EVERYDAY IS FOLIDAY

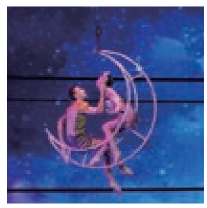
FOLIDAY 复星旅文

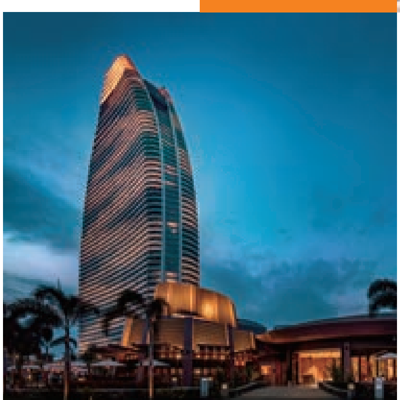
Annual Report 2018

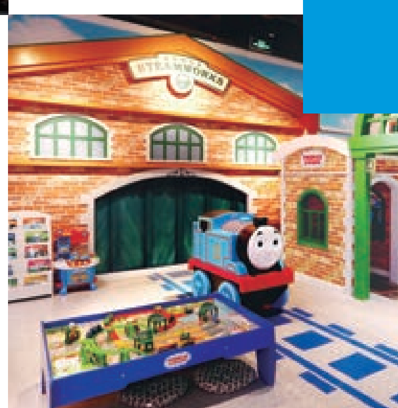
复星旅游文化集团
FOSUN TOURISM GROUP

A company incorporated under the laws
of the Cayman Islands with limited liability

(STOCK CODE: 01992)







CONTENTS

FINANCIAL SUMMARY

	For the years ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue	**16,269,819**	11,799,394
Resort and destination operations	**10,426,589**	9,096,180
Tourism-related property sales and construction services	**3,443,894**	492,178
Tourism and leisure services and solutions	**2,399,336**	2,211,036
Gross profit	**5,276,048**	2,830,349
Operating profit	**1,741,835**	73,389
Profit/(loss) before income tax	**1,293,388**	(377,515)
Profit/(loss) for the year	**389,121**	(294,996)
Profit/(loss) attributable to equity holders of the Company	**308,441**	(196,502)
Adjusted EBITDA	**2,073,038**	746,313
Adjusted net profit/(loss)	**579,677**	(189,095)
Earnings/(losses) per share – basic (in RMB)	**0.31**	(0.39)
Earnings/(losses) per share – diluted (in RMB)	**0.30**	(0.39)

Qian Jiannong
Chairman
Fosun Tourism Group

2018 was a year of monumental significance for the Group as we got listed on the Main Board of the Stock Exchange on 14 December 2018, raising gross proceeds of approximately HK$3.5 billion. With the boost in capital, the Group is well-positioned to further grasp opportunities arising in the global tourism and leisure markets. I am pleased to present our first annual results as a publicly listed company for the year ended 31 December 2018 to our Shareholders.

Despite of global volatile and challenging environment in 2018, the Group has made encouraging progress which has reflected in its financial results. Our total revenues increased by 37.9% to RMB16,269.8 million in 2018, compared with RMB11,799.4 million in 2017. Gross profit increased by 86.4% to RMB5,276.0 million in 2018, compared with RMB2,830.3 million in 2017. Adjusted EBITDA increased to RMB2,073.0 million in 2018, compared with RMB746.3 million in 2017. Net profit was turned around with net profit amounted to RMB389.1 million in 2018 against the net loss of RMB295.0 million in 2017.

The sound financial performance has demonstrated the Group's strong capability to execute business strategies and its business operation as well as the strength of its innovative FOLIDAY ecosystem. We aim to integrate the concepts of tourism and leisure activities into everyday life, allowing families around the world to have exclusive, user-friendly and happy experience of travel and leisure. The FOLIDAY ecosystem has three distinctive competitive edges as follows:

– We own or have strategic partnerships with a portfolio of world-renowned brands. Our resort operation business under the brand of Club Med, was founded in 1950 and is well-known worldwide for its holiday services. Our Atlantis Sanya is one of the two Atlantis projects in the world. We also have strategic partnership with Thomas Cook, Mattel and Cirque du Soleil with various services and solutions.

