
Imputed interest	38
Exchange difference recognised in profit or loss	83
At 31 December 2014 and 1 January 2015	7,127
Imputed interest	741
Interest paid	(579)
Exchange difference recognised in profit or loss	505
At 31 December 2015	7,794

	2015	**2014**
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Current liabilities (included in trade and other payables)	51	38
Non-current liabilities	7,743	7,089
	7,794	7,127

42. Deferred Tax Assets (Liabilities)

The analysis of deferred tax assets and deferred tax liabilities for financial reporting purposes is as follows:

	2015	**2014**
	RMB'000	*RMB'000*
		(Restated)
Deferred tax assets	13,371	14,736
Deferred tax liabilities	(378,401)	(23,981)
	(365,030)	(9,245)

As at 31 December 2015, deferred tax asset and deferred tax liability of RMB15,967,000 (2014: RMB18,875,000) has been offset for presentation purpose.

The followings are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting periods:

	Deferred income	**LAT**	**Tax losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets				
At 1 January 2014 (Restated)	–	–	523	523
Acquisition of a subsidiary	–	–	1,231	1,231
Credited to profit or loss	–	31,305	552	31,857
At 31 December 2014 and 1 January 2015 (Restated)	–	31,305	2,306	33,611
Acquisition of subsidiaries	9,435	–	2,531	11,966
Disposal of subsidiaries	(9,435)	–	(5,084)	(14,519)
(Charged) credited to profit or loss	–	(2,479)	759	(1,720)
At 31 December 2015	–	28,826	512	29,338

	Properties under development/ properties held for sale	Change in fair value of investment properties	Change in fair value of financial asset held for trading	LAT	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax liabilities					
At 1 January 2014 (Restated)	(25,559)	(331)	–	–	(25,890)
Acquisition of a subsidiary	(16,635)	–	–	–	(16,635)
Credited (charged) to profit or loss	1,855	–	–	(2,186)	(331)
31 December 2014 and 1 January 2015 (Restated)	(40,339)	(331)	–	(2,186)	(42,856)
Acquisition of subsidiaries	(328,409)	–	(43,033)	–	(371,442)
Disposal of subsidiaries	33,109	–	–	2,188	35,297
Transfer from properties held for sale to investment properties	6,729	(6,729)	–	–	–
Credited (charged) to profit or loss	157,796	(68,469)	(102,412)	(2)	(13,087)
Exchange realignment	–	–	(2,280)	–	(2,280)
At 31 December 2015	(171,114)	(75,529)	(147,725)	–	(394,368)

At the end of reporting period, the Group has unused tax losses of approximately RMB6,619,000 (2014: 12,448,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB2,048,000 (2014: RMB9,224,000) of such loss. No deferred tax asset has been recognised in respect of the remaining losses of approximately RMB4,571,000 (2014: RMB3,224,000) due to the unpredictability of future profit streams. At 31 December 2015, approximately nil, RMB313,000, nil, RMB635,000 and nil (2014: nil, RMB791,000, RMB364,000, RMB350,000 and RMB5,637,000) included in the above unused tax losses will expire after the year of assessment of 2016, 2017, 2018, 2019 and 2020 (2014: 2015, 2016, 2017, 2018 and 2019) respectively. Other estimated tax losses may be carried forward indefinitely.

43. Acquisition of Subsidiaries not under Common Control

For the year ended 31 December 2015

(a) Jiangsu Anjiali and its wholly-owned subsidiaries, Jurong Dingsheng Property Development Company Limited* (句容鼎盛房地產開發有限公司) ("Jurong Dingsheng") and Jurong Dasheng Property Development Company Limited* (句容達盛房地產開發有限公司) ("Jurong Dasheng") (collectively referred to as "Anjiali Group")

On 20 January 2015, the Group entered into an agreement with an independent third party, Nanjing Huigu to acquire the entire equity interests in Jiangsu Anjiali, a company engaged in property development in the PRC, for a cash consideration of approximately RMB438,000,000. The acquisition was completed on 12 February 2015.

Acquisition-related costs amounting to approximately RMB634,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2015, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The directors of the Company consider that the acquisition of Anjiali Group will benefit the Group through synergies and economies of scale. The acquisition of Anjiali Group had been accounted for using the acquisition method.

Consideration transferred

	RMB'000
Cash consideration	388,000
Deposit paid for potential acquisition	50,000
	438,000

The fair values of the identified assets acquired and liabilities assumed in the above acquisition as at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment	4,459
Properties under development	1,597,900
Properties held for sales	1,421,435
Tax prepaid	49,773
Other receivables	9,687
Bank balances and cash	26,013
Trade and other payables	(135,708)
Receipts in advance	(1,370,796)
Deferred tax liabilities	(303,071)
Other borrowings – due after one year	(498,264)
Total identifiable net assets	801,428
Gain on bargain purchase	(363,428)
Total consideration	438,000
Analysis of net cash flow of cash and cash equivalents arising on acquisition	
Cash consideration paid	(388,000)
Less: cash and cash equivalents acquired	26,013
Net cash outflow arising on acquisition	(361,987)

The Group recognised a gain on a bargain purchase of RMB363,428,000 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015. 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.

The fair value and the gross contracted amount of other receivables at the date of acquisition amounted to approximately RMB9,687,000. No estimated uncollectible contractual cash flows were expected at the acquisition date.

From the date of the acquisition to 31 December 2015, Anjiali Group contributed net profit and revenue of approximately RMB292,426,000 and RMB310,865,000 respectively to the Group.

Had the above acquisition been completed on 1 January 2015, the directors of the Company estimate that the consolidated revenue and consolidated net profit for the year ended 31 December 2015 would have been approximately RMB2,657,931,000 and approximately RMB1,237,934,000 respectively.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

(b) Zall Development (Shenyang) Limited*(卓爾發展(瀋陽)有限公司)("Zall Development Shenyang"), Zall Trading Development (Xiaogan) Limited*(卓爾商貿發展(孝感)有限公司)("Zall Trading Xiaogan") and its wholly-owned subsidiary, Zall Development (Xiaogan) Limited*(卓爾發展(孝感)有限公司)(collectively referred to as the "Zall Trading Group") (together with Zall Development Shenyang, hereinafter collectively referred to as the "Zall Group").

On 24 June 2015, the Group entered into two agreements with an independent third party, Zall Development (HK) Holding Company Limited, to acquire 90% equity interest in each of Zall Development Shenyang and Zall Trading Xiaogan by issuing 543,517,500 and 137,962,500 ordinary shares of HK$0.01 each of the Company respectively. The fair values of the consideration shares were approximately RMB652,638,000 and RMB165,661,000 respectively, which was determined by reference to the closing market price of HK$1.50 of the Company's share at the date of completion. The acquisition was completed on 26 June 2015.

Acquisition-related costs of acquiring Zall Development Shenyang amounting to approximately RMB624,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2015, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The directors of the Company consider that the acquisition of the Zall Group will benefit the Group through synergies and economies of scale and increase the land banks. At the date of acquisition, Zall Development Shenyang is engaged in property development whilst the Zall Trading Group had not commenced business whose principal asset is a piece of undeveloped land in the PRC. Accordingly, the acquisition of Zall Development Shenyang had been accounted for using the acquisition method and the acquisition of the Zall Trading Group has been accounted for as acquisition of assets through acquisition of subsidiaries.

Since acquisition, Zall Development Shenyang has contributed no revenue and net loss of RMB7,490,000 to the profit before tax of the Group for the year ended 31 December 2015.

The fair value of the identified assets acquired and liabilities assumed in the above acquisition as at the date of acquisition were as follows:

	Zall Development Shenyang	Zall Trading Group
	RMB'000	*RMB'000*
Property, plant and equipment	456	146
Properties under development	1,126,000	106,789
Other receivables	108,741	116,695
Tax prepaid	1,604	–
Bank balances and cash	9,369	959
Deferred tax assets	–	10,385
Trade and other payables	(211,722)	(3,728)
Receipts in advance and deposit received	(165,208)	–
Deferred income – government grant	–	(37,739)
Income tax payable	–	(9,439)
Deferred tax liabilities	(23,757)	–
Bank and other borrowings	(161,010)	–
Total identifiable net assets	684,473	184,068
Less: non-controlling interests (at proportionate share of net assets)	(68,447)	(18,407)
Goodwill	36,612	–
Consideration shares at fair value	652,638	165,661
Analysis of net cash flow of cash and cash equivalents arising on acquisition		
Consideration paid	–	–
Add: cash and cash equivalents acquired	9,369	959
Net cash inflow arising on acquisition	9,369	959

The goodwill arising on the acquisition is not deductible for tax purposes.

Zall Development Shenyang

The fair value and the gross contracted amount of other receivables of Zall Development Shenyang at the date of acquisition amounted to approximately RMB108,741,000. No estimated uncollectible contractual cash flows were expected at the acquisition date.

Goodwill which arose on the acquisition of Zall Development Shenyang 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 and the assembled workforce of Zall Development Shenyang. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Had the acquisition of Zall Development Shenyang been completed on 1 January 2015, the directors of the Company estimate that the consolidated revenue and consolidated net profit for the year ended 31 December 2015 would have been approximately RMB2,657,931,000 and approximately RMB1,235,498,000 respectively.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

Zall Trading Group

On acquisition of Zall Trading Group, the Group allocates the consideration to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition.

(c) Rich Unicorn Holdings Limited ("Rich Unicorn")

On 13 October 2015, the Group entered into an agreement with Mr. Ji to acquire the entire equity interest of Rich Unicorn by issuing 937,910,000 ordinary shares of HK$0.01 each of the Company. The fair value of the consideration shares at the date of completion was approximately RMB1,307,463,000, which was determined by reference to the closing market price of HK$1.68 of the Company's share at the date of completion. The acquisition was completed on 23 November 2015.

At the date of acquisition, Rich Unicorn holds only financial assets at fair value through profit or loss, which is certain equity securities listed in Hong Kong. Accordingly, the acquisition of Rich Unicorn had been accounted for as acquisition of assets through acquisition of a subsidiary.

The assets acquired and liabilities assumed in the above acquisition as at the date of acquisition were as follows:

	RMB'000
Financial assets at fair value through profit and loss	865,416
Deferred tax liabilities	(43,033)
Total identifiable net assets	822,383
Loss recognised in other reserve under equity *(Note)*	485,080
Total consideration	1,307,463

Note: The difference between the fair value of consideration paid for the acquisition of the assets through acquisition of a subsidiary from the owner of the Company and the fair value of the assets acquired at the date of acquisition is charged to other reserve as deemed distribution to the owner of the Company.

For the year ended 31 December 2014

(d) Nanjing Tianyun

On 5 September, 2014, the Group entered into an agreement with independent third parties, Nanjing Tonglu Asset Management Limited*（南京通路資產管理有限公司）and Nanjing Changfa Dushi Real Estate Development Company Limited*（南京長發都市房地產開發有限公司）to acquire an aggregate of 80% equity interests in Nanjing Tianyun, a company engaged in property development in the PRC, for a consideration of approximately RMB500,000,000 of which RMB156,000,000 was payable in February 2015 and carried as consideration payable at 31 December 2014 under current liabilities in the consolidated statement of financial position. The acquisition was completed on 15 October 2014.

	RMB'000
Consideration transferred	
Cash consideration paid	344,000
Consideration payable (under current liabilities)	156,000
	500,000

Acquisition-related costs amounting to approximately RMB2,360,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2014, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The directors of the Company consider that the acquisition of Nanjing Tianyun will benefit the Group through synergies and economies of scale. The acquisition of Nanjing Tianyun had been accounted for using the acquisition method.

* *For identification purpose only*

The fair value of the identified assets acquired and liabilities assumed in the above acquisition as at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment	2
Properties under development	1,029,787
Other receivables	424,457
Tax prepaid	252
Bank balances and cash	104,790
Trade and other payables	(26,552)
Receipts in advance and deposit received	(79,364)
Deferred tax liability	(15,404)
Bank and other borrowings	(526,990)
Total identifiable net assets	910,978
Less: non-controlling interests (at fair value) *(Note)*	(173,000)
	737,978
Gain on bargain purchase	(237,978)
Total consideration	500,000
Analysis of net cash flow of cash and cash equivalents arising on acquisition	
Cash consideration paid	(344,000)
Less: cash and cash equivalents acquired	104,790
Net cash outflow arising on acquisition	(239,210)

The Group recognised a gain on a bargain purchase of approximately RMB237,978,000 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014. 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.

The fair value and the gross contracted amount of other receivables at the date of acquisition amounted to approximately RMB424,457,000. No estimated uncollectible contractual cash flows were expected at the acquisition date.

From the date of the acquisition to 31 December 2014, Nanjing Tianyun contributed net loss of approximately RMB1,153,000 and no revenue to the Group for the year ended 31 December 2014.

Had the above acquisition been completed on 1 January 2014, the directors of the Company estimate that the consolidated revenue and consolidated net loss for the year ended 31 December 2014 would have been approximately RMB793,403,000 and approximately RMB1,067,306,000 respectively.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and loss of the Group had Nanjing Tianyun been acquired at the beginning of the current year, the directors of the Company have determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

Note: In accordance with the terms of the equity-transfer agreement (the "Agreement"), the non-controlling interests are not entitled to profit sharing of Nanjing Tianyun until its accumulated profits reach RMB300,000,000 within two years from the completion of the acquisition. Accumulated profits over RMB300,000,000 but less than RMB600,000,000 will be fully distributable to the non-controlling shareholders. Accumulated profits exceeding RMB600,000,000 will be distributable to all the equity interests proportionally according to the respective equity interests.

The non-controlling interests in Nanjing Tianyun recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to RMB173,000,000. The fair value of the non-controlling interests as at acquisition date is determined by the directors of the Company with reference to a valuation performed by an independent valuer, AVISTA by using asset valuation approach.

The valuation of the non-controlling interest is categorised into Level 3 of the fair value hierarchy. In estimating the fair value of the non-controlling interest, the directors of the Company have considered the significant unobservable inputs including the estimated future profit streams of Nanjing Tianyun and the contractual profit sharing arrangement in the Agreement.

(e) Fullshare Lujian Group

On 20 November, 2014, the Company entered into an agreement with independent third parties Jiangsu Sufeng Investment Company Limited*（江蘇蘇豐投資有限公司）to acquire the entire equity interests in Fullshare Lujian, a company with a wholly-owned subsidiary which is principally engaged in green buildings services in the PRC, for a cash consideration of approximately RMB200,000,000, of which RMB25,000,000 and RMB25,000,000 were payable in March 2016 and June 2017 respectively. Aggregate consideration of RMB50,000,000 remained unsettled at 31 December 2014 and was carried as consideration payables in the consolidated statement of financial position. The acquisition was completed on 15 December 2014.

	RMB'000
Consideration transferred	
Cash consideration paid	150,000
Consideration payables, at fair value (under non-current liabilities)	43,758
	193,758

Acquisition-related costs amounting to approximately RMB713,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2014, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The directors of the Company consider that the acquisition of Fullshare Lujian Group will benefit the Group through expected synergies and future market development. The acquisition of Fullshare Lujian Group had been accounted for using the acquisition method.

* *For identification purpose only*

The fair value of the identified assets acquired and liabilities assumed in the above acquisition as at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment	544
Trade and other receivables	205,963
Amounts due from customers for contract work	8,930
Pledged bank deposit	10,000
Bank balances and cash	773
Trade and other payables	(33,926)
Total identifiable net assets	192,284
Goodwill *(note 19)*	1,474
Total consideration	193,758
Analysis of net cash flow of cash and cash equivalents arising on acquisition	
Cash consideration paid	(150,000)
Less: cash and cash equivalents acquired	773
Net cash outflow arising on acquisition	(149,227)

The goodwill arising on the acquisition is not deductible for tax purposes.

Goodwill arose in the acquisition of Fullshare Lujian Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Fullshare Lujian Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The fair value and gross contracted amount of trade and other receivables at the date of acquisition amounted to approximately RMB205,963,000. No estimated uncollectible contractual cash flows were expected at the acquisition date.

From the date of the above acquisition to 31 December 2014, Fullshare Lujian Group contributed net loss and revenue of approximately RMB41,000 and RMB12,553,000 respectively to the Group for the year ended 31 December 2014.

Had the above acquisition been completed on 1 January 2014, the directors of the Company estimate that the consolidated revenue and consolidated net loss for the year ended 31 December 2014 would have been approximately RMB801,503,000 and approximately RMB1,064,617,000 respectively.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

44. Business Combinations under Common Control and Restatements

The Group adopts merger accounting for common control combinations in respect of the following transactions which occurred during the year ended 31 December 2015:

a) On 8 December 2014, the Group entered into an equity transfer agreement to acquire a 99% and 1% equity interest of Nanjing Fullshare Technology from Nanjing Fullshare Holding and Nanjing Xinmeng Asset Management Limited* (南京新盟資產管理有限公司)(''Xinmeng Asset'') respectively for an aggregate cash consideration of RMB667,000,000. The acquisition was completed on 19 January 2015. Mr. Ji is the ultimate controlling shareholder of the Company, Nanjing Fullshare Holding and Xinmeng Asset.

b) On 12 May 2015, the Group entered into an equity transfer agreement with Nanjing Fullshare Energy to acquire the entire equity interests in Nanjing Fullshare Energy Management Company Limited* (南京豐盛能源管理有限公司), Shanghai Far-seeker Energy Technology Company Limited* (上海法斯克能源科技有限公司) and Anhui Green Building Company Limited* (安徽省綠色建築有限公司) and a 95% equity interest in Nanjing Far-seeker Energy Technology Company Limited* (南京法斯克能源科技發展有限公司)(collectively referred to as the ''New Energy Group'') at an aggregate cash consideration of RMB28,000,000. The acquisition was completed on 17 June 2015. Mr. Ji is also the ultimate controlling shareholder of Nanjing Fullshare Energy.