– We have built up a portfolio of attractive resorts and destinations which are scarce tourism resources themselves all over the world. We are the largest ski resorts provider[1] in Europe in term of number of resorts and have four ski resorts in Asia. We have numerous sun resorts in desirable vacation destinations all over the world and we are developing tourism destination projects in popular tourism attractions in China, such as Sanya, Lijiang and Taicang.

– Our extensive tourism related service and solutions take care of all the needs of the customers, all the way from planning, booking to enjoyment of the tourism facilities and activities, including entertainment and kids activities.

Our resort business under Club Med brand has demonstrated strong performance in 2018. The business volumes increased by 8.0% in 2018 compared with 2017 and the recurring operating profit of resort operation increased by 41.8% in 2018. With the upscale strategy, our resort capacities increased by 8.9% in 2018 and 80.1% of them are 4&5 Trident resort capacities. The internationalization diversity of the Group's customer base and our business presence in tourist destinations help to strengthen our profitability. In 2018, the number of our customers from Asia Pacific region increased by 14.4% and particularly, customers from Greater China increased by 21.6%. In addition, its Happy Digital program has been widely implemented as an innovative means of serving customers and enhancing their satisfaction.

Atlantis Sanya, our first tourism destination project located in Sanya, has approved to be an icon of tourism upgrading v3.0 of Sanya, Hainan. Since its soft opened in February 2018 and officially opened in April 2018, Atlantis Sanya contributed RMB752.0 million operation revenue and the number of customer visits to Atlantis Sanya reached 3.2 million in 2018. In addition, we have delivered 764 apartment units of Tang Residence in 2018 and 147 units have been operated and managed by our Albion brand to provide more accommodation capacity in Sanya. In addition to Atlantis Sanya, we will also embark on two other tourist destination projects by starting the construction of Lijiang International FOLIDAY Vacation Zone and Taicang FOLIDAY European Town in 2019, which will have well-designed tourist attractions for sightseeing, resorts and other types of accommodation, facilities for leisure and entertainment, customized vacation inns and residences, and various kinds of entertainment and cultural activities. We believe that the projects in Lijiang and Taicang will generate significant returns in the next few years.

In addition, we have launched various tourism-related services and solutions, including the resident show C in Atlantis Sanya, a playing-and-learning club for kids through cooperation with Mattel, and our FOLIDAY platform for family-oriented, tourism- and leisure-related services and our joint venture with Thomas Cook in China. Through these endeavours, we have enriched offerings of distinctive vacation experiences and expanded the distribution channel. The different offerings interact with synergies and enable us to realize one-stop services.

Our vision is to bring greater happiness to global families, we will continue to strive to enhance brand awareness, guest satisfaction and customer loyalty. We will also seek more scarce valuable tourism resources and enhance the ecosystem of our businesses by offering integrated tourism products with enriched contents under various brands and characteristics. In addition, we will further leverage our global resources, network and talents to strength our leadership in global leisure tourism market with increase in inter-regions flow of customers and our services.

Finally, I would like to extend my gratitude to our management and employees for their contributions, commitment, to thank our Board for its guidance and support. We will continue to work diligently and conscientiously so as to reward our Shareholders for their confidence in the Company with good returns.

Sincerely
Qian Jiannong
Chairman

15 March 2019

Note:

(1) According to Frost & Sullivan Report.

Our Group is one of the leading leisure-focused integrated tourism groups and the largest leisure tourism resorts group worldwide, in term of revenue in 2017 according to Frost & Sullivan Report. Through our lifestyle proposition, "Everyday is Foliday", we see to infuse concepts of tourism and leisure into everyday living, and provide tailor-made, one-stop solutions through our FOLIDAY global ecosystem. We either own or have strategic partnerships with a portfolio of world-renowned brands including Club Med, Atlantis, Thomas Cook, and Mattel. Our principal business activities include:

RESORTS

Club Med's Grand Massif Samoëns Morillon Resort Club, France

We primarily offer premium resort service through the brand of Club Med. Headquartered in France, Club Med was founded in 1950 and is a world-renowned provider of family-focused all-inclusive holiday experiences. As of 31 December 2018, we operated in more than 40 countries and regions spanning six continents through our sales and marketing activities and operations of 67 resorts, of which 40 resorts were in EMEA (including a cruise ship), 12 resorts in the Americas and 15 resorts in Asia Pacific (including six resorts in China). In terms of operating model, 17 resorts are under ownership model, 41 resorts are under lease model and 9 resorts are under management contract model. The following table set out the Capacity of Resorts by type of resorts:

Club Med Kani Resort, Maldives

	As of 31 December	
Type of resorts	**2018**	2017
	'000	'000
Capacity		
Mountain	**2,254.4**	1,986.8
Sun	**9,267.2**	9,059.3
Club Med Joyview	**509.2**	–
Total	**12,030.8**	11,046.1
4&5 Trident %	**80.1%**	78.4%

We offer global customers a friendly and multi-cultural all-inclusive holiday experience under Club Med brand. The following table summarizes our key information for the years ended 31 December 2018 and 2017.

The following table sets out certain key information with respect to our resort business:

	For the years ended 31 December	
	2018	2017
Business Volume (RMB Millions)	**12,633.4**	11,699.4
Capacity of Resorts (in thousands)	**12,031**	11,046
Occupancy Rate by Bed	**66.0%**	68.7%
Average Daily Bed Rate (RMB)	**1,274.8**	1,218.9
Revenue per Bed (RMB)	**845.4**	845.5

In light of evolving trends in the industry, we have focused on the below initiatives:

Club Med Joyview Anji, China

Upscale – Enhancing upscale and premium offerings: As of 31 December 2018, our 4&5 Trident resort capacities increased from 78.4% in 2017 to 80.1%. We opened 5 new resorts in 2018, including Tomamu Hokkaido, Cefalu, Anji, Golden Coast and Arcs Panorama, all of which are 4&5 Trident. In addition, we extended and renovated five resorts with increased capacities and high quality facilities, and closed 5 resorts of 3 Trident or 4 Trident under lease agreements with limited capacity and aging facilities, which are no longer in accordance with the premium strategies. Our capital expenditure of resort business incurred in 2018 was approximately RMB780.5 million while keeping free cash flow positive. In light of the upscale strategy, our Average Daily Bed Rate increased from RMB1,160 in 2016 to RMB1,219 in 2017 and RMB1,275 in 2018.

Globalization – Balancing markets and destinations to secure profitability: In 2018, the number of resort customers booked outside EMEA region increased to 52.5% in 2018 from 50.7% in 2017 and customers from Asia Pacific increased by 14.4% in 2018. Customers from Great China increased from 199,700 in 2017 to 243,000 in 2018, making Greater China became the second largest customer-contributing market. In addition, our resort capacities in Asia Pacific increased by 25% in 2018.

Happy Digital & C2M Strategy – Digital on customer emotion amplification and operation efficiency: Direct sales through the sales network of Club Med increased from 63.4% in 2017 to 65.1% in 2018 with extension of various online sales channels and platforms. We implemented various IT systems and tools in revenue management, customer services and operations, including AI technologies. We initiated Amazing You programs with innovative resort experience, including digital bracelets, new mobile applications with cashless payment, easy check in/out and other innovative solutions.

In addition, we are the largest ski resort provider in Europe in terms of number of resorts in 2017. We operate 18 mountain resorts in three countries in Europe and 4 in two countries in Asia. We plan to further leverage our strength on fast growing ski areas and massive potential customer markets. Our capacities of mountain resorts increased by 13.5% in 2018 and the Average Daily Rate of mountain resorts increased by 5.1% in 2018 as compared to 2017. Our customers from Asia Pacific visited our ski resorts increased by 82.4% from 44,649 in 2017 to 81,430 in 2018. In addition, we entered in a memorandum of understanding with the Winter Sports Administration Center of the General Administration of Sports of China in 2018 to facilitate its training programs with our resorts in Europe. This cooperation will significantly raise the standards of skiing experience in Mainland China.