The effects of the application of merger accounting for business combinations under common control occurred during the year ended 31 December 2015 on the Group's financial position as at 31 December 2014 and 1 January 2014 and the results for the year ended 31 December 2014 are summarised as follows:

For the year ended 31 December 2014

	As originally stated	Nanjing Fullshare Technology and New Energy Group	Adjustments	As restated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	643,793	149,610	–	793,403
Cost of Sales	(514,170)	(73,356)	(9,610)	(597,136)
Gross Profit	129,623	76,254	(9,610)	196,267
Other income and gains	8,580	17,786	–	26,366
Change in fair value of convertible bonds	(1,360,118)	–	–	(1,360,118)
Gain on bargain purchase recognised in acquisition of subsidiaries	237,978	–	–	237,978
Selling expenses	(22,241)	(11,078)	–	(33,319)
Administrative expenses	(49,378)	(19,959)	(64)	(69,401)
Finance costs	(3,035)	–	–	(3,035)
(Loss) profit before tax	(1,058,591)	63,003	(9,674)	(1,005,262)
Income tax expense	(44,268)	(19,319)	4,106	(59,481)
(Loss) profit and total comprehensive (expense) income for the year	(1,102,859)	43,684	(5,568)	(1,064,743)
(Loss) profit and total comprehensive (expense) income attributable to:				
Owners of the Company	(1,109,654)	43,684	(5,018)	(1,070,988)
Non-controlling interests	6,795	–	(550)	6,245
(Loss) profit and total comprehensive (expense) income for the year	(1,102,859)	43,684	(5,568)	(1,064,743)

As at 31 December 2014

	As originally stated	Nanjing Fullshare Technology and New Energy Group	Adjustments	As restated
	RMB'000	*RMB'000*	*RMB'000* (*Note*)	*RMB'000*
Non-current assets				
Property, plant and equipment	4,080	141,869	2,187	148,136
Investment properties	5,600	–	–	5,600
Goodwill	1,474	–	–	1,474
Prepaid land lease payments	–	1,699	–	1,699
Loan receivable	350,000	–	–	350,000
Deferred tax assets	14,045	17,952	(17,261)	14,736
	375,199	161,520	(15,074)	521,645
Current assets				
Deposit paid for potential acquisition	50,000	–	–	50,000
Trade and other receivables	327,018	67,643	–	394,661
Financial assets at fair value through profit or loss	–	30,024	–	30,024
Amounts due from customers for contract work	20,801	–	–	20,801
Tax prepaid	23,219	1,601	–	24,820
Properties under development	1,802,040	676,626	61,643	2,540,309
Properties held for sale	307,336	166,194	30,986	504,516
Pledged bank deposits	11,947	–	–	11,947
Bank balances and cash	251,082	73,931	–	325,013
	2,793,443	1,016,019	92,629	3,902,091
Current liabilities				
Trade and other payables	224,378	120,236	–	344,614
Receipts in advance and deposits received	435,442	167,552	–	602,994
Income tax payables	60,035	97,500	–	157,535
Consideration payables	156,000	–	–	156,000
Amount due to a shareholder	8,815	–	–	8,815
Bank and other borrowings – due within one year	757,190	152,913	–	910,103
	1,641,860	538,201	–	2,180,061
Net current assets	1,151,583	477,818	92,629	1,722,030
Total assets less current liabilities	1,526,782	639,338	77,555	2,243,675

	As originally stated	Nanjing Fullshare Technology and New Energy Group	Adjustments	As restated
	RMB'000	*RMB'000*	*RMB'000* *(Note)*	*RMB'000*
Capital and reserves				
Issued equity	530,763	606,000	(606,000)	530,763
Reserves	720,011	33,338	676,017	1,429,366
Non-controlling interests	207,624	–	1,094	208,718
Total equity	1,458,398	639,338	71,111	2,168,847
Non-current liabilities				
Corporate bond	7,089	–	–	7,089
Consideration payables	43,758	–	–	43,758
Deferred tax liabilities	17,537	–	6,444	23,981
	68,384	–	6,444	74,828
Total equity and non-current liabilities	1,526,782	639,338	77,555	2,243,675

As at 1 January 2014

	As originally stated	Nanjing Fullshare Technology and New Energy Group	Adjustments	As restated
	RMB'000	*RMB'000*	*RMB'000* *(Note)*	*RMB'000*
Non-current assets				
Property, plant and equipment	2,898	124,869	–	127,767
Investment properties	5,600	–	–	5,600
Prepaid land lease payments	–	1,737	–	1,737
Deferred tax assets	–	523	–	523
	8,498	127,129	–	135,627
Current assets				
Trade and other receivables	53,608	190,190	–	243,798
Properties under development	880,104	507,060	61,643	1,448,807
Properties held for sale	405,484	221,828	40,596	667,908
Pledged bank deposits	1,445	–	–	1,445
Bank balances and cash	116,358	6,419	–	122,777
	1,456,999	925,497	102,239	2,484,735
Current liabilities				
Trade and other payables	188,563	156,586	–	345,149
Receipts in advance and deposits received	476,702	33,584	–	510,286
Income tax payables	41,399	67,803	–	109,202
Bank and other borrowings – due within one year	155,000	19,000	–	174,000
	861,664	276,973	–	1,138,637
Net Current assets	595,335	648,524	102,239	1,346,098
Total assets less current liabilities	603,833	775,653	102,239	1,481,725

	As originally stated	Nanjing Fullshare Technology and New Energy Group	Adjustments	As restated
	RMB'000	*RMB'000*	*RMB'000* *(Note)*	*RMB'000*
Capital and reserves				
Issued equity	439,307	606,000	(606,000)	439,307
Reserves	(661,881)	89,653	681,036	108,808
Non-controlling interests	27,829	–	1,644	29,473
(Capital deficiency) total equity	(194,745)	695,653	76,680	577,588
Non-current liabilities				
Convertible bonds	683,247	–	–	683,247
Bank and other borrowings – due after one year	115,000	80,000	–	195,000
Deferred tax liabilities	331	–	25,559	25,890
	798,578	80,000	25,559	904,137
Total equity and non-current liabilities	603,833	775,653	102,239	1,481,725

Note:

The adjustments represented:

(i) Elimination of the issued capital of the acquired subsidiaries.

(ii) Fair value adjustments on assets and liabilities of Nanjing Fullshare Technology at the date when Mr. Ji has gained effective control of Nanjing Fullshare Technology on 10 December 2010.

The effects of application of merger accounting for common control combinations on the Group's basic and diluted loss per share for the year ended 31 December 2014:

	RMB
As originally stated	(28.02) cents
Adjustment arising on common control combinations	0.98 cents
As restated	(27.04) cents

45. Disposal of Subsidiaries

(a) Jiangsu Fullshare Property Limited* （江蘇省豐盛房地產開發有限公司） (“Jiangsu Fullshare”)

On 29 May 2015, the Group entered into a sale and purchase agreement with Nanjing Shanbao Investment Management Limited*（南京善寶投資管理有限公司）(“Nanjing Shanbao”), an independent third party, for the disposal of its entire equity interest in Jiangsu Fullshare at a cash consideration of approximately RMB467,000,000. Upon completion of the transaction, an amount due to the Group by Jiangsu Fullshare of RMB126,864,000 is borne and paid by Nanjing Shanbao. The transaction was completed on 25 June 2015.

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

	RMB'000
Property, plant and equipment	670
Properties under development	539,203
Properties held for sales	136,281
Tax prepaid	25,611
Trade and other receivables	45,137
Bank balances and cash	16,694
Trade and other payables	(79,637)
Amount due to immediate holding company	(126,864)
Receipts in advance	(167,399)
Deferred tax liabilities	(2,188)
Net assets disposed of	387,508
Gain on disposal of a subsidiary	79,492
Cash consideration for disposal	467,000
Add: Debt borne by Nanjing Shanbao	126,864
Total receivables in respect of disposal of a subsidiary	593,864
Net cash inflow arising on disposal	
Total cash received	593,864
Cash and cash equivalents disposed of	(16,694)
	577,170

During the year ended 31 December 2015, Jiangsu Fullshare incurred a loss and cash outflows from operating activities of approximately RMB6,839,000 and RMB6,600,000 to the Group's profit and net operating cash flows respectively.

(b) Active Mind Investments Limited and its subsidiaries, Active Mind Hong Kong Limited and Zall Development Shengyang (collectively referred to as "Active Mind Group") and Advance Goal Investments Limited and its subsidiaries, Advance Goal Hong Kong Limited and Zall Trading (collectively referred to as "Advance Goal Group")

On 6 November 2015, the Group entered into two sales and purchase agreements with Sun Field Property Holdings Limited (the "Sun Field"), an independent third party, for the disposal of its entire equity interests in Active Mind Group and Advance Goal Group at a cash consideration of RMB685,270,000 and RMB173,944,000 respectively. Upon completion of the transaction, an amount due to the Group by Zall Development Shenyang of RMB9,000,000 is borne by Sun Field. The transactions were completed on 4 December 2015.

The assets and liabilities of Active Mind Group and Advance Goal Group at the date of disposal were as follows:

	Active Mind Group *RMB'000*	**Advance Goal Group** *RMB'000*
Property, plant and equipment	374	134
Goodwill	36,612	–
Properties under development	1,138,404	108,661
Other receivables	125,000	114,632
Tax prepaid	3,006	–
Bank balances and cash	8,241	577
Deferred tax assets	–	10,385
Trade and other payables	(306,234)	(3,952)
Amount due to a fellow subsidiary	(9,000)	–
Receipts in advance and deposit received	(226,180)	–
Deferred income – government grant	–	(37,739)
Income tax payable	–	(9,439)
Deferred tax liabilities	(21,885)	–
Bank and other borrowings	(32,870)	–
Less: non-controlling interests	(67,885)	(18,325)
Net assets disposed of	647,583	164,934
Gain on disposal of subsidiaries	37,687	9,010
Cash consideration for disposal	685,270	173,944
Add: Debt borne by Sun Field	9,000	–
Total receivables in respect of disposal of subsidiaries	694,270	173,944
Satisfied by:		
Total cash received		118,282
Receivables in respect of disposal of subsidiaries *(Note)*		749,932
		868,214
Net cash inflow arising on disposal		
Total cash received		118,282
Cash and cash equivalents disposed of		(8,818)
		109,464

Note: Pursuant to the agreements, the receivables in respect of disposal of subsidiaries will be settled in installments. Included in the receivables an amount of RMB186,943,000 and RMB4,500,000, representing the deferred consideration for disposal and the unsettled debt borne by Sun Field respectively, will be settled within 80 business days after the completion of transactions and the remaining unsettled deferred consideration for disposal amounting to RMB558,489,000 will be settled within 180 business days after the completion of transactions. Accordingly, the amounts are classified as current assets.

The receivables are secured by the shares of Active Mind Group and Advance Goal Group and non-interest bearing up to the credit period. In the event that the receivables are not repaid on time, the outstanding balance is charged at an interest rate of 15% per annum until full repayment is made.

During the year ended 31 December 2015, the Active Mind Group and Advance Goal Group contributed a loss and cash inflows from operating activities of approximately RMB6,456,000 and RMB117,655,000 to the Group's profit and net operating cash flows respectively.

(c) Jurong Dingsheng and Jurong Dasheng

On 9 November 2015, the Group entered into two sales and purchase agreements with Nanjing Dongzhou Property Development Limited* (南京東洲房地產開發有限公司) ("Nanjing Dongzhou"), an independent third party, for the disposal of its entire equity interests in Jurong Dasheng and Jurong Dingsheng at a cash consideration of RMB269,104,000 and RMB254,496,000 respectively. Upon completion of the transactions, amounts due to the Group by Jurong Dasheng and Jurong Dingsheng of approximately RMB194,558,000 and RMB129,206,000 are borne by Nanjing Dongzhou. The transactions were completed on 27 November 2015.

	Jurong Dasheng *RMB'000*	**Jurong Dingsheng** *RMB'000*
Property, plant and equipment	1,341	–
Properties under development	681,570	352,094
Other receivables	7,525	1,254
Tax prepaid	2,278	–
Bank balances and cash	19,912	205
Deferred tax assets	6,427	–
Trade and other payables	(156,736)	(98)
Receipts in advance and deposit received	(122,618)	–
Amount due to immediate holding company	(194,558)	(129,206)
Income tax payable	–	(131)
Deferred tax liabilities	(10,531)	(2,986)
Net assets disposal of	234,610	221,132
Gain on disposal of subsidiaries	34,494	33,364
Cash consideration for disposal	269,104	254,496
Add: Debts borne by Nanjing Dongzhou	194,558	129,206
Total receivables in respect of disposal of subsidiaries	463,662	383,702
Satisfied by:		
Total cash received		247,360
Receivables in respect of disposal of subsidiaries *(Note)*		600,004
		847,364
Net cash inflow arising on disposal		
Total cash received		247,360
Cash and cash equivalents disposed of		(20,117)
		227,243

Note: Pursuant to the agreements, an amount of RMB276,240,000 and RMB323,764,000 included in the receivables, representing the deferred consideration for disposal and the unsettled debt borne by Nanjing Dongzhou respectively, will be settled within 120 business days after the completion of transactions and within 120 business days after signing of the agreements respectively. Accordingly, the amounts are classified as current assets.

The receivables are secured by the shares of Jurong Dingsheng and Jurong Dasheng and non-interest bearing up to the credit period. In the event that the receivables are not repaid on time, the outstanding balance is charged at an interest rate of 15% per annum until full repayment is made.

During the year ended 31 December 2015, Jurong Dingsheng and Jurong Dasheng contributed a loss and cash outflows from operating activities of approximately RMB8,026,000 and RMB120,686,000 to the Group's profit and net operating cash flows respectively.

46. Retirement Benefit Schemes

The Group enrolled all Hong Kong employees in the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 (HK$1,250 prior to June 2014 (per month)) to the MPF scheme, which contribution is matched by the employees.

The Group's subsidiaries operating in the PRC, Singapore and Australia participate in defined contribution retirement schemes, CPF Scheme and superannuation scheme organised by the relevant local government authorities in the PRC, Singapore and Australia respectively. These subsidiaries are required to contribute a specified percentage of its payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions under these schemes.

The total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB7,347,000 (2014: RMB3,406,000) represents contributions payable to these schemes by the Group during the year ended 31 December 2015.

There is no provision under the schemes as specified which whereby forfeited contributions may be used to reduce future contributions.

47. Commitments

a) *Operating lease commitments*

The Group as lessee

The Group leases certain of its offices under operating lease arrangements. The leases typically run for an initial period of one to five years (2014: one to five years). Lease payments are usually increased annually to reflect market rentals. No provision for contingent rent and terms of renewal was established in the leases.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015	**2014**
	RMB'000	*RMB'000*
		(Restated)
Within one year	3,628	4,400
In the second to fifth years inclusive	–	4,594
	3,628	8,994

The Group as lessor

Gross property rental income earned during the year was approximately RMB15,144,000 (2014: RMB18,596,000). The Group leases its investment properties under operating lease arrangement. Lease is negotiated for a term of one to fifteen years (2014: one to fifteen years) with fixed rentals throughout the rental period.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Within one year	16,276	19,663
In the second to fifth years inclusive	35,226	46,189
Over five years	10,305	18,720
	61,807	84,572

b) *Capital commitments*

At the end of the reporting period, the Group had the following capital commitments:

Contracted for but not provided in the consolidated financial statements

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
For properties under development	2,002,582	2,196,724
For acquisition of a subsidiary	21,471	667,000
Capital injection to a non-wholly-owned subsidiary	103,797	–

48. Pledge of Assets

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

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Properties under development	288,596	1,523,508
Property, plant and equipment	–	12,753
Properties held for sales	649,503	153,629
Investment properties	313,000	–
Pledged bank deposits	–	11,947
	1,251,099	1,701,837

49. Contingent Liabilities

Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	1,080,207	412,804

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; or (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 to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages.

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

50. Related parties Transactions

(a) Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following material transactions with related parties during the years ended 31 December 2015 and 2014:

Nature of transaction	**2015**	**2014**
	RMB'000	*RMB'000*
		(Restated)
1. Purchase of construction materials from Jiangsu Fullshare Trading Development Company Limited* (江蘇豐盛貿易發展有限公司)	23,428	2,876
2. Purchase of construction materials from Nanjing Fullshare Energy-saving Materials Company Limited* (南京豐盛節能材料有限公司)	793	8,181
3. Construction services provided by Hubei Fengshen Construction Company Limited* (湖北風神淨化空調設備工程有限公司) ("Hubei Fengshen")	8,022	6,151
4. Consultancy service provided by Jiangsu Fullshare Green Building Design Research Center Co., Limited* (江蘇豐盛綠色建築設計研究院有限公司)	2,624	400
5. Finance cost incurred from Nanjing Fullshare Energy	–	4,933
6. Subletting rental income from Fullshare Group Limited	2,420	1,196
7. Waiver of interests on convertible bonds by Magnolia	–	2,922
8. Green building service income from Zhongkun Yu'an	38,702	–

Nature of transaction		**2015**	**2014**
		RMB'000	*RMB'000*
			(Restated)
9.	Green building service income from Wuhan Far-seeker Energy Technology Development Company Limited* (武漢法斯克能源科技發展有限公司)	2,610	250
10.	Green building service income from Nanjing Fullshare Energy	475	–
11.	Green building design and consultancy service income from Jiangsu Chinshanhu Ecological Industry Company Limited* (江蘇赤山湖生態產業有限公司)	1,255	–
12.	Management service income from Fullshare Group Pte Ltd	2,182	–
13.	Management service income from Fullshare International (Australia) Pty Ltd	694	–
14.	Management service income from Fullshare International (Australia) Cairns Pty Ltd	416	–
15.	Management service income from Fullshare Industrial Holding Group (Australia) Cairns Pty Ltd	416	–
16.	Management service income from Nanjing Construction Group (Australia) Whisper Bay Pty Ltd	833	–
17.	Management service income from Nanjing Construction Group (Australia) Investment Management Pty Ltd	416	–
18.	Rental income received from Jiangsu Fullshare Green Building Design Research Center Co., Limited* (江蘇豐盛綠色建築設計研究院有限公司)	–	1,769
19.	Purchase of intangible assets from Nanjing Fullshare Energy and Hubei Fengshen	1,700	–

The above transactions are carried out at terms agreed by the Group and the respective counterparties, all of which are ultimately controlled by Mr. Ji, a substantial shareholder and a director of the Company. Save as disclosed elsewhere in the financial statements and "Report of Directors" section of the annual reports, subject to the identifications requirement, the transactions (4) and (6) of the above transactions fall within the definition of "connected transactions" or "continuing connected transactions" in Chapter 14A of the Listing Rules but these are de minius transactions which are exempt from the reporting, annual reviews, announcement and independent shareholders' approval requirements.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year are as follows:

	2015	**2014**
	RMB'000	*RMB'000*
Short-term benefits	9,506	7,373
Post-employment benefits	118	186
	9,624	7,559

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

51. Particulars of Principal Subsidiaries of the Company

a) *General information of subsidiaries*

Details of the principal subsidiaries held by the Company as at the end of reporting period is as follows:

Name of Subsidiary	Place of incorporation/ registration and operation	Paid up issued/ ordinary share capital	Percentage of equity attributable to the Company indirectly		Principal activities
		RMB'000	2015	2014 (Restated)	
Jiangsu Fullshare#	The PRC	400,000	N/A	100%	Property development
Chongqing Tongjing Changhao Property Limited* (重慶同景昌浩置業有限公司)#	The PRC	240,000	90%	90%	Property development
Nanjing Tianyun#	The PRC	865,000	80%	80% *(note iii)*	Property development
Nanjing Fullshare Technology#	The PRC	560,000	100%	100%	Property development
Jiangsu Anjiali#	The PRC	350,000	100%	N/A	Property development
Fullshare Lujian#	The PRC	200,000	100%	100%	Green building service
Rich Unicorn@	BVI	604,611	100%	N/A	Investment

\# Limited liability company registered in the PRC

@ Limited liability company registered in the BVI

Notes:

(i) The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

(ii) None of the subsidiaries had any debt securities outstanding as at the end of the year or at any time during the year.

(iii) In accordance with the terms of the equity-transfer agreement (the "Agreement"), the non-controlling interests are not entitled to profit sharing of Nanjing Tianyun until its accumulated profits reach RMB300,000,000 within two years from the completion of the acquisition. Accumulated profits over RMB300,000,000 but less than RMB600,000,000 will be fully distributable to the non-controlling shareholders. Accumulated profits exceeding RMB600,000,000 will be distributed to the equity holders according to the respective equity interests.