Club Med Méribel L'Antarès, France

Club Med is also collaborating with global leading ski instructors, Ecole du Ski Francais (ESF), to deliver advanced skiing programs to China's winter sports enthusiasts. A partnership, China Ski Academy, has been launched at the beginning of 2019 by Club Med and ESF.

As of 6 April 2019, the cumulative bookings for the six months ending 30 June 2019, expressed in business volume, was up approximately 5.4% compared to the bookings as of 6 April 2018 for the six months ended 30 June 2018, at constant exchange rate.

We have strong pipelines to open new resorts in the future by taking into account the attractiveness to target customers, scarcity of natural resources, uniqueness of cultural heritage and accessibility of transportation infrastructure. Starting from 2019, we have plan to open a series of resorts in the next few years, including a resort in l'Alpe d'Huez in France, a resort located in Michès Playa Esmeralda in the Dominican Republic, a Club Med Joyview in Yanqing, China, a new chalets-apartments in Grand Massif Samoëns Morillon in France, a seaside resort in Marbella, Spain, a resort on the Sainte Anne Island, Seychelles and a mountain resort in Quebec Charlevoix, Canada.

The resorts that we operated as of 31 December 2018 were as follows:

No.	Name Of Resort	Number of Beds	Duration[(1)]	Number of Rooms	Trident[(2)]	Location	Year of opening[(3)]	Type	Operating Model[(4)]
	EMEA								
1	Agadir	843	Permanent	374	3	Morocco	1967	Sun	Leased
2	Aime La Plagne	519	Seasonal	240	3	France	1989	Mountain	Leased
3	Albion	616	Permanent	260	5	Mauritius	2007	Sun	Leased
4	Albion Villas	128	Permanent	29	5	Mauritius	2010	Sun	Leased
5	Arcs Extreme	590	Seasonal	290	3	France	1980	Mountain	Leased
6	Arcs Panorama	968	Bi-seasonal	433	4+5	France	2018	Mountain	Leased
7	Bodrum	479	Seasonal	242	4	Turkey	1995	Sun	Managed
8	Cap Skirring	415	Seasonal	204	4	Senegal	1973	Sun	Owned
9	Cargese	839	Seasonal	396	3	France	1971	Sun	Owned
10	Cefalu	610	Permanent	308	5	Italy	2018	Sun	Leased
11	Cervinia	464	Seasonal	199	4	Italy	2001	Mountain	Leased
12	Club Med 2	368	Permanent	184	5	Europe and Caribbean	1992	Sun	Owned
13	Da Balaia	773	Seasonal	389	4	Portugal	1986	Sun	Leased
14	Djerba La Douce	643	Permanent	300	3	Tunisia	1975	Sun	Leased
15	Grand Massif Samoëns Morillon	940	Bi-seasonal	420	4	France	2017	Mountain	Leased
16	Gregolimano	962	Seasonal	462	4	Greece	1978	Sun	Owned
17	Kamarina	1,473	Seasonal	612	3	Italy	1981	Sun	Leased
18	Kemer	937	Seasonal	462	3	Turkey	1977	Sun	Owned
19	L'Alpe D'Huez La Sarenne	781	Seasonal	364	3	France	1985	Mountain	Leased
20	La Palmyre Atlantique	1,183	Seasonal	404	3	France	2003	Sun	Leased
21	La Plagne 2100	590	Seasonal	340	4	France	1990	Mountain	Leased
22	La Pointe Aux Canonniers	833	Permanent	393	4	Mauritius	1973	Sun	Leased
23	Marrakech La Palmeraie	791	Permanent	360	4+5	Morocco	2004	Sun	Leased
24	Meribel L'Antares	151	Seasonal	70	4	France	1999	Mountain	Leased
25	Meribel Le Chalet	73	Seasonal	34	4	France	1999	Mountain	Leased
26	Opio En Provence	909	Permanent	429	4	France	1989	Sun	Leased
27	Palmiye	1,732	Seasonal	476	4	Turkey	1988	Sun	Managed
28	Peisey-Vallandry	708	Bi-seasonal	284	4	France	2005	Mountain	Leased
29	Pragelato	720	Bi-seasonal	273	4	Italy	2012	Mountain	Leased
30	Saint-Moritz Roi Soleil	599	Seasonal	310	4	Switzerland	1963	Mountain	Leased
31	Sant'Ambroggio	733	Seasonal	290	3	France	1971	Sun	Leased
32	Serre-Chevalier	991	Bi-seasonal	349	3	France	2001	Mountain	Leased
33	Tignes Val Claret	498	Seasonal	228	4	France	1975	Mountain	Leased
34	Val D'Isère	557	Seasonal	275	4+5	France	1978	Mountain	Leased
35	Val Thorens	773	Seasonal	384	4	France	2014	Mountain	Leased
36	Valmorel	905	Bi-seasonal	416	4+5	France	2011	Mountain	Leased
37	Valmorel Chalets	261	Bi-seasonal	49	5	France	2011	Mountain	Leased
38	Vittel Ermitage	200	Seasonal	104	4	France	1973	Sun	Leased
39	Vittel Le Parc	832	Seasonal	363	3	France	1973	Sun	Leased
40	Yasmina	800	Seasonal	338	4	Morocco	1969	Sun	Leased