* *For identification purpose only*

At the end of the reporting period, the Company has other subsidiaries that are immaterial to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Place of incorporation/ establishment	Number of subsidiaries 2015	2014 (Restated)
Investment holdings	The PRC	8	9
	Hong Kong	7	4
	BVI	9	3
	Singapore	2	–
	Australia	1	–
Healthcare	Singapore	1	–
Green building services	The PRC	7	6

b) ***Details of non-wholly owned subsidiaries that have material non-controlling interests***

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of registration and operation	Paid up capital	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
			As at 31 December 2015	As at 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014	As at 31 December 2015	As at 31 December 2014
		RMB'000			*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chongqing Tongjing	The PRC	240,000	10%	10%	2,159	6,795	27,238	34,624
Nanjing Tianyun	The PRC	865,000	20%	20%	–	–	173,000	173,000

The summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests before intragroup eliminations:

Chongqing Tongjing	**2015**	**2014**
	RMB'000	*RMB'000*
Current assets	551,359	509,108
Non-current assets	17,453	20,357
Current liabilities	296,127	182,895
Non-current liabilities	331	331
Equity attributable to owners of the Company	245,116	311,615
Non-controlling interests	27,238	34,624

	2015	**2014**
	RMB'000	*RMB'000*
Revenue and other income	78,759	411,787
Expenses	(57,174)	(343,842)
Profit for the year	21,585	67,945
Profit and other comprehensive income attributable to owners of the Company	19,426	61,150
Profit and other comprehensive income attributable to the non-controlling interests	2,159	6,795
Profit and other comprehensive income for the year	21,585	67,945
Dividends to non-controlling interests	(9,545)	–
Net cash (outflow) inflow from operating activities	(2,857)	90,790
Net cash (outflow) inflow from investing activities	(29,095)	5,199
Net cash outflow from financing activities	–	(42,500)
Net cash (outflow) inflow	(31,952)	53,489

Nanjing Tianyun	2015	2014
	RMB'000	*RMB'000*
Current assets	1,629,663	1,567,111
Non-current assets	2	1,616
Current liabilities	688,308	708,802
Equity attributable to owners of the Company	768,357	686,925
Non-controlling interests	173,000	173,000

	Year ended 31 December 2015	From 15 October to 31 December 2014
	RMB'000	*RMB'000*
Revenue and other income	756,839	86
Expenses	(675,673)	(1,239)
Profit (loss) for the year/period	81,166	(1,153)
Profit (loss) and other comprehensive income (expense) attributable to owners of the Company	81,166	(1,153)
Profit (loss) and other comprehensive income (expense) for the year/period	81,166	(1,153)
Net cash inflow from operating activities	568,450	201,215
Net cash outflow from investing activities	(443,781)	(230,000)
Net cash outflow from financing activities	(138,696)	(47,369)
Net cash outflow	(14,027)	(76,154)

52. Statement of Financial Position of the Company

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Investments in subsidiaries, unlisted	*a*	822,383	–
Plant and equipment		969	1,186
		823,352	1,186
Current assets			
Receivables in respect of disposal of subsidiaries	*b*	745,432	–
Prepayment		871	507
Deposits		945	1,003
Amounts due from subsidiaries	*c*	1,135,108	874,501
Bank balances and cash		560,615	73,303
		2,442,971	949,314
Current liabilities			
Other payables		6,479	6,360
Amount due to a shareholder	*d*	–	8,815
Amount due to a subsidiary	*c*	1,862	–
Income tax payable		4,089	–
		12,430	15,175
Net current assets		2,430,541	934,139
Total assets less current liabilities		3,253,893	935,325
Capital and reserves			
Share capital	*e*	124,942	107,930
Reserves	*e*	3,121,208	820,306
Total equity		3,246,150	928,236
Non-current liability			
Corporate bond		7,743	7,089
Total equity and non-current liabilities		3,253,893	935,325

Notes:

(a) Investments in subsidiaries are carried at cost less accumulated impairment losses, if any.

(b) Details of the terms for receivables in respect of disposal of subsidiaries are set out in note 45(b).

(c) The amounts due from (to) subsidiaries are unsecured, non-interest bearing and repayable on demand.

(d) The amount due to a shareholder was unsecured, non-interest bearing and repayable within one year.

(e) Movement in share capital and reserves

	Ordinary share capital *RMB'000*	Share premium *RMB'000*	Contributed surplus *RMB'000*	Other reserve *RMB'000*	(Accumulated losses) Retained earnings *RMB'000*	Total equity *RMB'000*
At 1 January 2014	16,474	118,978	82,603	–	(506,365)	(288,310)
Issue of shares upon conversion of convertible bonds	79,829	1,963,536	–	–	–	2,043,365
Issues of shares under placing	11,627	530,359	–	–	–	541,986
Expenses on placing shares	–	(2,349)	–	–	–	(2,349)
Loss and total comprehensive expenses for the year	–	–	–	–	(1,366,456)	(1,366,456)
Reduction of share premium	–	(1,872,821)	–	–	1,872,821	–
At 31 December 2014 and 1 January 2015	107,930	737,703	82,603	–	–	928,236
Issues of shares under placing	3,773	584,925	–	–	–	588,698
Expenses on placing shares	–	(190)	–	–	–	(190)
Acquisition of subsidiaries	13,239	2,112,523	–	(485,080)	–	1,640,682
Profit and total comprehensive income for the year	–	–	–	–	88,724	88,724
At 31 December 2015	124,942	3,434,961	82,603	(485,080)	88,724	3,246,150

53. Major Non Cash Transaction

During the year ended 31 December 2014, all the convertible bonds have been converted into the ordinary shares of the Company. Details have been set out in note 40.

54. Events after the Reporting Period

On 5 January 2016, the Group entered into two letters of intent with Mr. Ji and entities controlled by Mr. Ji and his associate, for potential acquisition of the entire equity interest of certain entities in Australia and made an aggregate refundable deposits of approximately RMB44,554,000. The deposits are interest bearing at the prevailing deposit interest rate of banks in the PRC and refundable upon the expiry of a six-month exclusive negotiation period where no formal agreement has been entered into. Details of the potential acquisitions were set out in the Company's announcement dated 5 January 2016.

On 3 February 2016, the Group entered into a share transfer agreement with Nanjing Fullshare Holding and Mr. Ji, pursuant to which, the Group conditionally agreed to buy, and Nanjing Fullshare Holding and Mr. Ji conditionally agreed to sell in aggregate approximately 72.19% 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)("Anke High-Tech"), at an aggregate cash consideration of RMB140,000,000. Anke High-Tech is principally engaged in the manufacture and sale of medical equipment and machinery and provision of related technical services. The above acquisition has not been completed at the date of these financial statements. Further details regarding the transaction are set out in the Company's announcement and circular dated 3 February 2016 and dated 24 March 2016 respectively.

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FULLSHARE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2016

Set out below is a reproduction of the text of the unaudited consolidated financial statements of Fullshare Group together with the accompanying notes contained in the interim report of Fullshare for the six months ended 30 June 2016.

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

For the six months ended 30 June 2016

		For the six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited and restated)
	Notes	*RMB'000*	*RMB'000*
Revenue	*4*	1,361,830	1,855,719
Cost of sales		(936,300)	(1,700,844)
Gross profit		425,530	154,875
Fair value change in financial assets	*12*	1,768,319	–
Other income	*4*	25,908	87,489
Selling and distribution expenses		(69,279)	(49,819)
Administrative expenses		(141,554)	(68,381)
Finance costs	*6*	(12,173)	(65,587)
Gain on fair value change in transferring properties held for sale to investment properties		–	147,464
Gain on disposal of subsidiaries	*19*	14,283	79,492
Gain on bargain purchase recognised in acquisition of subsidiaries		–	363,428
Profit before tax	*5*	2,011,034	648,961
Income tax expense	*7*	(364,983)	(117,071)
Profit for the period		1,646,051	531,890

	Notes	For the six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited and restated) RMB'000
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		56,738	–
Other comprehensive income, net of tax		56,738	–
Total comprehensive income, net of tax		1,702,789	531,890
Profit (loss) for the period attributable to:			
Owners of the parent		1,662,155	529,675
Non-controlling interests		(16,104)	2,215
		1,646,051	531,890
Total comprehensive income (expenses) attributable to:			
Owners of the parent		1,718,893	529,675
Non-controlling interests		(16,104)	2,215
		1,702,789	531,890
		RMB	*RMB*
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted	*9*	10.63 cents	3.90 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Unaudited and restated) RMB'000	1 January 2015 (Unaudited and restated) RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	10	78,014	161,633	157,975
Investment properties		330,600	330,600	5,600
Prepaid land lease payments		–	1,661	1,699
Goodwill		20,903	1,474	1,474
Intangible assets		–	1,643	–
Investment in a joint venture		–	4,900	–
Investments in associates		400,926	–	–
Loan receivable		400,000	–	350,000
Trade and other receivables	11	14,543	12,726	40,045
Available-for-sale investments		600,000	–	–
Financial asset designated at fair value through profit or loss		–	10,419	–
Deferred tax assets		11,262	21,138	22,727
Total non-current assets		1,856,248	546,194	579,520
CURRENT ASSETS				
Deposits paid for potential acquisition		624,534	360,000	50,000
Consideration receivable		678,489	1,349,936	–
Inventories		63,621	78,359	84,493
Financial assets held for trading	12	3,425,119	1,598,115	–
Financial asset designated at fair value through profit or loss		–	–	30,024
Properties under development		2,718,411	2,379,083	2,540,309
Properties held for sale		921,283	933,536	504,516
Trade and other receivables	11	529,062	482,654	246,355
Prepayments		72,354	81,865	320,702
Due from related parties		15,114	1,233	14,278
Prepaid tax		66,871	16,213	30,638
Amounts due from customers for contract work		–	40,549	20,801
Pledged deposits		30,656	33,682	16,719
Cash and cash equivalents		1,008,940	1,236,985	366,376
Total current assets		10,154,454	8,592,210	4,225,211

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Unaudited and restated) RMB'000	1 January 2015 (Unaudited and restated) RMB'000
CURRENT LIABILITIES				
Trade and bills payables	*13*	353,033	475,879	216,700
Other payables and accruals	*14*	1,094,423	664,266	241,968
Receipts in advance and deposits received		1,770,711	1,298,430	612,170
Due to related parties		59,534	8,301	32,456
Dividend payable		9,547	9,547	–
Consideration payables	*15*	13,350	–	156,000
Deferred income – government grant		645	439	1,630
Interest-bearing bank and other borrowings	*16*	511,855	814,355	994,847
Tax payable		199,178	175,206	157,535
Total current liabilities		4,012,276	3,446,423	2,413,306
NET CURRENT ASSETS		6,142,178	5,145,787	1,811,905
TOTAL ASSETS LESS CURRENT LIABILITIES		7,998,426	5,691,981	2,391,425
NON-CURRENT LIABILITIES				
Corporate bonds		7,932	7,743	7,089
Consideration payables	*15*	–	21,058	43,758
Interest-bearing bank and other borrowings	*16*	473,750	162,915	3,045
Deferred tax liabilities		665,956	378,401	23,981
Total non-current liabilities		1,147,638	570,117	77,873
Net assets		6,850,788	5,121,864	2,313,552
EQUITY				
Equity attributable to owners of the parent				
Share capital		125,959	124,942	107,930
Equity reserve		422,833	422,833	422,833
Other reserves		6,046,865	4,327,676	1,533,828
		6,595,657	4,875,451	2,064,591
Non-controlling interests		255,131	246,413	248,961
Total equity		6,850,788	5,121,864	2,313,552

INTERIM CONDENSED CONSOLIDATION STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

		Attributable to owners of the parent											
	Notes	Share capital *RMB'000*	Equity reserve *RMB'000* *(note i)*	Share premium account* *RMB'000*	Statutory surplus reserve* *RMB'000* *(note ii)*	Merger reserve* *RMB'000* *(note iii)*	Exchange fluctuation reserve* *RMB'000*	Other reserve* *RMB'000* *(note iv)*	Reverse acquisition reserve* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2016 as originally stated		124,942	422,833	3,315,983	111,750	38,852	26,511	(485,080)	(390,381)	1,592,927	4,758,337	201,300	4,959,637
Effect of adopting merger accounting for common control combination	*18*	–	–	–	–	101,458	–	7,322	–	8,334	117,114	45,113	162,227
At 1 January 2016 as restated (unaudited)		124,942	422,833	3,315,983	111,750	140,310	26,511	(477,758)	(390,381)	1,601,261	4,875,451	246,413	5,121,864
Profit for the period		–	–	–	–	–	–	–	–	1,662,155	1,662,155	(16,104)	1,646,051
Other comprehensive income for the period		–	–	–	–	–	56,738	–	–	–	56,738	–	56,738
Total comprehensive income for the period		–	–	–	–	–	56,738	–	–	1,662,155	1,718,893	(16,104)	1,702,789
Investments in subsidiaries		–	–	–	–	–	–	(44,932)	–	–	(44,932)	44,387	(545)
Acquisition of subsidiaries	*17*	–	–	–	–	–	–	–	–	–	–	(18,565)	(18,565)
Disposal of subsidiaries	*19*	–	–	–	(3,075)	(16,500)	–	–	–	19,575	–	(1,000)	(1,000)
Consideration paid for acquisition of subsidiaries under common control	*18*	–	–	–	–	(140,000)	–	–	–	–	(140,000)	–	(140,000)
Issue of shares *(note v)*		1,017	–	341,608	–	–	–	–	–	–	342,625	–	342,625
Dividend declared *(note vi)*		–	–	(156,380)	–	–	–	–	–	–	(156,380)	–	(156,380)
Transfers		–	–	–	1,324	–	–	–	–	(1,324)	–	–	–
At 30 June 2016 (unaudited)		125,959	422,833	3,501,211	109,999	(16,190)	83,249	(522,690)	(390,381)	3,281,667	6,595,657	255,131	6,850,788

For the six months ended 30 June 2015

		Attributable to owners of the parent											
	Notes	Share capital *RMB'000*	Equity reserve *RMB'000* *(note i)*	Share premium account* *RMB'000*	Statutory surplus reserve* *RMB'000* *(note ii)*	Merger reserve* *RMB'000* *(note iii)*	Exchange fluctuation reserve* *RMB'000*	Other reserve* *RMB'000* *(note iv)*	Reverse acquisition reserve* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2015 as originally stated		107,930	422,833	618,725	50,322	733,852	–	8,533	(390,381)	408,315	1,960,129	208,718	2,168,847
Effect of adopting merger accounting for common control combination	*18*	–	–	–	–	101,458	–	7,322	–	(4,318)	104,462	40,243	144,705
At 1 January 2015 as restated (unaudited)		107,930	422,833	618,725	50,322	835,310	–	15,855	(390,381)	403,997	2,064,591	248,961	2,313,552
Profit for the period, and total comprehensive income for the period		–	–	–	–	–	–	–	–	529,675	529,675	2,215	531,890
Acquisition of subsidiaries		5,456	–	812,843	–	–	–	–	–	–	818,299	86,854	905,153
Disposal of subsidiaries		–	–	–	(24,130)	–	–	(8,533)	–	32,663	–	–	–
Consideration paid for acquisition of subsidiaries under common control		–	–	–	–	(695,000)	–	–	–	–	(695,000)	–	(695,000)
Dividend to non-controlling interest		–	–	–	–	–	–	–	–	–	–	(9,546)	(9,546)
At 30 June 2015 (unaudited)		113,386	422,833	1,431,568	26,192	140,310	–	7,322	(390,381)	966,335	2,717,565	328,484	3,046,049

Notes:

* These reserve accounts comprise the consolidated other reserves of RMB6,046,865,000 (31 December 2015: RMB4,327,676,000) in the interim condensed consolidated statement of financial position.

(i) Equity reserve

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

(ii) Statutory surplus reserve

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

(iii) Merger reserve

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

(iv) Other reserve

Other reserve represents (a) the gain (losses) arising from transactions with non-controlling interests and (b) the difference between the fair value of consideration paid for the acquisition of the assets through acquisition of subsidiaries from the owners of the Company and the fair value of the assets acquired at the date of acquisition.

(v) Issue of shares

On 23 June 2016, the Company issued 118,765,000 ordinary shares with par value of HK$0.01 each as part of the consideration paid for the acquisition of a 23.14% of the issued share capital of Hin Sang Group (International) Holding Co. Ltd (06893.HK). The fair value of the ordinary shares of the Company, determined using the published price available at the date of the acquisition, amounted to approximately RMB342,625,000.

(vi) Dividend declared

On 20 May 2016, the Company's shareholders approved at an annual general meeting a final dividend of RMB1.0 cent per share of the Company in respect of the year ended 31 December 2015 out of the share premium account.

* *English name for identification purposes only*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

		For the six months ended 30 June	
		2016	**2015**
		(Unaudited)	(Unaudited and restated)
	Notes	*RMB'000*	*RMB'000*
Operating activities			
Profit before tax		2,011,034	648,961
Adjustments to reconcile profit before tax to net cash flow		(1,775,508)	(588,133)
Total working capital adjustments		468,179	300,313
Cash generated from operations		703,705	361,141
Income tax paid		(100,941)	(90,732)
Interest received		3,478	868
Net cash flows from operating activities		606,242	271,277
Investing activities			
Purchases of property, plant and equipment		(31,917)	(7,072)
Proceeds from disposal of property, plant and equipment		1	28,916
Acquisition of available-for-sale investments		(600,000)	–
Acquisition of subsidiaries not under common control		(23,484)	(507,659)
Acquisition of associates		(58,302)	–
Disposal of subsidiaries	*19*	885,701	30,006
Acquisition of subsidiaries under common control		(140,000)	(669,800)
Deposits paid for acquisition of subsidiaries		(264,534)	–
Receipt of government grants		3,013	–
Advanced to a third party		(400,000)	–
Lendings to related parties	*(i)*	(14,161)	–
Net cash flows used in investing activities		(643,683)	(1,125,609)

		For the six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited and restated)
	Notes	*RMB'000*	*RMB'000*
Financing activities			
Borrowings from related parties		18,375	7,996
Repayment to related parties		(43,706)	–
Release of pledged deposits		3,026	12,492
New bank and other borrowings		636,966	2,213,340
Repayment of bank and other borrowings		(628,631)	(1,541,389)
Repayment of loan interests		(27,736)	(5,344)
Dividends paid		(156,380)	–
Net cash flows (used in)/from financing activities		(198,086)	687,095
Net decrease in cash and cash equivalents		(235,527)	(167,237)
Cash and cash equivalents at beginning of period		1,236,985	366,376
Effect of foreign exchange rate changes, net		7,482	(236)
Cash and cash equivalents at end of period		1,008,940	198,903

Note:

(i) Lendings to related parties as at 30 June 2016 were fully received subsequent to the end of the reporting period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate and group information

Fullshare Holdings Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (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.

The principal activities of Company and its subsidiaries (collectively, the "**Group**") are property development, provision of green building services, investment and healthcare products and services business.

2. Basis of preparation and changes to the group's accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

2.2 Significant accounting policies, new standards and amendments adopted by the Group

The principal accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of accounting policies listed below and the adoption of the following new standards and amendments effective as of 1 January 2016.

Investments in 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.

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

Investments and other financial assets

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. 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.

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 available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of 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 available-for-sale investment revaluation reserve to the statement of 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 the statement of profit or loss as other income.

When the fair value of unlisted equity investments cannot be reliably measured because 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.

New standards and amendments adopted by the Group

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of these new standards and amendments applied for the first time in 2016 does not have a material impact on the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.3 Adoption of merger accounting and restatement

As disclosed in note 18 to the interim condensed consolidated financial statements, a business combination under common control was effected during the current interim period. The interim condensed consolidated financial statements incorporate the financial information of the combining entities as if they had been combined from the date when the combining entities first came under the common 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 adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the business combination under common control and no amount is recognised in respect of goodwill.

The interim condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group include the results and cash flows 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 of the controlling party, where this is a shorter period, regardless of the date of the business combination under common control.

The comparative amounts in the interim condensed consolidated financial statements are restated as if the entities had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is later. The impact on the Group arising from the common control combinations is disclosed in note 18 to this interim condensed consolidated financial statements.

3. Operating segment information

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

(a) Property development – development and sale of properties;

(b) Green building – green building services, which principally include green building, green urban engineering-procurement-construction, energy management contract services and other supporting services in relation to the operation of the relevant green building projects in the PRC;

(c) Investment – holding and trading of a variety of investments and financial products with potentials or for strategic purposes including but not limited to listed and unlisted securities, bonds, funds, derivatives, structured and other treasury products; and

(d) Health equipment and services – sale of medical devices and provision of healthcare services.

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, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that certain interest income and gains, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, investment properties, certain property, plant and equipment, prepaid tax, pledged deposits, cash and cash equivalents, deposits paid for potential acquisition, consideration receivable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, dividend payable, interest-bearing bank and other borrowings, deferred tax liabilities, consideration payables, corporate bonds and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The following tables present revenue and profit (loss) information for the Group's operating segments for the six months ended 30 June 2016 and 2015, respectively.

For the six months ended 30 June 2016

	Property development (Unaudited) *RMB'000*	Green building (Unaudited) *RMB'000*	Investment (Unaudited) *RMB'000*	Health equipment and services (Unaudited) *RMB'000*	Others (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*
Sales	982,081	156,382	–	222,867	500	1,361,830
Fair value change in financial assets	–	–	1,768,319	–	–	1,768,319
Segment profit/(loss)	**271,851**	**34,263**	**1,768,319**	**(9,885)**	**(380)**	**2,064,168**
Unallocated corporate expenses						(81,152)
Unallocated other income						25,908
Gain on disposal of subsidiaries						14,283
Finance costs						(12,173)
Profit before tax						2,011,034

For the six months ended 30 June 2015

	Property development (Unaudited and restated) *RMB'000*	Green building (Unaudited and restated) *RMB'000*	Investment (Unaudited and restated) *RMB'000*	Health equipment and services (Unaudited and restated) *RMB'000*	Total (Unaudited and restated) *RMB'000*
Sales	1,577,405	122,562	–	155,752	1,855,719
Segment (loss)/profit	(9,513)	74,972	304	6,108	71,871
Unallocated corporate expenses					(18,131)
Unallocated other income					70,424
Gain on fair value change in transferring properties held for sale to investment properties					147,464
Gain on disposal of subsidiaries					79,492
Gain on bargain purchase recognised in acquisition of subsidiaries					363,428
Finance costs					(65,587)
Profit before tax					648,961

The following table presents asset and liability information for the Group's operating segments as at 30 June 2016 and 31 December 2015, respectively:

	Property development *RMB'000*	Green building *RMB'000*	Investment *RMB'000*	Health equipment and services *RMB'000*	Others and unallocated *RMB'000*	Total *RMB'000*
Assets						
30 June 2016 (Unaudited)	3,850,650	3,134	4,826,045	561,103	2,769,770	12,010,702
31 December 2015 (Unaudited and restated)	3,511,389	245,616	1,613,434	413,153	3,354,812	9,138,404
Liabilities						
30 June 2016 (Unaudited)	2,663,918	13,167	–	324,481	2,158,348	5,159,914
31 December 2015 (Unaudited and restated)	1,882,427	324,855	–	227,949	1,581,309	4,016,540

4. Revenue and other income

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts and the value of services rendered during the period.

An analysis of revenue and other income is as follows:

	For the six months ended 30 June	
	2016	**2015**
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Revenue		
Sale of goods	1,200,921	1,733,157
Rendering of services	160,909	122,562
	1,361,830	1,855,719
Other income		
Bank interest income	3,478	868
Other interest income	1,669	41,852
Rental income	9,134	9,696
Government grants	2,807	1,281
Gain on disposal of items of property, plant and equipment	–	14,048
Other investment income	–	15,821
Management fee income	5,627	–
Other	3,193	3,923
	25,908	87,489

5. Profit before tax

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

	For the six months ended 30 June	
	2016	**2015**
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Cost of goods sold	811,134	1,649,870
Cost of services provided	125,166	50,974
Depreciation	2,134	2,563
Amortisation of intangible assets	114	139
Reversal of impairment of trade receivables	(768)	–
Foreign exchange differences, net	5,601	887

6. Finance costs

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2016	**2015**
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Interest expense on:		
Bank and other borrowings (including corporate bonds)	27,735	91,036
Consideration payables	1,942	1,715
Total interest expense on financial liabilities not at fair value through profit or loss	29,677	92,751
Less: Interest capitalised	(17,504)	(27,164)
	12,173	65,587

7. Income tax expense

The Group calculates the income tax expense for the period using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss and other comprehensive income are:

	For the six months ended 30 June	
	2016	**2015**
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Current		
PRC corporate income tax	89,444	124,709
PRC land appreciation tax	(18,581)	82,403
Deferred	294,120	(90,041)
Total tax charge for the period	364,983	117,071

PRC corporate income tax

Shenzhen Anke High-Tech Company Limited*(深圳安科高技術股份有限公司)("**Shenzhen Anke**") is qualified as a high and new technology enterprise and advanced technology service enterprise, which was subject to income tax at a preferential tax rate of 15% during the period (six months ended 30 June 2015: 15%)

PRC corporate income tax has been provided at the rate of 25% (six months ended 30 June 2015: 25%) on the taxable profits of the Group's other PRC subsidiaries during the period.

PRC land appreciation tax ("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税暫行條例) 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税暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate property in PRC effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including borrowing costs and all property development expenditures.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2015: Nil).

Singapore corporate income tax

No provision for Singapore corporate income tax has been made as the Group did not generate any assessable profits arising in Singapore during the period (six months ended 30 June 2015: Nil).

Australia company tax

No provision for Australia company tax has been made as the Group did not generate any assessable profits arising in Australia during the period (six months ended 30 June 2015: Nil).

8. Dividends

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2016 (30 June 2015: Nil).

9. Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 15,643,328,000 (six months ended 30 June 2015: 13,577,530,000) in issue during the period.

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

	For the six months ended 30 June	
	2016	**2015**
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	1,662,155	529,675

	For the six months ended 30 June	
	2016	**2015**
	Number of shares	
	(Unaudited)	(Unaudited)
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	15,643,328	13,577,530

Note: The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2016 and 2015. Accordingly, the diluted earnings per share is the same as the basic earnings per share for the six months ended 30 June 2016 and 2015.

10. Property, plant and equipment

During the six months ended 30 June 2016, the Group acquired property, plant and equipment with a cost of RMB26,048,000 (six months ended 30 June 2015: RMB6,676,000), other than those acquired through business combinations.

Assets with a net book value of RMB37,000 were disposed of by the Group during the six months ended 30 June 2016 (30 June 2015: RMB14,868,000), resulting in a net loss on disposal of RMB36,000 (six months ended 30 June 2015, net gain: RMB14,048,000).

11. Trade and other receivables

	30 June 2016	**31 December 2015**
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Trade receivables	441,403	404,031
Impairment	(23,606)	(24,374)
Trade receivables, net of provision	417,797	379,657
Analysed for reporting purposes as:		
Current	405,741	369,330
Non-current	12,056	10,327
	417,797	379,657
Other receivables and deposits	23,647	23,995
Rental receivables	6,356	6,797
Security deposits	5,466	16,188
Other tax prepaid	90,339	68,743
Other receivables	125,808	115,723
Analysed for reporting purposes as:		
Current	123,321	113,324
Non-current	2,487	2,399
	125,808	115,723

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customers is considered on a case-by-case basis and stipulated in the relevant contracts as appropriate.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a number of independent customers that have a good track record with the Group and a 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 receivables balances.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2016	**31 December 2015**
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Within 1 month	90,279	162,325
1 to 3 months	123,006	59,104
3 to 6 months	50,995	40,231
6 to 12 months	65,796	43,292
Over 12 months	87,721	74,705
	417,797	379,657

12. Financial assets held for trading

The balance as at 30 June 2016 and 31 December 2015 represents the fair value of equity shares of an entity listed on the Stock Exchange of Hong Kong Limited, which was acquired in the second half of the year 2015. During the period, the unrealised gain arising from holding these shares amounting to approximately RMB1,768,319,000 (six months ended 30 June 2015: Nil) was recorded and included in fair value change in financial assets.

13. Trade and bills payables

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

	30 June 2016	**31 December 2015**
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Within 1 year	348,438	468,820
Over 1 year	4,595	7,059
	353,033	475,879

The Group has financial risk management policies in place to ensure that all trade payables are settled within the credit timeframe.

14. Other payables and accruals

	30 June 2016	**31 December 2015**
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Accruals	747,096	579,148
Other payables	328,656	58,454
Other tax payables	18,671	26,664
	1,094,423	664,266

15. Consideration payables

	30 June 2016	**31 December 2015**
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Current liabilities	13,350	–
Non-current liabilities	–	21,058
	13,350	21,058

Consideration payables as at 30 June 2016 represented outstanding consideration payables arising from the transfer of the entire equity interest in Jiangsu Green Dujian Construction Consultancy Limited* (江蘇綠色都建工程顧問有限公司) from Fullshare Green Building Group Company Limited* (豐盛綠建集團有限公司) ("**Fullshare Green Building**"), upon the reorganisation of Fullshare Green Building (together with its subsidiaries as "**Fullshare Green Building Group**") prior to its disposal to a third party during the six months ended 30 June 2016.

Consideration payables as at 31 December 2015 represented outstanding consideration payables in respect of the acquisition of Fullshare Green Building Group.

* *English name for identification purposes only*

16. Interest-bearing bank and other borrowings

	30 June 2016			31 December 2015		
	Effective interest rate (%)	Maturity	*RMB'000* (Unaudited)	Effective interest rate (%)	Maturity	*RMB'000* (Unaudited and restated)
Current						
Bank loans – secured	1.83-6.96	2016-2017	75,301	5.89-7.20	2016	176,280
Bank loans – unsecured	5.44	2016-2017	15,600	6.69	2016	2,200
Other borrowings – secured	7.53	2016	200,000	5.35-7.53	2016	300,000
Other borrowings – unsecured	–	–	–	5.70	2016	20,000
Current portion of long term bank loans – secured	5.94-6.18	2016-2017	214,850	6.18	2016	305,000
Current portion of other long term borrowings – secured	2.72-13.21	2016-2017	6,104	2.72-13.21	2016	10,875
			511,855			814,355
Non-current						
Bank loans – secured	5.94-6.18	2017-2025	423,750	6.18	2017-2025	131,250
Other borrowings – unsecured	4.75-5.00	2017-2018	50,000	5.00	2017	30,000
Other borrowings – secured	–	–	–	2.99-13.21	2017	1,665
			473,750			162,915
			985,605			977,270

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Unaudited and restated)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	305,751	483,480
In the second year	315,000	15,000
In the third to fifth years, inclusive	45,000	45,000
Beyond five years	63,750	71,250
	729,501	614,730
Other borrowings repayable:		
Within one year	206,104	330,875
In the second year	50,000	31,665
	256,104	362,540
	985,605	977,270

Notes:

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

(i) mortgages over the Group's investment properties situated in the PRC, which had an aggregate carrying value at the end of the reporting period of RMB216,323,000 (31 December 2015: RMB313,000,000);

(ii) mortgages over the Group's properties under development, which had an aggregate carrying value at the end of the reporting period of approximately RMB812,811,000 (31 December 2015: RMB288,596,000);

(iii) mortgages over the Group's properties held for sale, which had an aggregate carrying value at the end of the reporting period of approximately RMB307,454,000 (31 December 2015: RMB649,503,000);

(iv) the pledge of certain of the Group's trade receivables amounting to RMB101,051,000 (31 December 2015: RMB101,051,000);

(v) the pledge of the Group's held-for-trading financial assets amounting to RMB222,538,000 (31 December 2015: Nil).

(b) Except for the 1.83% secured bank loan of approximately RMB55,301,000 (31 December 2015: Nil) which is denominated in Hong Kong dollars, all borrowings are denominated in Renminbi ("RMB").

17. Business combinations not under common control

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*(廣州人力網路軟件開發有限公司)(collectively referred to as "**Five Seasons IX**").

On 18 May 2016, the Group acquired a 51% of the equity interests in Five Seasons IX 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 interim condensed consolidated financial statements include the results of Five Seasons IX since the acquisition date.

* *English name for identification purposes only*

The fair values of the identifiable assets and liabilities of Five Seasons IX as at the date of acquisition were as follows:

	Acquiree's carrying amount and provisional fair value recognised on acquisition (Unaudited) *RMB'000*
Assets	
Property, plant and equipment	49,271
Cash and cash equivalents	1,097
Due from related parties	339
Trade and other receivables	2,659
	53,366
Liabilities	
Due to related parties	(76,562)
Other payables and accruals	(7,446)
Receipts in advance	(3,833)
Tax payable	(3,412)
	(91,253)
Total identifiable net liabilities at fair value	(37,887)
Add: non-controlling interests	18,565
Goodwill arising on acquisition	20,903
Total consideration	1,581
Analysis of cash flows on acquisition	
Cash acquired with the subsidiaries	1,097
Cash paid	(1,581)
Net cash outflow on acquisition	(484)

The initial accounting for the above acquisition in the interim condensed consolidated financial statements has been determined provisionally as the Group is awaiting the result of an independent valuation in relation to property, plant and equipment, intangible assets and other net assets acquired in the transaction. The valuation has not been completed by the date the interim condensed consolidated financial statements are approved. Accordingly, the amounts of identifiable assets and goodwill as stated above may be subsequently adjusted.

From the date of acquisition, Five Seasons IX has contributed RMB709,000 to the Group's revenue and net loss of RMB1,440,000 to the Group for the six months ended 30 June 2016. Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the six months ended 30 June 2016 would have been RMB1,365,438,000 and RMB1,634,566,000, 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 the interim condensed consolidated statement of profit or loss and other comprehensive income and are part of operating cash flows in the interim condensed consolidated statement of cash flows.

18. Business combinations under common control and restatements

The Group adopts merger accounting for common control combinations in respect of the following transaction which occurred during the six months ended 30 June 2016:

On 17 May 2016, the Group acquired a 72.19% equity interest in Shenzhen Anke and its subsidiaries, Shenzhen Anke Medical Investment Company Limited* (深圳安科醫療投資有限公司) and Shenzhen Anke Software Technology Company Limited* (深圳安科軟件技術有限公司) (collectively referred to as the "**Anke Group**") at an aggregate cash consideration of RMB140,000,000 from Mr. Ji Changqun ("**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.

* *English name for identification purposes only*

The effects of the application of merger accounting for business combinations under common control occurred during the six months ended 30 June 2016 on the Group's financial position as at 31 December 2015 and 1 January 2015 and the results for the six months ended 30 June 2015 are summarised as follows:

For the six months ended 30 June 2015

	As originally stated	**Acquired subsidiaries**	**As restated**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Revenue	1,699,967	155,752	1,855,719
Profit before tax	641,197	7,764	648,961
Income tax expense	(115,389)	(1,682)	(117,071)
Profit and total comprehensive income for the period	525,808	6,082	531,890
Profit attributable to:			
Owners of the parent	525,284	4,391	529,675
Non-controlling interests	524	1,691	2,215
Profit for the period	525,808	6,082	531,890

As at 31 December 2015

	As originally stated	Acquired subsidiaries	Elimination	As restated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)
Non-current assets	512,534	33,660	–	546,194
Current assets	8,150,954	441,256	–	8,592,210
Total assets	8,663,488	474,916	–	9,138,404
Non-current liabilities	(538,452)	(31,665)	–	(570,117)
Current liabilities	(3,165,399)	(281,024)	–	(3,446,423)
Total liabilities	(3,703,851)	(312,689)	–	(4,016,540)
Net assets	4,959,637	162,227	–	5,121,864
Share capital and equity reserve	547,775	114,300	(114,300)	547,775
Other reserves	4,210,562	47,927	69,187	4,327,676
Non-controlling interests	201,300	–	45,113	246,413
Total equity	4,959,637	162,227	–	5,121,864

As at 1 January 2015

	As originally stated	Acquired subsidiaries	Elimination	As restated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)
Non-current assets	521,645	57,875	–	579,520
Current assets	3,902,091	323,120	–	4,225,211
Total assets	4,423,736	380,995	–	4,804,731
Non-current liabilities	(74,828)	(3,045)	–	(77,873)
Current liabilities	(2,180,061)	(233,245)	–	(2,413,306)
Total liabilities	(2,254,889)	(236,290)	–	(2,491,179)
Net assets	2,168,847	144,705	–	2,313,552
Share capital and equity reserve	530,763	114,300	(114,300)	530,763
Other reserves	1,429,366	30,405	74,057	1,533,828
Non-controlling interests	208,718	–	40,243	248,961
Total equity	2,168,847	144,705	–	2,313,552

The effects of application of merger accounting for common control combinations on the Group's basic and diluted earnings per share for the six months ended 30 June 2015:

	RMB (Unaudited and restated)
As originally stated	3.87 cents
Adjustment arising on common control combinations	0.03 cents
As restated	3.90 cents

19. Disposal of subsidiaries

On 29 June 2016, the Group disposed of its entire equity interest in Fullshare Green Building Group to Jiasheng Construction Group Co., Ltd.*（嘉盛建設集團有限公司）, an independent third party, at a cash consideration of RMB240,000,000.

The assets and liabilities of Fullshare Green Building Group at the disposal date were as follows:

	RMB'000
Net assets disposed of:	
Investment in a joint venture	4,900
Property, plant and equipment	156,130
Prepaid land lease payments	1,641
Intangible assets	1,529
Goodwill	1,474
Financial assets designated at fair value through profit or loss	10,419
Deferred tax assets	380
Cash and cash equivalents	25,746
Trade and other receivables	146,388
Amounts due from customers for contract work	124,007
Prepaid tax	4
Trade payables	(66,270)
Other payables and accruals	(179,607)
Tax 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

* *English name for identification purposes only*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	30 June 2016
	(Unaudited)
	RMB'000
Cash consideration	240,000
Unsettled consideration *(Note)*	(120,000)
Cash and cash equivalents disposed of	(25,746)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	94,254

Note:

Pursuant to the agreement, the consideration receivable of RMB120,000,000 will be settled within 60 business days after the completion of transaction.

The consideration receivables stated as at 31 December 2015 arising from disposal of Jurong Dingsheng Property Development Company Limited*（句容鼎盛房地產開發有限公司）and Jurong Dasheng Property Development Company Limited*（句容達盛房地產開發有限公司）amounting to RMB600,004,000, disposal of Active Mind Investments Limited and its subsidiaries and Advance Goal Investments Limited and its subsidiaries amounting to RMB191,443,000 have been received during the six months ended 30 June 2016.

* *English name for identification purposes only*

20. Contingent liabilities

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	30 June 2016 (Unaudited) *RMB'000*	31 December 2015 (Unaudited and restated) *RMB'000*
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	1,744,060	1,080,207

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

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

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

21. Pledge of assets

Details of the Group's bank and other loans, which are secured by the assets of the Group, are included in note 16 to the interim condensed consolidated financial statements.

22. Operating lease arrangements

(a) As lessor

The Group leases its investment properties under operating lease arrangements. Leases are negotiated for terms ranging from one to fifteen years (31 December 2015: one to fifteen years).

At 30 June 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2016	**31 December 2015**
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Within one year	15,771	16,276
In the second to fifth years, inclusive	34,096	35,226
After five years	2,150	10,305
	52,017	61,807

(b) As lessee

The Group leases certain of its offices under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years (31 December 2015: one to five years). Lease payments are usually increased annually to reflect market rentals. No provision for contingent rent and terms of renewal was established in the leases.

At 30 June 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016	**31 December 2015**
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Within one year	6,302	4,110
In the second to fifth years, inclusive	1,121	2,123
	7,423	6,233

23. Commitments

In addition to the operating lease commitments detailed in note 22(b) above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2016	**31 December 2015**
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Properties under development	1,042,337	2,002,582
Acquisition of a subsidiary	21,471	21,471
Investment in a joint venture	25,319	–
Available-for-sale investments	800,000	–
Capital injection to a non-wholly-owned subsidiary	15,033	103,797
	1,904,160	2,127,850

24. Related party transactions

(a) In addition to the transactions detailed elsewhere in the interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the six months ended 30 June 2016 and 2015:

		For the six months ended 30 June	
		2016	**2015**
		(Unaudited)	(Unaudited and restated)
	Notes	*RMB'000*	*RMB'000*
Companies owned by the controlling shareholder of the Group:			
Services income	*(i)*	38,420	100
Rental income		1,255	1,195
Purchase of materials		–	10,566
Services fees		540	7,053
Purchase of assets	*(ii)*	92,652	–
Purchase of assets through acquisition of subsidiaries	*(iii)*	144,208	–
Payment of deposits for acquisition	*(iv)*	49,535	–

Notes:

(i) The services to companies owned by the controlling shareholder of the Group were provided according to the published prices and conditions offered to the major customers of the Group.

(ii) In May 2016, the Group purchased various land properties located in Australia at a cash consideration of approximately AUD18,776,000 (equivalent to approximately RMB92,652,000) from a company which is an associate of the controlling shareholder of the Group. The purchase price was determined based on the fair value of the respective properties.

(iii) In May 2016, the Group acquired the entire equity interests in certain entities established in Australia (the "**Target Companies**") at a cash consideration of approximately AUD29,224,000 (equivalent to approximately RMB144,208,000) from a company owned by the controlling shareholder of the Group. At the date of acquisition, the Target Companies had not commenced business and whose principal assets are pieces of lands held for future development in Australia. Accordingly, the acquisition of the Target Companies had been accounted for as acquisition of assets through acquisition of subsidiaries. The purchase price was determined based on the fair value of the respective lands.

(iv) In January 2016, the Group entered into a letter of intent with the controlling shareholder of the Group and the company controlled by the controlling shareholder of the Group, pursuant to which the Group intends to acquire certain trusts in Australia held by the controlling shareholder and the company controlled by the controlling shareholder. During the period, a deposit of approximately RMB20,218,000 was paid and included in the deposits paid for potential acquisition. Formal sales and purchase agreements were signed subsequent to the reporting period. Details of which are set out in note 27(a) to the interim condensed consolidated financial statements.

In May 2016, the Group entered into a letter of intent with Nanjing Jiangong Group Co., Ltd.* (南京建工集團有限公司)("**Nanjing Jiangong**"), an associate of the controlling shareholder of the Group, pursuant to which the Group intends to acquire the equity interests of certain trusts and a company or assets owned by Nanjing Jiangong in Australia. During the period, a deposit of approximately AUD5,934,000 (equivalent to approximately RMB29,317,000) was paid and included in the deposits paid for potential acquisition.

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

	For the six months ended 30 June 2016 (Unaudited) *RMB'000*	**2015** (Unaudited and restated) *RMB'000*
Short term employee benefits	7,561	3,488
Post-employment benefits	82	82
Total compensation paid to key management personnel	7,643	3,570

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

* *English name for identification purposes only*

25. Financial instruments by category

Set out below is an overview of financial assets, held by the Group as at 30 June 2016 and 31 December 2015:

	30 June 2016 (Unaudited) *RMB'000*	31 December 2015 (Unaudited and restated) *RMB'000*
Financial assets at amortised cost:		
Cash and cash equivalents	1,008,940	1,236,985
Pledged deposits	30,656	33,682
Trade and other receivables	453,266	426,637
Consideration receivable	678,489	1,349,936
Amounts due from customers for contract work	–	40,549
Due from related parties	15,114	1,233
Loan receivable	400,000	–
Available-for-sale investments:		
Unlisted equity investments	600,000	–
Financial assets designated at fair value through profit or loss:		
Investment-related insurance policy	–	10,419
Held for trading financial assets:		
Equity shares of a listed entity	3,425,119	1,598,115
Total	6,611,584	4,697,556

Set out below is an overview of financial liabilities held by the Group as at 30 June 2016 and 31 December 2015:

	30 June 2016 (Unaudited) *RMB'000*	31 December 2015 (Unaudited and restated) *RMB'000*
Financial liabilities at amortised cost:		
Trade and bills payables	353,033	475,879
Financial liabilities included in other payables and accruals	328,656	58,454
Dividend payable	9,547	9,547
Due to related parties	59,534	8,301
Consideration payables	13,350	21,058
Corporate bonds	7,932	7,743
Interest-bearing bank and other borrowings	985,605	977,270
Total	1,757,657	1,558,252

26. Fair value and fair value hierarchy of financial instruments

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

	Carrying amounts		Fair values	
	30 June 2016 *RMB'000* (Unaudited)	31 December 2015 *RMB'000* (Unaudited and restated)	30 June 2016 *RMB'000* (Unaudited)	31 December 2015 *RMB'000* (Unaudited and restated)
Financial assets				
Loan receivable	400,000	–	400,000	–
Financial assets designated at fair value through profit or loss	–	10,419	–	10,419
Financial assets held for trading	3,425,119	1,598,115	3,425,119	1,598,115
	3,825,119	1,608,534	3,825,119	1,608,534

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

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

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

The fair values of financial assets designated at fair value through profit or loss was determined by using the discounted cash flow method with the key inputs of quoted market prices and prevailing observable interest rates discounted at a rate that reflected the credit risk of various counterparties.

The fair values of financial assets held for trading are derived from quoted market prices 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 30 June 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Equity investments at fair value through profit or loss	3,425,119	–	–	3,425,119

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited and restated)	(Unaudited and restated)	(Unaudited and restated)	(Unaudited and restated)
Investment-linked insurance policy	–	10,419	–	10,419
Equity investments at fair value through profit or loss	1,598,115	–	–	1,598,115
	1,598,115	10,419	–	1,608,534

During the six months ended 30 June 2016, 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 (2015: Nil).

27. Events after the reporting period

(a) On 4 July 2016, the Group entered into several business and land sale agreements with associates of Mr. Ji, the controlling shareholder of the Group, to purchase the respective rights and assets in operating the business of hotel, villa management and country club and resort stores as well as the certain land properties located in Australia at an aggregate consideration of AUD60,200,000 (equivalent to approximately RMB301,931,000). A deposit of approximately RMB20,218,000 was paid in January 2016. The directors consider that the acquisition of such business and land properties will enrich the healthcare business of the Group and provide more land resources for the Group's further development in Australia. The acquisitions have not yet been completed as at the date of the financial statements.

(b) On 20 July 2016, the Group entered into several formal agreements with subsidiaries of Herong Holdings Group Limited*(和融控股集團有限公司), an independent third party, in relation to the acquisition of certain properties located in the PRC at an aggregate consideration of approximately RMB333,900,000. A deposit of RMB65,000,000 was paid in May 2016. The directors consider that these acquisitions will expand the property development business of the Group into more cities in the PRC. The acquisitions have not yet been completed as at the date of the financial statements.

(c) On 22 July 2016, the Group entered into an agreement with an independent third party to purchase 70% equity interests in each of Northern King Holdings Limited, Wise Stream Limited and Diligent Apex Limited (collectively, the ''**BaoQiao Group**'') respectively for an aggregate consideration of HK$140,000,000. The consideration shall be settled by cash amounting to HK$63,000,000 and the remaining by the shares of the Company at the benchmark share price. BaoQiao Group is principally engaged in the business of financial advisory, asset management and money lending. The directors consider that the acquisitions will provide support and advisory in the development of the Group's business and the financial activities of the Group. The acquisitions have not yet been completed as at the date of the financial statements.

(d) On 28 July 2016, the Group entered into an investment agreement pursuant to which the Group agreed to contribute RMB42,500,000 into an entity established in the PRC, which represents 35% of the total registered capital of that entity after the injection. The principal business of this entity is to focus on products and services related to health and well-being. The contribution has been made and the registration has been completed as at the date of the financial statements.

(e) On 5 August 2016, the Group entered into an agreement with two independent third parties to establish a joint venture, which would principally engage in cultural, tourism and development and operation of properties in elderly care business. The registered capital of the joint venture is proposed to be RMB2,000,000,000, of which the Group shall contribute RMB900,000,000, representing a 45% of the total registered capital of the joint venture. The joint venture has been established but the capital contribution has not been made as at the date of the financial statements.

* *English name for identification purposes only*

(f) On 12 August 2016, the Group entered into an agreement with an independent third party to purchase a 35% shares of Nanjing Jiansheng Real Estate Development Company Limited*(南京建盛房地產開發有限公司)("**Nanjing Jiansheng**")at a consideration of RMB17,500,000. Nanjing Jiansheng is principally engaged in property development and operation, construction and design, property renovation, venue leasing and property management. The acquisition has not yet been completed as at the date of the financial statements.

(g) On 29 August 2016, the Group entered into an agreement with an independent third party to purchase the entire interest in High Access International Investment Limited and its subsidiaries (collectively "**High Access Group**") at a consideration of RMB357,000,000. The consideration shall be settled by allocating and issuing 121,087,500 shares of the Company. A deposit of RMB150,000,000 was paid in April 2016. High Access Group is principally engaged in an operation of a commercial property with auxiliary facilities located in Nanjing, the PRC. The directors consider that this acquisition will be beneficial for the development and expansion of the healthcare business of the Group. The acquisition has not yet been completed as at the date of the financial statements.

There is a non-binding post completion obligation in the equity transfer agreement pursuant to which the vendor agrees to provide an interest-free loan in the principal amount of RMB650,000,000 ("**Loan**") to High Access Group by 27 September 2016 to repay an existing liability of High Access Group ("**Existing Liability**"). The Loan will be settled by allocating and issuing 220,467,500 shares of the Company. If the vendor fails to provide such Loan, the Group will settle the Existing Liability in cash by internal resources before 30 September 2016. The deposit of RMB150,000,000 will be refunded within two days upon the repayment of Existing Liability.

28. Approval of the unaudited interim financial information

The unaudited interim financial information was approved and authorised for issue by the board of directors on 31 August 2016.

* *English name for identification purposes only*

4. STATEMENT OF INDEBTEDNESS

Borrowings:

As at 31 August 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Fullshare Group had the following outstanding borrowings:

Bank and other borrowings:	*RMB'000*
Secured	1,443,197
Guaranteed	15,000
Secured and Guaranteed	28,000
Unsecured and Unguaranteed	52,588
	1,538,785
Unsecured and Unguaranteed Corporate bonds	7,974
	1,546,759

Contingent liabilities:

The Fullshare Group provides guarantees to banks in connection with its customers' mortgage loans to finance their purchase of the residential properties developed by the Fullshare Group. As of 31 August 2016, outstanding balance of the mortgage loans guaranteed by the Fullshare Group was approximately RMB1,948,434,000. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Fullshare Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Fullshare Group is entitled to take over the legal title and possession of the related properties. The Fullshare Group's guarantee period starts from the dates of grant of the mortgages. The Directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantees measured at fair value are immaterial.

Save as aforesaid and apart from intra-group liabilities, none of the entities of the Fullshare Group had any debt securities which are issued and outstanding, or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing of the Fullshare Group including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments, mortgage, charges, guarantees or other material contingent liabilities as at the close of business on 31 August 2016.

5. MATERIAL CHANGE

As at the Latest Practicable Date, the sole director of the Offeror and the Fullshare Directors confirm that save and except for the followings, there has been no material change in the financial or trading position or outlook of Fullshare Group since 31 December 2015, being the date to which the latest audited consolidated financial statements of Fullshare Group were made up and up to Latest Practicable Date.

1. as disclosed in the interim report of Fullshare for the six months ended 30 June 2016 ("**2016 Interim Report**") published on 8 September 2016,

    (a) Fullshare Group recorded a net profit of approximately RMB1.65 billion for the six months ended 30 June 2016 as compared to a net profit of approximately RMB531.89 million for the same period in 2015. Such increase in profit was mainly due to (i) the increase in gross profit of approximately RMB270.66 million for the six months ended 30 June 2016 due to the absence of an upward fair value adjustment on the cost of the properties sold by a newly acquired subsidiary in the same period last year in accordance with the accounting policies of Fullshare Group, which was a one-off adjustment and non-recurring in nature; (ii) the recognition of fair value gain on financial assets of approximately RMB1.77 billion for the six months ended 30 June 2016; and partially offset by (iii) the increase in administrative expenses of approximately RMB73.17 million for the six months ended 30 June 2016 as a result of the inclusion of several newly acquired or established subsidiaries since the fourth quarter of 2015; (iv) the absence of the one-off fair value gain in transferring properties held for sale to investment properties of approximately RMB147.46 million and gain on bargain purchase recognised in acquisition of subsidiaries of approximately RMB363.43 million for the six months ended 30 June 2015; (v) the gain on disposal of subsidiaries recognised for the six months ended 30 June 2016 was approximately RMB14.28 million whereas approximately RMB79.49 million was recognised for same period in 2015; and (vi) the increase in income tax expenses of approximately RMB247.91 million for the six months ended 30 June 2016;

    (b) Fullshare Group reported a decrease in property, plant and equipment of approximately RMB83.62 million as at 30 June 2016, which was mainly due to the disposal of certain green building services and energy station management services business in June 2016 at a total consideration of RMB240 million, details of which were set out in the announcement of Fullshare dated 22 June 2016;

(c) Fullshare Group reported investments in associates of approximately RMB400.93 million as at 30 June 2016 (31 December 2015: Nil). It mainly represents the subscription of 250,000,000 new shares of Hin Sang Group (International) Holdings Co. Ltd., a company listed on the Stock Exchange at a consideration of RMB397.93 million. The total consideration was satisfied by the allotment and issuance of 118,765,000 ordinary shares of Fullshare and the payment of HK$64,600,000 in cash. Details of which were set out in the announcement of Fullshare dated 27 April 2016;

(d) Fullshare Group reported loan receivables of RMB400.00 million as at 30 June 2016 (31 December 2015: Nil) regarding an investment of RMB400.00 million made by Fullshare Group in a trust fund through which a domestic entrusted loan of RMB400 million was made via a financial institution in the PRC;

(e) Fullshare Group reported available-for-sale investments of RMB600.00 million as at 30 June 2016 (31 December 2015: Nil) regarding the partial payment of RMB200.00 million for the subscription of approximately 11% of JiangSu Non-state-owned Investment Holding Co., Ltd.* (江蘇民營投資控股有限公司) in a total contribution of RMB1 billion ("**JiangSu NSO**") and an investment of approximately 44.4% in a private fund with contribution of RMB400.00 million. Both JiangSu NSO and the private fund are principally engaged in equity and debt investments;

(f) Fullshare Group reported an increase in financial assets held for trading of approximately RMB1.83 billion relating to an investment in equity shares of an entity listed on the Stock Exchange. The increase was mainly due to the increase in fair value of the financial assets of approximately RMB1.77 billion and the appreciation of HK$ against RMB for the six months ended 30 June 2016;

(g) On 17 May 2016, Fullshare Group completed the major and connected acquisition (the "**Anke Acquisition**") of 72.19% equity in Shenzhen Anke High-Tech Company Limited ("**Shenzhen Anke**"), a medical equipment company in the PRC, at a total consideration of RMB140.00 million, details of which were set out in the announcements of Fullshare dated 3 February 2016 and 17 May 2016 and the circular of Fullshare dated 24 March 2016. Fullshare Group adopted merger accounting for business combination under common control for the Anke Acquisition during the six months ended 30 June 2016, which the total assets and total liabilities of Fullshare Group as at 31 December 2015, with the combination of the assets and liabilities of Shenzhen Anke as at 31 December 2015 upon completion of the Anke Acquisition, increased from approximately RMB8.66 billion and approximately RMB3.70 billion respectively as stated in the annual report of Fullshare for the year ended 31 December 2015 to approximately RMB9.14 billion and approximately RMB4.02 billion respectively as stated in the 2016 Interim Report;

2. the issue of 538,357,500 new Fullshare Shares at a total cash consideration of approximately HK$2.00 billion or HK$3.715 per Fullshare Share as disclosed in the next day disclosure return of Fullshare dated 29 September 2016 under the subscription agreement entered into between Fullshare and a subscriber on 6 September 2016. Details of which were set out in the announcement of Fullshare dated 6 September 2016; and

3. the proposed issue of zero coupon convertible notes ("**Fullshare Convertible Notes**") in principal amount of HK$350 million due 2017 to be issued by Fullshare subject to the terms and conditions of the subscription agreement entered into between Fullshare and a subscriber on 7 September 2016. Based on the floor price of HK$3.00 of the Fullshare Convertible Notes (subject to adjustments pursuant to the terms and conditions of the Fullshare Convertible Notes), a maximum of 116,667,500 new Fullshare Shares, representing approximately 0.73% of the existing issued share capital of Fullshare, will be issued upon full conversion of the Fullshare Convertible Notes. The proposed issue of the Fullshare Convertible Notes has been approved at the extraordinary general meeting of Fullshare held on 18 October 2016. Details of which were set out in Fullshare's announcements dated 7 September 2016 and 18 October 2016 and circular dated 29 September 2016.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Reproduced below are the unaudited pro forma financial information of the Enlarged Group and the text of the independent reporting accountant's assurance report on the compilation of pro forma financial information of Ernst & Young, Certified Public Accountants, Hong Kong in respect of the unaudited pro forma financial information of the Enlarged Group, which are set out in Appendix V and VI to the Fullshare Circular. Capitalised terms used in this appendix shall have the same meanings as those defined in the Fullshare Circular.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION

Introduction

The accompanying unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of the Enlarged Group (being the Company and its subsidiaries (the "Group") together with China High Speed Transmission Equipment Group Co., Ltd. (the "Target Company") and its subsidiaries (collectively referred to as the "Target Group")), has been prepared by the directors of the Company in accordance with paragraph 4.29 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to illustrate the effect of a very significant acquisition (hereinafter referred to as the "Acquisition") of the issued shares of the Target Company (other than those already owned by the Offeror, as defined in the Circular, and parties acting in concert with the Offeror) by the Group.

The Unaudited Pro Forma Financial Information is prepared based on:

(i) the interim condensed consolidated statement of financial position of the Group as at 30 June 2016, and the interim condensed consolidated statement of profit or loss and other comprehensive income and the interim condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2016 (collectively known as, the "Group Interim Financial Information") extracted from the published interim report of the Company for the six months ended 30 June 2016 (the "Company Interim Report"), on which a review report on the Group's Interim Financial Information (the "Group Review Report") has been included;

(ii) the interim condensed consolidated statement of financial position of the Target Group as at 30 June 2016, and the interim condensed consolidated statement of profit or loss and other comprehensive income and the interim condensed consolidated statement of cash flows of the Target Group for the six months ended 30 June (collectively known as, the "Target Group Interim Financial Information") 2016 extracted from the published interim report of the Target Company for the six months ended 30 June 2016 (the "Target Company Interim Report"), on which a review report on the Target Group Interim Financial Information (the "Target Group Review Report") has been included; and

(iii) after taking into account of the unaudited pro forma adjustments as described in the notes thereto to demonstrate how the Acquisition might have affected the financial position of the Enlarged Group, as if the Acquisition had been completed on 30 June 2016 and financial performance and cash flows of the Enlarged Group had the Acquisition been completed on 1 January 2016. A narrative description of the pro forma adjustments of the Acquisition that are directly attributable to the transactions and factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates, uncertainties, currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, it may not purport to describe the financial performance, financial positions or cash flows of the Enlarged Group had the Acquisition been completed as at the respective dates to which it is made up to or at any future dates. Furthermore, the Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the Enlarged Group's future results of operations, financial positions or cash flows.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in the conjunction with the historical financial information of the Group and the Target Group included elsewhere in this Circular and the published interim reports of the Company and the Target Company for the six months ended 30 June 2016.

The Unaudited Pro Forma Financial Information of the Group does not take into account any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Enlarged Group.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2016

	The Group	The Target Group	Unaudited pro forma adjustments			Pro forma Enlarged Group
	RMB'000	*RMB'000*		*RMB'000*		*RMB'000*
	(Unaudited)	(Unaudited)	*Note 1*	*Note 2*	*Note 3*	(Unaudited)
NON-CURRENT ASSETS						
Property, plant and equipment	78,014	5,278,923				5,356,937
Investment properties	330,600	–				330,600
Prepaid land lease payments	–	707,249				707,249
Goodwill	20,903	2,991		1,821,718		1,845,612
Intangible assets	–	143,910				143,910
Investments in joint ventures	–	98,692				98,692
Investments in associates	400,926	160,455				561,381
Investments in subsidiaries	–	–	10,927,703	(10,927,703)		–
Loan receivable	400,000	–				400,000
Trade and other receivables	14,543	535,656				550,199
Available-for-sale investments	600,000	485,313				1,085,313
Deposit for land use	–	191,800				191,800
Prepayment for acquisition of property, plant and equipment	–	336				336
Deferred tax assets	11,262	206,529				217,791
Total non-current assets	1,856,248	7,811,854	10,927,703	(9,105,985)		11,489,820
CURRENT ASSETS						
Deposits paid for potential acquisition	624,534	–				624,534
Consideration receivable	678,489	–				678,489
Inventories	63,621	2,186,125				2,249,746
Financial assets held for trading	3,425,119	–				3,425,119
Properties under development	2,718,411	–				2,718,411
Properties held for sale	921,283	–				921,283
Trade and other receivables	529,062	8,395,098				8,924,160
Prepayments	72,354	–				72,354
Prepaid land lease payments	–	16,689				16,689
Due from related parties	15,114	566,935				582,049
Prepaid tax	66,871	–				66,871
Structured bank deposits	–	372,000				372,000
Pledged deposits	30,656	4,609,785				4,640,441
Cash and cash equivalents	1,008,940	3,356,614			(29,315)	4,336,239
Total current assets	10,154,454	19,503,246	–	–	(29,315)	29,628,385

	The Group	The Target Group	Unaudited pro forma adjustments			Pro forma Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*			*RMB'000*
	(Unaudited)	(Unaudited)	*Note 1*	*Note 2*	*Note 3*	(Unaudited)
CURRENT LIABILITIES						
Trade and bills payables	353,033	5,584,140				5,937,173
Other payables and accruals	1,094,423	1,120,274				2,214,697
Receipts in advance and deposits received	1,770,711	460,572				2,231,283
Due to related parties	59,534	15,605				75,139
Dividend payable	9,547	318,944				328,491
Consideration payables	13,350	–				13,350
Deferred income – government grant	645	–				645
Interest-bearing bank and other borrowings	511,855	7,449,968				7,961,823
Tax payable	199,178	234,529				433,707
Obligation under finance leases	–	86,173				86,173
Total current liabilities	4,012,276	15,270,205	–	–		19,282,481
NET CURRENT ASSETS	6,142,178	4,233,041	–	–	(29,315)	10,345,904
TOTAL ASSETS LESS CURRENT LIABILITIES	7,998,426	12,044,895	10,927,703	(9,105,985)	(29,315)	21,835,724
NON-CURRENT LIABILITIES						
Corporate bonds	7,932	–				7,932
Interest-bearing bank and other borrowings	473,750	1,698,596				2,172,346
Deferred tax liabilities	665,956	51,160				717,116
Deferred income	–	88,723				88,723
Total non-current liabilities	1,147,638	1,838,479	–	–	–	2,986,117
Net assets	6,850,788	10,206,416	10,927,703	(9,105,985)	(29,315)	18,849,607
EQUITY						
Equity attributable to owners of the parent						
Share capital	125,959	119,218	31,767	(119,218)	–	157,726
Reserves	6,469,698	9,896,387	10,895,936	(9,896,387)	(29,179)	17,336,455
	6,595,657	10,015,605	10,927,703	(10,015,605)	(29,179)	17,494,181
Non-controlling interests	255,131	190,811	–	909,620	(136)	1,355,426
Total equity	6,850,788	10,206,416	10,927,703	(9,105,985)	(29,315)	18,849,607

Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the six months ended 30 June 2016

	The Group	The Target Group		Unaudited Pro Forma Adjustments	Pro Forma Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	*Note 2*	*Note 3*	(Unaudited)
Revenue	1,361,830	4,532,454			5,894,284
Cost of sales	(936,300)	(3,001,629)			(3,937,929)
Gross profit	425,530	1,530,825			1,956,355
Fair value change in financial assets	1,768,319	–			1,768,319
Other income	25,908	112,077			137,985
Selling and distribution expenses	(69,279)	(142,828)			(212,107)
Administrative expenses	(141,554)	(452,658)		(29,315)	(623,527)
Finance costs	(12,173)	(286,305)			(298,478)
Gain on disposal of subsidiaries	14,283	–			14,283
Other gains and losses	–	(36,496)			(36,496)
Share of results of associates	–	3,178			3,178
Share of results of joint ventures	–	2,101			2,101
Profit before tax	2,011,034	729,894		(29,315)	2,711,613
Income tax expense	(364,983)	(178,876)		–	(543,859)
Profit for the period	1,646,051	551,018		(29,315)	2,167,754
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):					
Exchange differences on translation of foreign operations	56,738	(396)			56,342
Other comprehensive income, net of tax	56,738	(396)			56,342
Total comprehensive income, net of tax	1,702,789	550,622		(29,315)	2,224,096
Profit/(loss) for the period attributable to:					
Owners of the parent	1,662,155	575,843	(52,314)	(29,179)	2,156,369
Non-controlling interests	(16,104)	(24,825)	52,314	(136)	11,385
	1,646,051	551,018	–	(29,315)	2,167,754
Total comprehensive income attributable to:					
Owners of the parent	1,718,893	575,447	(52,278)	(29,179)	2,212,883
Non-controlling interests	(16,104)	(24,825)	52,278	(136)	11,213
	1,702,789	550,622	–	(29,315)	2,224,096

Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the six months ended 30 June 2016

	The Group	The Target Group	Unaudited pro forma adjustments	Pro forma Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	*Note 3*	(Unaudited)
Operating activities				
Net cash flows from operating activities	606,242	1,881,858	–	2,488,100
Investing activities				
Purchases of property, plant and equipment	(31,917)	(152,394)		(184,311)
Additions of intangible assets	–	(6,520)		(6,520)
Proceeds from disposal of property, plant and equipment	1	17,984		17,985
Acquisition of available-for-sale investments	(600,000)	(300,000)		(900,000)
Acquisition of subsidiaries not under common control	(23,484)	–	(29,315)	(52,799)
Acquisition of associates	(58,302)	–		(58,302)
Disposal of subsidiaries	885,701	(2,459)		883,242
Acquisition of subsidiaries under common control	(140,000)	–		(140,000)
Deposits paid for acquisition of subsidiaries	(264,534)	–		(264,534)
Receipt of government grants	3,013	–		3,013
Advanced to a third party	(400,000)	–		(400,000)
Lendings to related parties	(14,161)	–		(14,161)
Payment for prepaid lease payments	–	(47,881)		(47,881)
Interest received	–	59,142		59,142
Placement of structured bank deposits	–	(370,600)		(370,600)
Withdrawal of structured bank deposits	–	1,753,600		1,753,600
Net cash flows/(used in) from investing activities	(643,683)	950,872	(29,315)	277,874

Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the six months 30 June 2016 (continued)

	The Group	The Target Group	Unaudited pro forma adjustments	Pro forma Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	*Note 3*	(Unaudited)
Financing activities				
Borrowings from related parties	18,375	–		18,375
Repayment to related parties	(43,706)	–		(43,706)
Placement of pledged bank deposits	–	(7,097,111)		(7,097,111)
Release of pledged deposits	3,026	4,890,966		4,893,992
New bank and other borrowings	636,966	5,421,023		6,057,989
Repayment of bank and other borrowings	(628,631)	(3,844,169)		(4,472,800)
Repayment of loan interests	(27,736)	(293,143)		(320,879)
Dividends paid	(156,380)	–		(156,380)
Repayment of obligation under finance leases	–	(78,899)		(78,899)
Settlement of financial liabilities at fair value through profit or loss	–	(596,656)		(596,656)
Net cash flows used in financing activities	(198,086)	(1,597,989)	–	(1,796,075)
Net increase/(decrease) in cash and cash equivalents	(235,527)	1,234,741	(29,315)	969,899
Cash and cash equivalents at beginning of period	1,236,985	2,121,873		3,358,858
Effect of foreign exchange rate changes, net	7,482	–		7,482
Cash and cash equivalents at end of period	1,008,940	3,356,614	(29,315)	4,336,239

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The adjustment represents the consideration of the Group for the Acquisition assuming that all independent shareholders of Target Company (other than those parties acting in concert with the Group) accept the share offer.

   Pursuant to the voluntary conditional share exchange offer (the "Offer"), the independent shareholders of Target Company are entitled to exchange the shares of Target Company for the shares of the Company on the basis of five new ordinary shares of HK$0.01 each in the share capital of Fullshare for every two Target Company's share. Taking into account the total number of 1,486,729,556 shares of Target Company which are subject to the Offer, representing approximately 90.92% of the issued shares of Target Company, the Company shall issue and allot an aggregate of 3,716,823,890 new shares for the Acquisition.

   The consideration of the Group amounting to approximately RMB10,927,703,087 is estimated based on the Company's 3,716,823,890 shares to be issued and the quoted market price of shares of the Company of HK$3.44 (equivalent to approximately RMB2.94) on 30 June 2016 and assumed to be the price immediately prior to the Acquisition, as if the Acquisition had been completed on 30 June 2016. The consideration of the Group is subject to finalisation at the date of completion of the Acquisition.

2. The adjustment represents consolidation entry for the elimination of the investment cost of the Target Group, and allocation of the cost of the Acquisition to the identifiable assets acquired and liabilities assumed by the Company and recognition of the goodwill on consolidation. Upon completion of the Acquisition, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations".

For the purpose of the preparation of the Unaudited Pro Forma Financial Information and for illustrative purpose, the directors of the Company had assumed that the carrying values of the identifiable assets and liabilities of the Target Group approximated to their fair values and the recognition of goodwill arising from the Acquisition is analysed as follows:

	RMB'000
Consideration of the Acquisition *(note 1 above)*	10,927,703
Plus: Non-controlling interests	1,100,431
Less: Assumed fair value of the net identifiable assets of the Target Group	(10,203,425)
Goodwill arising from the Acquisition	1,824,709

Since the quoted market price of the Company's shares at the date of completion may be substantially different from their price used in preparing this Unaudited Pro forma Financial Information, and the fair values of the identifiable assets acquired and liabilities assumed of the Target Group at the date of completion may be substantially different from the fair values used in preparing this Unaudited Pro Forma Financial Information, therefore, the goodwill at the date of completion may be different from the amount presented above.

The directors confirmed that they will apply consistent accounting policy to assess impairment of goodwill at least annually in accordance with the requirements of Hong Kong Accounting Standard 36 Impairment of Assets ("**HKAS 36**") and will disclose in the Group's annual report the basis and assumptions adopted by the directors in the impairment assessment in accordance with the disclosure requirements in HKAS 36.

3. The adjustment represents the estimated transaction costs of approximately RMB29,315,000, including the accountancy, legal, valuation, stamp duty and other professional services related to the Acquisition. The expenses are charged to profit or loss directly.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

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

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the Directors of Fullshare Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Fullshare Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2016, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income, and the unaudited pro forma consolidate statement of cash flows for the six months ended 30 June 2016, and related notes as set out on pages V-1 to V-8 of the circular dated 31 October 2016 (the "Circular") issued by the Company (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in section headed "Introduction" in Section A of Appendix V to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of a very significant acquisition (hereinafter referred to as the "Acquisition") of the issued shares of China High Speed Transmission Equipment Group, Co., Ltd. (together with its subsidiaries collectively referred to as the "Target Group") (other than those already owned by the Offeror, as defined in the Circular, and parties acting in concert with the Offeror) by the Group, on the Group's financial position as at 30 June 2016, and the Group's financial performance and cash flows for the six months ended 30 June 2016 as if the transaction had taken place at 30 June 2016 and 1 January 2016 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows have been extracted by the Directors from the Group's financial statements for the six months ended 30 June 2016 as contained in Company Interim Report, on which the Group Review Report has been included. Information about the Target Group's financial position, financial performance and cash flows have been extracted by the Directors from the Target Group's financial statements for the six months ended 30 June 2016 as contained in Target Company Interim Report, on which the Target Group Review Report has been included.

DIRECTORS' RESPONSIBILITY FOR THE PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Certified Public Accountants
Hong Kong
31 October 2016

1. RESPONSIBILITY STATEMENT

The Offeree Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document, other than that relating to the Offeror, Fullshare and parties acting in concert with any of them, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror, Fullshare and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Offeree Company of US$0.01 each as at the Latest Practicable Date were as follows:

Authorised		*US$*
3,000,000,000	Offeree Shares	30,000,000.00
Issued		
1,635,291,556	Offeree Shares	16,352,915.56

Save for the 1,635,291,556 Offeree Shares in issue and the Offeree RMB Bonds, the Offeree Company did not have any outstanding options, warrants or derivatives or convertible rights affecting the Shares or other types of securities in the Offeree Company as at the Latest Practicable Date.

All Offeree Shares in issue rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital. The Offeree Company has not issued any Offeree Shares since 31 December 2015, the date to which the latest published audited financial statements of the Offeree Group were made up, up to the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

Interests of Offeree Directors in the Offeree Shares

As at the Latest Practicable Date, save as disclosed in the section headed "Shareholding Structure of the Offeree Company" in the "Letter from the Offeree Board" in this Composite Document, none of the Offeree Directors had any interest in the shares, convertible securities, warrants, options, derivatives or the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Offeree Company.

Interests of Offeree Directors in the Fullshare Shares

As at the Latest Practicable Date, none of the Offeree Directors had any interest in the shares, convertible securities, warrants, options, derivatives or the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of Fullshare.

Dealing in the Fullshare Shares

During the Relevant Period, Mr. Chen Yongdao, an executive director of the Offeree Company, had dealt in Fullshare Shares on the open market of the Stock Exchange as follows:

Date of transactions on the Stock Exchange	No. of Fullshare Shares purchased	No. of Fullshare Shares sold	Unit Price per Fullshare Share *HK$*
23 March 2016	200,000		1.80
9 May 2016		100,000	2.47
11 May 2016		100,000	2.61
12 May 2016		80,000	2.56
16 May 2016		100,000	2.68
8 June 2016	100,000		2.90
22 June 2016	100,000		3.46
27 June 2016	100,000		3.33
5 July 2016	100,000		3.46
16 August 2016	400,000		3.57
30 August 2016		100,000	3.86
		100,000	3.92
31 August 2016	100,000		3.95
5 September 2016		100,000	4.29
		100,000	4.30
		100,000	4.32

Date of transactions on the Stock Exchange	No. of Fullshare Shares purchased	No. of Fullshare Shares sold	Unit Price per Fullshare Share
			HK$
6 September 2016		100,000	4.12
7 September 2016		100,000	4.40
8 September 2016		100,000	4.44
9 September 2016		100,000	4.35

During the Relevant Period, Mr. Hu Jichun, an executive director of the Offeree Company, had dealt in Fullshare Shares on the open market of the Stock Exchange as follows:

Date of transactions on the Stock Exchange	No. of Fullshare Shares purchased	No. of Fullshare Shares sold	Unit Price per Fullshare Share
			HK$
21 July 2016	20,000		3.38
22 July 2016	210,000		3.42
7 September 2016		40,000	4.29
		70,000	4.30
		120,000	4.31

Save as disclosed above, none of the Offeree Directors had dealt for value in any shares or any convertible securities, warrants, options or the relevant securities of the Offeror, Fullshare or the Offeree Company or any derivatives in respect of such shares during the Relevant Period.

4. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

As at the Latest Practicable Date:

(a) the Offeree Company did not have any shareholding and/or other interest in the shares, convertible securities, warrants, options or the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Offeror or Fullshare or any derivatives in respect of such securities, and the Offeree Company had not dealt for value in any shares, convertible securities, warrants, options of the Offeror or Fullshare or any derivatives in respect of such securities during the Relevant Period;

(b) save as disclosed in the section headed "Shareholding Structure of the Offeree Company" in the "Letter from the Offeree Board" in this Composite Document, none of the Offeree Directors was interested in (interpreted according to the SFO) any shares, convertible securities, warrants, options or the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Offeror, Fullshare or the Offeree Company or any derivatives in respect of such securities and accordingly, none of the Offeree Directors will be eligible to accept or reject the Offer;

(c) none of (i) the subsidiaries of the Offeree Company; (ii) the pension fund of Offeree Company or of a subsidiary of Offeree Company; or (iii) any advisers to Offeree Company (as specified in class (2) of the definition of "associate" under the Takeovers Code) had any interests in the shares, convertible securities, warrants, options of the Offeror, Fullshare or Offeree Company or any derivatives in respect of such securities, and none of them had dealt in any shares, convertible securities, warrants, options of the Offeror, Fullshare or the Offeree Company or any derivatives in respect of such securities during the Relevant Period;

(d) save and except for the Irrevocable Undertaking to Accept given by Fortune Apex Limited, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeree Company or with any person who is an associate of the Offeree Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code. As at the Latest Practicable Date, Fortune Apex Limited has no shareholding in Fullshare or the Offeror and is not interested in any convertible securities, warrants, options or the derivatives in respect of such shares. Fortune Apex Limited had not dealt for value in any Fullshare Shares or the Offeree Shares or any convertible securities, warrants, options or derivatives in respect of such shares during the Relevant Period;

(e) no shares, convertible securities, warrants, options of the Offeror, Fullshare or the Offeree Company or any derivatives in respect of such securities were managed on a discretionary basis by any fund managers connected with the Offeree Company and none of them had dealt in any shares, convertible securities, warrants, options or derivatives of the Offeror, Fullshare or the Offeree Company during the Relevant Period;

(f) none of the Offeree Directors intended, in respect of their own beneficial shareholdings if any, to accept the Offer;

(g) no shares, convertible securities, warrants, options of the Offeror, Fullshare or the Offeree Company or any derivatives in respect of such securities had been borrowed or lent by any of the Offeree Directors or by the Offeree Company;

(h) no benefit was or will be given to any Offeree Director as compensation for loss of office in any members of the Offeree Group or otherwise in connection with the Offer;

(i) there was no agreement or arrangement between any Offeree Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and

(j) there was no material contract entered into by any member of the Offeree Group in which any Offeree Director has a material personal interest.

5. MARKET PRICES

The table below sets out the closing prices of the Offeree Shares on the Stock Exchange on (i) the last Business Day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

	Closing price *(HK$)*
31 March 2016	6.46
29 April 2016	6.03
31 May 2016	5.96
30 June 2016	6.21
29 July 2016	6.00
31 August 2016	7.14
9 September 2016 (being the Last Trading Day)	7.47
30 September 2016	7.84
28 October 2016 (being the Latest Practicable Date)	8.00

Source: the Stock Exchange

During the Relevant Period, the highest closing price of the Offeree Shares as quoted on the Stock Exchange was HK$8.36 per Offeree Share on 5 October 2016 and the lowest closing price of the Offeree Shares as quoted on the Stock Exchange was HK$5.51 per Offeree Share on 10 June 2016.

6. LITIGATION

As at the Latest Practicable Date, to the best of the Offeree Directors' knowledge, information and behalf, having made all reasonable enquiry, no member of the Offeree Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Offeree Directors to be pending or threatened by or against any member of the Offeree Group.

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Offeree Group) have been entered into by the Offeree Company or any of its subsidiaries within the two years preceding the commencement of the Offer Period and ending on the Latest Practicable Date:

(a) a subscription agreement dated 12 November 2014 entered into among the Offeree Company, the Offeree Company's subsidiary guarantors, BNP Paribas, CCB International Capital Limited, Australia and New Zealand Banking Group Limited, Morgan Stanley & Co. International plc and Haitong International Securities Company Limited in relation to the issue by the Offeree Company of CNY650,000,000 8.30% guaranteed bonds due 2017;

(b) a disposal agreement dated 20 January 2015 entered into between Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd.* (南京高精傳動設備製造集團有限公司), a wholly-owned subsidiary of the Offeree Company as vendor and Nanjing Jinguo Investment Partnership* (南京金果投資合夥企業) as purchaser in relation to the disposal of 80% equity interest in Zhong-Chuan Heavy Duty Equipment Co., Ltd.* (中傳重型裝備有限公司) and 100% equity interest Nanjing Gaote Gear Box Manufacturing Co., Ltd.* (南京高特齒輪箱製造有限公司) for an aggregate consideration of RMB500 million;

(c) a land resumption agreement dated 14 March 2015 entered into among Nanjing High Speed Gear Manufacturing Co., Ltd. ("**Nanjing Highspeed**"), a wholly-owned subsidiary of the Offeree Company, the Jiangning Land Purchase and Reserve Centre and Nanjing Jiangning Science Park Development Company Limited in relation to the resumption of certain resumed land and properties of Nanjing High Speed and compensation for the relocation expenses and losses for a compensation amount of RMB1.3 billion; and

(d) an equity transfer agreement dated 24 December 2015 entered into between China Transmission Holdings Limited, a wholly-owned subsidiary of the Offeree Company, as vendor and Decan New Energy Industry Investment Limited as purchaser in relation to the disposal of 83.61% equity interest in Nanjing Gaochuan Electrical & Mechanical Auto Control Equipment Co., Ltd*（南京高傳機電自動控制設備有限公司）at a total consideration of approximately RMB77,500,000.

* *For identification purposes only*

Save as disclosed above, as at the Latest Practicable Date, no material contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Offeree Group) had been entered into by the Offeree Company or any of its subsidiaries within the two years before the commencement of the Offer Period and ending on the Latest Practicable Date.

8. CONSENT AND QUALIFICATION

The name and qualification of the expert who has given opinion, letter or advice to the Offeree Company which is contained in this Composite Document and/or who has been named in this Composite Document are set out below:

Name	Qualification
TC Capital International Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

TC Capital International Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and/or report and the references to its name in the form and context in which it is included herein.

9. OFFEREE COMPANY DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Offeree Directors had entered into any service contracts with the Offeree Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) have been entered into or amended within 6 months preceding the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed-term contracts with more than 12 months to run irrespective of the notice period.

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

10. MISCELLANEOUS

(a) The registered office of the Offeree Company is situated at 4th Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1002, Cayman Islands.

(b) The head office and principal place of business of the Offeree Company in Hong Kong is situated at Room 1302, 13th Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

(c) The company secretary of the Offeree Company is Mr. Lui Wing Hong, Edward who is a fellow member of the Hong Kong Institute of Certified Public Accountants.

(d) The principal share registrar and transfer office of the Offeree Company is Royal Bank of Canada Trust Company (Cayman) Limited, situated at 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands and its Hong Kong branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited, situated at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The English text of this Composite Document shall prevail over the Chinese text in the case of any inconsistency.

1. RESPONSIBILITY STATEMENT

The sole director of the Offeror and the Fullshare Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeree Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than that expressed by the Offeree Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained herein misleading.

2. SHARE CAPITAL

(a) Share Capital

The authorised and issued share capital of Fullshare as at the Latest Practicable Date and immediately after completion of the Offer (without taking into account the allotment and issue of the Fullshare Consideration Shares and the allotment and issue of the Fullshare Conversion Shares upon full conversion of the Fullshare Convertible Notes at the floor price of HK$3.00 per Fullshare Share) is as follows:

Authorised capital:

20,000,000,000	Fullshare Shares (as at the Latest Practicable Date)

Issued capital:

16,416,317,500	Fullshare Shares (as at the Latest Practicable Date)

To be issued under the Offer:

3,716,823,890	Fullshare Shares (to be issued under the Offer assuming full acceptance of the Offer)
20,133,141,390	Fullshare Shares (upon completion of the Offer assuming full acceptance of the Offer)

All the existing Fullshare Shares rank *pari passu* in all respects with one another, including all rights as to dividends, voting and interests in capital.

Apart from 118,765,000 Fullshare Shares, 121,087,500 Fullshare Shares and 538,357,500 Fullshare Shares allotted and issued on 23 June 2016, 7 September 2016 and 29 September 2016, respectively, pursuant to the subscription agreement (as detailed in Fullshare's announcement dated 27 April 2016), the equity transfer agreement (as detailed in Fullshare's announcements dated 29 August 2016 and 27 September 2016) and the subscription agreement (as detailed in Fullshare's announcement dated 6 September 2016), respectively, there has been no change to the issued share capital of Fullshare and no Fullshare Shares have been bought back since 31 December 2015, the date to which the latest published audited consolidated accounts of the Fullshare Group were made up.

The new Fullshare Shares to be issued as consideration for the Offer will rank *pari passu* in all respects with the issued Fullshare Shares as at the date of allotment of such new Fullshare Shares under the Offer, including, among other things, the right to receive in full all dividends and other distributions after the date of issue of such new Fullshare Shares under the Offer.

(b) Options, derivatives, warrants and conversion rights

Save for the proposed issue of the Fullshare Convertible Notes, Fullshare did not have any outstanding options, warrants or derivatives or convertible rights affecting Fullshare Shares as at the Latest Practicable Date.

(c) Share capital reorganisation

Fullshare was incorporated in Cayman Islands on 18 March 2002 with 16,416,317,500 Fullshare Shares in issue as at the Latest Practicable Date. There was no reorganisation of the share capital of Fullshare during the two financial years preceding the commencement of the Offer Period.

3. DISCLOSURE OF INTERESTS

Interests of the Fullshare Directors, the sole director of the Offeror and parties acting in concert with the Offeror in the Fullshare Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of Fullshare

As at the Latest Practicable Date, details of interests in the Fullshare Shares, underlying Fullshare Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of Fullshare held or controlled by the Fullshare Directors, the sole director of the Offeror and parties acting in concert with the Offeror were as follows:

Name of the Fullshare Director	Nature of interests	Number of issued Fullshare Shares held	Approximate percentage of the issued share capital of Fullshare
Mr. Ji *(Note 1)*	Beneficial owner and interest in controlled corporation *(Note)*	10,126,770,454	61.69%
Mr. Shi Zhiqiang	Beneficial owner	2,780,000	0.02%
Mr. Wang Bo *(Note 2)*	Beneficial owner	6,000,000	0.04%

Notes:

1. 937,910,000 Fullshare 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 Fullshare Shares held by Magnolia Wealth, a company incorporated in the British Virgin Islands whose entire issued share capital is beneficially owned by Mr. Ji. Accordingly, Mr. Ji is interested in 10,126,770,454 Fullshare Shares.

2. Mr. Wang Bo is the sole director of the Offeror, a wholly-owned subsidiary of Fullshare.

Save as disclosed above, as at the Latest Practicable Date, none of the Fullshare Directors, the sole director of the Offeror or any party acting in concert with the Offeror or Fullshare was interested in or owned or had control or direction over any voting rights or rights over any Fullshare Shares, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange, into Fullshare Shares.

Interests of Fullshare, the Offeror and parties acting in concert with any of them in the Offeree Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Offeree Company

As at the Latest Practicable Date, details of interests in the Offeree Shares, underlying Offeree Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Offeree Company held or controlled by Fullshare, the Offeror and parties acting in concert with any of them were as follows:

Name of party acting in concert with the Offeror	Capacity	Number of issued Offeree Shares held	Approximate percentage of the issued share capital of the Offeree Company
Glorious Time *(Note)*	Beneficial owner	148,562,000	9.08%

Note: Glorious Time is a company incorporated in the British Virgin Islands and a direct wholly-owned investment holding company of Mr. Ji.

Save as disclosed above and as at the Latest Practicable Date, none of Fullshare, the Offeror or any persons acting in concert with any of them or any Fullshare Director or the sole director of the Offeror was interested in or owned or had control or direction over any voting rights or rights over any Offeree Shares, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange, into Offeree Shares.

Dealing in the Offeree Shares

During the Relevant Period, Mr. Shi Zhiqiang, an executive director of Fullshare had dealt in Offeree Shares on the open market of the Stock Exchange as follows:

Date of transactions on the Stock Exchange	No. of Offeree Shares purchased	No. of Offeree Shares (sold)	Unit Price per Offeree Share *HK$*
10 March 2016	–	(60,000)	5.96
10 March 2016	–	(60,000)	5.96
14 March 2016	60,000	–	5.85
16 March 2016	–	(120,000)	5.71
16 March 2016	–	(160,000)	5.69
22 March 2016	49,000	–	5.94
22 March 2016	329,000	–	5.95
22 March 2016	–	(16,000)	6.04
22 March 2016	–	(130,000)	6.02
22 March 2016	–	(54,000)	6.04
22 March 2016	–	(48,000)	6.04
22 March 2016	–	(90,000)	6.04
22 March 2016	–	(40,000)	6.04
23 March 2016	180,000	–	6.32
23 March 2016	–	(180,000)	6.23
05 April 2016	–	(84,000)	6.57
05 April 2016	–	(45,000)	6.53
05 April 2016	–	(21,000)	6.50
14 April 2016	–	(11,000)	6.60
14 April 2016	–	(39,000)	6.57
14 April 2016	–	(20,000)	6.59
14 April 2016	–	(36,000)	6.58
14 April 2016	–	(5,000)	6.57
14 April 2016	–	(39,000)	6.55
14 April 2016	–	(100,000)	6.55
14 April 2016	–	(100,000)	6.55
14 April 2016	–	(150,000)	6.57
18 April 2016	250,000	–	6.18

Date of transactions on the Stock Exchange	No. of Offeree Shares purchased	No. of Offeree Shares (sold)	Unit Price per Offeree Share *HK$*
19 April 2016	–	(250,000)	6.29
19 April 2016	–	(18,000)	6.29
28 April 2016	4,000	–	6.08
03 May 2016	200,000	–	5.63
04 May 2016	–	(35,000)	5.75
04 May 2016	–	(169,000)	5.70
29 June 2016	111,000	–	6.21
18 July 2016	44,000	–	6.62
18 July 2016	–	(56,000)	6.63
18 July 2016	–	(55,000)	6.62
18 July 2016	–	(43,000)	6.63
18 July 2016	–	(1,000)	6.62

Save as disclosed above, none of Fullshare, the Offeror and parties acting in concert with them and none of the Fullshare Directors and the sole director of the Offeror had dealt for value in any Fullshare Shares or the Offeree Shares or any convertible securities, warrants, options or derivatives in respect of such shares during the Relevant Period.

4. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

As at the Latest Practicable Date:

(a) each of Fullshare, the Offeror and parties acting in concert with any of them had not entered into any agreement, arrangement or understanding to transfer, charge or pledge the securities to be acquired in pursuance of the Offer to any other persons;

(b) save and except for the Irrevocable Undertaking to Accept given by Fortune Apex Limited in respect of the 458,073,024 Offeree Shares held by it, no person had irrevocably committed himself to accept or reject the Offer and no person had any arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Fullshare, the Offeror or any person acting in concert with any of them. Details of the Irrevocable Undertaking to Accept and the relevant details of the number of shares owned or controlled by Fortune Apex Limited, together with its associates, in the Offeree Company are set out in the paragraph headed "Acceptance Condition and Irrevocable Undertaking to Accept" under "THE OFFER" in the "Letter from BaoQiao Partners" of this Composite Document. As at the Latest Practicable Date, Fortune Apex Limited had no shareholding in Fullshare or the Offeror and was not interested in any convertible securities, warrants, options or any derivatives in respect of such shares. Fortune Apex Limited had not dealt for value in any Fullshare Shares or the Offeree Shares or any convertible securities, warrants, options or derivatives in respect of such shares during the Relevant Period;

(c) none of Fullshare, the Offeror or any persons acting in concert with any of them had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Fullshare or the Offeree Company;

(d) there was no agreement, arrangement or understanding (including any compensation arrangement) between Fullshare, the Offeror or any persons acting in concert with any of them and any Offeree Directors, recent Offeree Directors, the Offeree Shareholders or recent Offeree Shareholders having any connection with or being dependent upon the Offer;

(e) there was no agreement or arrangement to which Fullshare, the Offeror or any person acting in concert with any of them, is a party which relates to circumstances in which the Offeror may or may not seek to invoke a condition to the Offer;

(f) no benefit was or will be given to any Offeree Director as compensation for loss of office in any members of the Offeree Group or otherwise in connection with the Offer; and

(g) none of the Fullshare Directors or the sole director of the Offeror would be affected in terms of their emoluments in connection with the Offer or by any other associated transaction.

5. MARKET PRICES

The table below set out the closing price of the Fullshare Shares quoted on the Stock Exchange on (i) the last Business Day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	**Closing price per Share**
	HK$
2016	
31 March 2016	1.95
29 April 2016	2.48
31 May 2016	2.90
30 June 2016	3.44
29 July 2016	3.36
31 August 2016	3.95
9 September 2016 (Last Trading Day)	4.38
30 September 2016	4.50
28 October 2016 (Latest Practicable Date)	4.30

The highest and lowest closing prices of the Fullshare Shares as quoted on the Stock Exchange during the Relevant Period were HK$4.61 per Fullshare Share on 4 October 2016 and HK$1.80 per Fullshare Share on 21 March 2016, respectively.

6. LITIGATION

As at the Latest Practicable Date, to the best of the sole director of the Offeror and the Fullshare Directors' knowledge, information and belief, no member of the Fullshare Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the sole director of the Offeror and the Fullshare Directors to be pending or threatened by or against any member of the Fullshare Group.

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Fullshare Group) have been entered into by the Fullshare Group within the two years preceding the commencement of the Offer Period and ending on the Latest Practicable Date, which are material to the business of the Offeror and Fullshare as a whole:

(a) the placing agreement entered into between Fullshare and Guotai Junan Securities (Hong Kong) Limited (the "**Placing Agent**"), as the placing agent, dated 7 November 2014 pursuant to which Fullshare has appointed the Placing Agent, and the Placing Agent has conditionally agreed to procure, on a best effort basis, not less than six placees to subscribe for up to 680,000,000 new placing shares at the placing price of HK$0.45 per placing share. The fund raised was utilized by a wholly-owned project company for investment purpose pursuant to the investment construction contract entered into with the People's Government of Huayang Town, Jurong City, Jiangsu Province, China. Details of the investment were disclosed in the announcement of Fullshare dated 26 November 2014;

(b) the equity transfer agreement dated 20 November 2014 entered into between 南京豐利股權投資企業(有限合夥)(Nanjing Fengli Equity Investment Enterprise (Limited Partnership)*) ("**Nanjing Fengli**") and 江蘇蘇豐投資有限公司 (Jiangsu Sufeng Investment Company Limited*) ("**Jiangsu Sufeng**") and a supplemental agreement dated 12 December 2014 entered into between Nanjing Fengli, 江蘇省豐盛房地產開發有限公司 (Jiangsu Province Fullshare Property Development Limited*) ("**Jiangsu Fullshare Property**") and Jiangsu Sufeng, pursuant to which Nanjing Fengli and Jiangsu Fullshare Property conditionally agreed to buy 99% and 1%, respectively, and Jiangsu Sufeng conditionally agreed to sell 99% and 1%, respectively, equity interest in Fullshare Green Building Group Company Limited* (豐盛綠建集團有限公司) ("**Fullshare Green Building**") (formerly known as Jiangsu Ruiheng Construction Company Limited*(江蘇鋭恒建設有限公司)) at a consideration of RMB200 million. Fullshare Green Building was a PRC-incorporated company principally engaged in the business of housing engineering construction, architectural decoration and fitting out in the PRC and its PRC-incorporated wholly-owned subsidiary was principally engaged in construction engineering management consulting and engineering design services in the PRC;

(c) the equity transfer agreement dated 8 December 2014 entered into amongst Nanjing Fengli and Jiangsu Fullshare Property, each being an indirect wholly-owned subsidiary of Fullshare, and 南京豐盛產業控股集團有限公司 (Nanjing Fullshare Industrial Holding Group Co. Limited*) ("**Nanjing Fullshare Holding**") and 南京新盟資產管理有限公司 (Nanjing Xinmeng Asset Management Limited*) ("**Xinmeng Asset**"), pursuant to which Nanjing Fengli and Jiangsu Fullshare Property have conditionally agreed to acquire from Nanjing Fullshare Holding and Xinmeng Asset 99% and 1% of the issued share capital in 南京豐盛大族科技股份有限公司 (Nanjing Fullshare Dazu Technology Company Limited*) ("**Nanjing Fullshare Technology**"), respectively, and Nanjing Fullshare Holding and Xinmeng Asset have conditionally agreed to sell 99% and 1% of the issued share capital in Nanjing Fullshare Technology to Nanjing Fengli and Jiangsu Fullshare Property, respectively, at an aggregate consideration of RMB667,000,000. Nanjing Fullshare Technology was a PRC-incorporated company principally engaged in real estate development and sale;

(d) the placing agreement entered into between Fullshare and the Placing Agent dated 17 December 2014 pursuant to which Fullshare has appointed the Placing Agent, and the Placing Agent has conditionally agreed to procure, on a best effort basis, not less than six placees to subscribe for up to 1,000,000,000 new placing shares at the placing price of HK$0.48 per placing share. The fund raised was utilized to pay part of the considerations pursuant to the equity transfer agreements set out in items (n) and (p) and as general working capital;

(e) the equity transfer agreement dated 20 January 2015 entered into amongst Nanjing Fengli, Nanjing Fullshare Asset Management Limited*（南京豐盛資產管理有限公司）("**Nanjing Fullshare Asset Management**"), each being an indirect wholly-owned subsidiary of Fullshare, and 南京慧谷企業管理諮詢有限公司 (Nanjing Huigu Enterprise Management Consulting Co., Ltd.*) ("**Nanjing Huigu**"), pursuant to which Nanjing Fengli and Nanjing Fullshare Asset Management have conditionally agreed to acquire from Nanjing Huigu 99% and 1% equity interest in 江蘇安家利置業有限公司 (Jiangsu Anjiali Zhiye Company Limited*) ("**Jiangsu Anjiali**"), respectively, and Nanjing Huigu has conditionally agreed to sell 99% and 1% equity interest in Jiangsu Anjiali to Nanjing Fengli and Nanjing Fullshare Asset Management, respectively, at an aggregate consideration of RMB438 million. Each of Jiangsu Anjiali and its two wholly-owned subsidiaries was a PRC-incorporated company principally engaged in property development;

(f) the collateral agreement dated 13 February 2015 entered into between Nanjing Fullshare Technology and 中國華融資產管理股份有限公司浙江省分公司 (Zhejiang Province Branch of China Huarong Asset Management Co., Ltd*) ("**Zhejiang Huarong**") pursuant to which Nanjing Fullshare Technology agreed to pledge the land use right the land lot no. 14100169005 with a total site of 48,825.47 sq.m. located at east to Ningdan Road, Yuhuatai District, Nanjing, Jiangsu Province, China as a collateral in respect of the debt in the principal amount of RMB519,074,500 due and owing to Zhejiang Huarong by 山東金百利房地產開發有限公司 (Shandong JinBaiLi Development Company Limited*) and 中國正信(集團)有限公司 (China Zhengxin Group Company Limited*), there is no consideration passing to or from any member of the Fullshare Group;

(g) the equity transfer agreement dated 12 May 2015 entered into between Fullshare Green Building and Nanjing Fullshare Energy Science & Technology Company Limited* (南京豐盛新能源科技股份有限公司)("**Nanjing Fullshare Energy**"), pursuant to which Nanjing Fullshare Energy conditionally agreed to sell and Fullshare Green Building conditionally agreed to purchase the entire equity interest of Nanjing Fullshare Energy Management Company Limited* (南京豐盛能源管理有限公司), Shanghai Far-seeker Energy Technology Company Limited* (上海法斯克能源科技有限公司) and Anhui Green Building Company Limited* (安徽省綠色建築有限公司), and 95% equity interest in Nanjing Far-seeker Energy Technology Company Limited* (南京法斯克能源科技發展有限公司) ("**Nanjing Far-seeker**") free from all encumbrances at an aggregate consideration of RMB28 million. Nanjing Far-seeker was principally engaged in the business of investment in, construction management and operation management of energy station, whereas the rest of the aforesaid target companies are principally engaged in the businesses of green building consultancy, regional energy planning, green building technology research and development, energy management contract in hotel, hospital and office park;

(h) the intellectual properties rights transfer agreement dated 12 May 2015 entered into amongst Fullshare Green Building, Nanjing Fullshare Energy and Hubei Fengshen Purifying Airconditioning Facilities Engineering Company Limited* (湖北風神淨化空調設備工程有限公司)("**Hubei Fengshen**"), pursuant to which Nanjing Fullshare Energy and Hubei Fengshen conditionally agreed to sell and Fullshare Green Building conditionally agreed to purchase the 14 patents and software copyrights held by Nanjing Fullshare Energy and/or Hubei Fengshen in relation to the green building construction free from all encumbrances at a consideration of RMB1.7 million;

(i) the equity transfer agreement dated 29 May 2015 (the "**29 May 2015 Equity Transfer Agreement**") entered into amongst Nanjing Fullshare Asset Management, Nanjing Shanbao Investment Management Limited*(南京善寶投資管理有限公司)("**Nanjing Shanbao Investment Management**") and Jiangsu Fullshare Property, pursuant to which Nanjing Fullshare Asset Management has conditionally agreed to sell, and Nanjing Shanbao Investment Management has conditionally agreed to acquire the entire equity interest in Jiangsu Fullshare Property, which was an indirect wholly-owned subsidiary of Fullshare, at a consideration of RMB467 million (equivalent to approximately HK$584 million);

(j) the equity pledge agreement dated 29 May 2015 entered into amongst Nanjing Fullshare Asset Management, Nanjing Shanbao Investment Management and Jiangsu Fullshare Property, pursuant to which Nanjing Shanbao Investment Management has agreed to pledge the entire equity interest in Jiangsu Fullshare Property together with all the rights and interests thereto (including but not limited to dividends) under the 29 May 2015 Equity Transfer Agreement to Nanjing Fullshare Asset Management to secure the performance of Nanjing Shanbao Investment Management's obligations under the 29 May 2015 Equity Transfer Agreement;

(k) the equity transfer agreement dated 24 June 2015 entered into between Fullshare and Zall Development (HK) Holding Company Limited(卓爾發展(香港)控股有限公司)("**Zall Hong Kong**"), pursuant to which Fullshare has conditionally agreed to purchase and Zall Hong Kong has conditionally agreed to sell 90% of equity interest in Zall Development (Shenyang) Limited*(卓爾發展(瀋陽)有限公司)("**Zall Development Shenyang**"), a company principally engaged in residential and commercial property development in the PRC, for a consideration of RMB587 million;

(l) the equity transfer agreement dated 24 June 2015 entered into between Fullshare and Zall Hong Kong, pursuant to which Fullshare has conditionally agreed to purchase and Zall Hong Kong has conditionally agreed to sell 90% of equity interest in Zall Trading Development (Xiaogan) Limited*(卓爾商貿發展(孝感)有限公司), a company principally engaged in residential and commercial property development in the PRC, for a consideration of RMB149 million;

(m) the sale and purchase agreement dated 13 October 2015 entered into between Fullshare and Mr. Ji, pursuant to which Fullshare conditionally agreed to purchase and Mr. Ji conditionally agreed to sell 50,000 shares representing the entire issued share capital of Rich Unicorn Holdings Limited for a consideration of HK$1,042,956,000;

(n) the disposal agreement dated 6 November 2015 entered into between Fullshare and Sun Field Property Holdings Limited (新域置業控股有限公司) (''**Sun Field**''), pursuant to which Fullshare conditionally agreed to dispose of and Sun Field conditionally agreed to purchase the entire issued share capital of Active Mind Investments Limited, being a direct wholly-owned subsidiary of Fullshare principally engaged in investment holding, for a consideration of RMB685,270,000; in addition, Fullshare Green Building, being an indirect wholly-owned subsidiary of Fullshare agreed to assign and Sun Field agreed to accept the assignment of a shareholder's loan due from Zall Development Shenyang to Fullshare Green Building in the sum of RMB9,000,000 for a consideration of RMB9,000,000;

(o) the disposal agreement dated 6 November 2015 entered into between Fullshare and Sun Field, pursuant to which Fullshare conditionally agreed to dispose of and Sun Field conditionally agreed to purchase the entire issued share capital of Advance Goal Investment Limited, a direct wholly-owned subsidiary of Fullshare principally engaged in investment holding, for a consideration of RMB173,944,000;

(p) the disposal agreement dated 9 November 2015 entered into between Jiangsu Anjiali, being an indirect wholly-owned subsidiary of Fullshare, and Nanjing Dongzhou Property Development Limited* (南京東洲房地產開發有限公司) (''**Nanjing Dongzhou**''), pursuant to which Jiangsu Anjiali conditionally agreed to dispose of and Nanjing Dongzhou conditionally agreed to purchase the entire equity interest of Jurong Dasheng Property Development Company Limited* (句容達盛房地產開發有限公司) (''**Jurong Dasheng**''), a company principally engaged in property development, for a consideration of RMB269,104,000; in addition, Nanjing Dongzhou had agreed to repay a shareholder's loan due from Jurong Dasheng to Jiangsu Anjiali on behalf of Jurong Dasheng in the sum of approximately RMB194,558,000;

(q) the disposal agreement dated 9 November 2015 entered into between Jiangsu Anjiali and Nanjing Dongzhou pursuant to which Jiangsu Anjiali conditionally agreed to dispose of and Nanjing Dongzhou conditionally agreed to purchase the entire equity interest of Jurong Dingsheng Property Development Company Limited* (句容鼎盛房地產開發有限公司) (''**Jurong Dingsheng**''), a company principally engaged in property development, for a consideration of RMB254,496,000; in addition, Nanjing Dongzhou had agreed to repay a shareholder's loan due from Jurong Dingsheng to Jiangsu Anjiali on behalf of Jurong Dingsheng in the sum of approximately RMB129,206,000;

(r) the sale and purchase agreement dated 27 November 2015 entered into amongst Nanjing Fullshare Technology and Nanjing Sheng Chuang Investments Company Limited*（南京盛創投資有限公司）(“**Nanjing Sheng Chuang**”) and Jiangsu Kean Construction Engineering Company Limited*（江蘇科安建設工程有限公司）(“**Jiangsu Kean**”), pursuant to which Nanjing Fullshare Technology conditionally agreed to purchase and Nanjing Sheng Chuang and Jiangsu Kean conditionally agreed to sell 90% and 10% of their respective shareholding interests in Jiangsu Anke Science and Technology Development Co., Ltd.*（江蘇安科科技發展有限公司）for an aggregate consideration of RMB21,471,000. The parties entered into a termination agreement dated 30 September 2016, pursuant to which the parties mutually agreed to terminate such sale and purchase agreement;

(s) the subscription agreement dated 17 December 2015 entered into between Fullshare and Superb Colour Limited (“**Superb Colour**”), pursuant to which Superb Colour conditionally agreed to subscribe for and Fullshare conditionally agreed to allot and issue a total of 448,717,500 new ordinary shares of HK$0.01 each in the share capital of Fullshare at the subscription price of HK$1.56 per subscription share;

(t) the share transfer agreement dated 3 February 2016 entered into between Nanjing Fullshare Asset Management (as the purchaser), an indirect wholly-owned subsidiary of Fullshare, and Nanjing Fullshare Holding and Mr. Ji (as the vendors), pursuant to which Nanjing Fullshare Asset Management conditionally agreed to acquire and Nanjing Fullshare Holding and Mr. Ji conditionally agreed to sell 72.19% 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）(“**Anke High-Tech**”) for an aggregate cash consideration of RMB140 million;

(u) the share sale and purchase agreement dated 21 April 2016 entered into between Five Seasons V Pty. Ltd. ("**Purchaser A**") (as the purchaser), an indirectly wholly-owned subsidiary of Fullshare and Fullshare International (Australia) Pty Ltd ("**Vendor A**") (as the vendor), an indirect wholly-owned subsidiary of Fullshare Technology Group Limited*（豐盛科技集團有限公司）, pursuant to which the Purchaser A conditionally agreed to purchase and the Vendor A conditionally agreed to sell 100% of the issued share capital 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, each of which as a direct wholly-owned subsidiary of the Vendor A, for an aggregate cash consideration of AU$29,224,085.00;

(v) the land sale agreement dated 21 April 2016 entered into between Five Seasons V (A) Pty. Ltd. ("**Purchaser B**") (as the purchaser), an indirectly wholly-owned subsidiary of Fullshare and Laguna Whitsundays Airport Pty Ltd CAN 145 751 300 as trustee for the Laguna Whitsundays Airport Unit Trust ("**Vendor B**") (as the vendor), an associate of Mr. Ji and a connected person of Fullshare, whereby, among other things, the Purchaser B conditionally agreed to purchase and the Vendor B conditionally agreed to sell certain land properties at an aggregate cash consideration of AU$18,776,015.

(w) the shareholders' agreement dated 25 April 2016 entered into between Nanjing Fullshare Technology, a wholly-owned subsidiary of Fullshare and 江蘇沙鋼集團有限公司 (Jiangsu Shagang Group Co., Ltd.*), 協鑫資本管理有限公司 (GCL Capital Management Limited*), 紅豆集團有限公司 (Hongdou Group Co., Ltd.*), 江蘇揚子江船廠有限公司 (Jiangsu Yangzijiang Shipyard Co., Ltd.*), 江陰澄星實業集團有限公司 (Jiang Yin Chengxing Industrial Group Co., Ltd.*), 新城發展投資有限公司 (Xin Cheng Development Investment Co., Ltd.*), 江蘇中超控股股份有限公司 (Jiangsu Zhongchao Holding Co., Ltd.*), 蘇州正和投資有限公司 (Suzhou Zheng He Investment Co., Ltd.*), 遠東控股集團有限公司 (Far East Holding Group Co., Ltd.*) and 江蘇新苑實業投資有限公司 (Jiangsu Xin Yuan Industrial Investment Co., Ltd.*) (collectively the "**Joint Venture Partners**"), pursuant to which 江蘇民營投資控股有限公司 (Jiangsu Non-state-owned Investment Holding Co., Ltd.*), a joint venture, was to be established by Nanjing Fullshare Technology and the Joint Venture Partners, with registered capital of RMB8.6 billion, of which Nanjing Fullshare Technology shall contribute RMB1.0 billion, representing approximately 11.63% of the total registered share capital of the joint venture;

(x) the subscription agreement dated 27 April 2016 entered into between Fullshare and Hin Sang Group (International) Holdings Co. Ltd. ("**Hin Sang Group**"), pursuant to which Fullshare has conditionally agreed to subscribe for and Hin Sang Group has conditionally agreed to allot and issue a total of 250,000,000 new shares of Hin Sang Group ("**HS Subscription Share(s)**") at the total consideration of HK$295 million (equivalent to HK$1.18 per HS Subscription Share), which were paid by Fullshare as to HK$64.6 million in cash and as to the remaining balance of HK$230.4 million by allotment and issue of 118,765,000 consideration shares of Fullshare, and the joint venture agreement dated 27 April 2016 entered into between the parties, pursuant to which the joint venture was to be established by the parties with initial registered capital of HK$60 million, of which Fullshare shall contribute 49% and Hin Sang Group shall contribute 51%;

(y) the equity transfer agreement dated 22 June 2016 entered into amongst Nanjing Fengli and Nanjing Shengmao Asset Management Company Limited*(南京盛茂資產管理有限公司)("**Nanjing Shengmao Asset Management**") (together as the vendors), Jiasheng Construction Group Co., Ltd.*(嘉盛建設集團有限公司)("**Jiasheng Construction**") (as the purchaser) and Fullshare Green Building, pursuant to which Nanjing Fengli and Nanjing Shengmao Asset Management conditionally agreed to sell and Jiasheng Construction conditionally agreed to acquire the entire equity interest in Fullshare Green Building, an indirectly wholly-owned subsidiary of Fullshare, for a cash consideration of RMB240 million;

(z) the business sale agreements dated 4 July 2016 entered into between Five Seasons VI (A) Pty. Ltd., Five Seasons VI (B) Pty. Ltd. and Five Seasons VI (C) Pty. Ltd. (each as the purchaser and an indirectly wholly-owned subsidiary of Fullshare) and Fullmarr Hotels NQ Pty Ltd as trustee for the Fullmarr Hotels NQ Unit Trust, Fullmarr Management NQ Pty Ltd as trustee for the Fullmarr Management NQ Unit Trust and Fullmarr Country Club NQ Pty Ltd ACN 147 455 098 as trustee for the Fullmarr Country Club NQ Unit Trust (each as the vendor), respectively, pursuant to which the above-mentioned purchasers conditionally agreed to purchase and the above-mentioned vendors conditionally agreed to sell the respective rights and assets in operating the business of a hotel, villa management and country club and resort stores in Australia for a total consideration of AU$800,000.00;

(aa) the land sale agreements dated 4 July 2016 entered into between Five Seasons VI (D) Pty. Ltd., Five Seasons VI (C) Pty. Ltd. and Five Seasons VI (A) Pty. Ltd. (each as the purchaser and an indirectly wholly-owned subsidiary of Fullshare) and Fullmarr Properties NQ Pty Ltd ACN 146 971 208 as trustee for Fullmarr Properties NQ Trust, Fullmarr Country Club NQ Pty Ltd ACN 147 455 098 as trustee for the Fullmarr Country Club NQ Unit Trust and Fullmarr Hotels NQ Pty Ltd as trustee for the Fullmarr Hotels NQ Unit Trust (each as the vendor), respectively, pursuant to which the above-mentioned purchasers conditionally agreed to purchase and the above-mentioned vendors conditionally agreed to sell certain land properties located in Australia for a consideration of AU$59,400,000.00;

(bb) the two sale and purchase agreements dated 22 July 2016 entered into by (1) Fullshare, Five Seasons X (A) Limited (as the purchaser and a wholly-owned subsidiary of Fullshare), BaoQiao Partners Holdings Limited (as the seller) and Ms. Lin Wai Yan, pursuant to which Five Seasons X (A) Limited conditionally agreed to purchase 70% equity interest in each of Northern King Holdings Limited and Wise Stream Limited; and (2) the Company, Five Seasons X Limited (as the purchaser and a wholly-owned subsidiary of Fullshare) and Ms. Lin Wai Yan (as the seller), pursuant to which Five Seasons X Limited conditionally agreed to purchase 70% equity interest in Diligent Apex Limited. The aggregate consideration for the aforesaid acquisitions is HK$140,000,000, among which HK$63,000,000 shall be settled by cash and the remaining balance shall be satisfied by allotment and issue of 26,642,500 consideration shares of Fullshare;

(cc) the investment co-operation agreement dated 5 August 2016 entered into between Nanjing Fullshare Technology and Jiangsu Eastide Group Limited*(江蘇一德集團有限公司) and Zhong Bang Jin Kan Investment Company Limited*(眾邦金控投資有限公司), pursuant to which a joint venture, Five Seasons Cultural Tourism Development Company Limited*(五季文化旅遊發展有限公司), was to be established, with a total registered capital of RMB2 billion, of which Nanjing Fullshare Technology shall contribute RMB900 million;

(dd) the equity transfer agreement dated 12 August 2016 entered into between Nanjing Fullshare Technology (as the purchaser) and Nanjing Zhonghe Shiye Investment Development Company Limited*(南京中闔實業投資發展有限公司)("**Nanjing Zhonghe**", as the vendor), pursuant to which Nanjing Fullshare Technology agreed to purchase and Nanjing Zhonghe agreed to sell 35% of the total equity interest in Nanjing Jiansheng Real Estate Development Company Limited*(南京建盛房地產開發有限公司) for a cash consideration of RMB17.5 million;

(ee) the equity transfer agreement dated 29 August 2016 and the supplemental equity transfer agreement dated 27 September 2016 entered into between Fullshare (as the purchaser) and Mr. Li Changming ("**Mr. Li**", as the vendor), pursuant to which Fullshare conditionally agreed to acquire and Mr. Li conditionally agreed to sell to Fullshare 100% equity interest in High Access International Investment Limited(高通國際投資有限公司) for a consideration of RMB1,007 million, which shall be satisfied by the allotment and issue of 341,555,000 consideration shares of Fullshare , subject to the terms and conditions of the equity transfer agreement and the supplemental equity transfer agreement;

(ff) the subscription agreement dated 6 September 2016 entered into between Fullshare and Superb Colour, pursuant to which Superb Colour conditionally agreed to subscribe for and Fullshare conditionally agreed to allot and issue a total of 538,357,500 new ordinary shares of HK$0.01 each in the share capital of Fullshare at the subscription price of HK$3.715 per subscription share;

(gg) the subscription agreement dated 7 September 2016 entered into between Fullshare and Macquarie Bank Limited, pursuant to which Fullshare conditionally agreed to issue and Macquarie Bank Limited conditionally agreed to subscribe for the Fullshare Convertible Notes in an aggregate amount of HK$350 million at the 99 per cent. of the principal amount of the Fullshare Convertible Notes with the initial conversion price of HK$3.00 per Fullshare Share (subject to adjustment); and (hh) the sale and purchase agreement dated 14 September 2016 entered into among Millennium Capital Asia Limited (as seller) ("**MCAL**"), Rich Unicorn Holdings Limited, a direct wholly-owned subsidiary of Fullshare (as purchaser) ("**RUHL**") and Ms. Wang Jingyu (as warrantor), pursuant to which, MCAL has conditionally agreed to sell, and RUHL has conditionally agreed to purchase, the 465,725,959 shares of Applied Development Holdings Limited (實力建業集團有限公司) ("**ADHL**") beneficially owned by MCAL representing approximately 22.309% of the issued share capital of ADHL for a cash consideration of HK$436,000,000.

8. CONSENT AND QUALIFICATION

The names and qualification of the experts who have given opinions, letters or advices to Fullshare Group which are contained in this Composite Document and/or who have been named in this Composite Document are set out below:

Name	Qualification
BaoQiao Partners	BaoQiao Partners Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants

The above experts have given and have not withdrawn their written consent to the issue of this Composite Document with the inclusion of the text of their letters and/or reports and the references to their names in the form and context in which they appear respectively.

9. MISCELLANEOUS

(i) The information regarding the principal members of the Offeror's concert group is set out below:

(a) The Offeror's registered office address is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands;

(b) The principal place of business of Fullshare, the sole shareholder of the Offeror in Hong Kong, is Unit 2526, Level 25, Tower One, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong;

(c) The registered office address of Glorious Time, the concert party of the Offeror, is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands;

(d) Mr. Ji is the sole shareholder and director of Glorious Time and his correspondence address is Unit 2526, Level 25, Tower One, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong;

(e) Mr. Wang Bo is the sole director of the Offeror and his correspondence address is Unit 2526, Level 25, Tower One, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong; and

(f) the board of directors of Fullshare comprises Mr. Ji Changqun (chairman), Mr. Shi Zhiqiang, Mr. Wang Bo, Mr. Eddie Hurip, Mr. Lai Chi Keung, Mr. Chow Siu Kui and Mr. Tsang Sai Chung.

(ii) The registered office of BaoQiao Partners is situated at Unit 501, 5/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.

(iii) The English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text, in case of any inconsistency.

Copies of the following documents are available for inspection (i) on the website of Fullshare (www.fullshare.com); (ii) on the website of the Offeree Company (www.chste.com); (iii) on the website of the SFC (www.sfc.hk) and; (iv) at the registered office of Fullshare at Unit 2526, Level 25, Tower One, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong; and (v) the principal place of business of the Offeree Company in Hong Kong at Room 1302, 13th Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. from the date of this Composite Document up to and including the Closing Date or the date on which the Offer lapses or is withdrawn (whichever is earlier) (except for Saturdays, Sundays and public holidays):

(a) the memorandum of association and articles of association of the Offeror;

(b) the memorandum of association and articles of association of Fullshare;

(c) the memorandum of association and articles of association of the Offeree Company;

(d) the interim report of the Offeree Company for the six months ended 30 June 2016;

(e) the annual report of the Offeree Company for the year ended 31 December 2015;

(f) the annual report of the Offeree Company for the year ended 31 December 2014;

(g) the annual report of the Offeree Company for the year ended 31 December 2013;

(h) the interim report of Fullshare for the six months ended 30 June 2016;

(i) the annual report of Fullshare for the year ended 31 December 2015;

(j) the annual report of Fullshare for the year ended 31 December 2014;

(k) the annual report of Fullshare for the year ended 31 December 2013;

(l) the letter from BaoQiao Partners, the text of which is set out on pages 9 to 28 of this Composite Document;

(m) the letter from the Offeree Board, the text of which is set out on pages 29 to 36 of this Composite Document;

(n) the letter from the Offeree IBC to the Offeree Independent Shareholders, the text of which is set out on pages 37 and 38 of this Composite Document;

(o) the letter from the Offeree IFA to the Offeree IBC, the text of which is set out on pages 39 to 75 of this Composite Document;

(p) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this Composite Document;

(q) the written consents referred to under the section headed "Consent and Qualification" in Appendix V and Appendix VI to this Composite Document;

(r) the material contracts referred to under the section headed "Material Contracts" in Appendix V and Appendix VI to this Composite Document;

(s) the Irrevocable Undertaking to Accept;

(t) the Fullshare Circular; and

(u) this Composite Document and the accompanying Form of Acceptance.