No.	Name Of Resort	Number of Beds	Duration(1)	Number of Rooms	Trident(2)	Location	Year of opening(3)	Type	Operating Model(4)
	Americas								
1	Cancun Yucatan	1,121	Permanent	442	4+5	Mexico	1976	Sun	Owned
2	Columbus Isle	536	Permanent	236	4	Bahamas	1992	Sun	Owned
3	Itaparica	510	Permanent	248	3	Brazil	1979	Sun	Owned
4	Ixtapa Pacific	793	Permanent	296	4	Mexico	1981	Sun	Owned
5	La Caravelle	617	Permanent	299	4	France (Guadeloupe)	1974	Sun	Leased
6	Lake Paradise	948	Permanent	369	4	Brazil	2016	Sun	Leased
7	Les Boucaniers	646	Permanent	291	4	France (Martinique)	1969	Sun	Owned
8	Punta Cana	1,739	Permanent	631	4+5	Dominican Republic	1981	Sun	Owned
9	Rio Das Pedras	823	Permanent	379	4+5	Brazil	1988	Sun	Owned
10	Sandpiper	1,001	Permanent	307	4	United States of America	1987	Sun	Owned
11	Trancoso	647	Permanent	276	4	Brazil	2002	Sun	Owned
12	Turquoise, Turks & Caicos	580	Permanent	291	4	Turks and Caikos	1985	Sun	Leased
	Asia Pacific								
1	Bali	902	Permanent	393	4	Indonesia	1986	Sun	Owned
2	Beidahu	458	Seasonal	176	4	China	2016	Mountain	Managed
3	Bintan Island	656	Permanent	308	4	Indonesia	1996	Sun	Leased
4	Cherating Beach	679	Permanent	297	4	Malaysia	1979	Sun	Owned
5	Club Med Joyview Anji	810	Permanent	300	4	China	2018	Club Med Joyview	Managed
6	Club Med Joyview Golden Coast	806	Permanent	308	4	China	2018	Club Med Joyview	Managed
7	Guilin	805	Permanent	333	4	China	2013	Sun	Managed
8	Kabira	585	Permanent	181	4	Japan	1999	Sun	Leased
9	Kani	584	Permanent	272	4+5	Maldive Islands	2000	Sun	Leased
10	Kani Finholu Villas	104	Permanent	52	5	Maldive Islands	2015	Sun	Leased
11	Phuket	799	Permanent	340	4	Thailand	1985	Sun	Owned
12	Sahoro Hokkaido	659	Seasonal	208	4	Japan	1988	Mountain	Leased
13	Sanya	957	Permanent	384	4	China	2016	Sun	Managed
14	Tomamu Hokkaido	964	Bi-seasonal	341	4	Japan	2018	Mountain	Managed
15	Yabuli	697	Bi-seasonal	279	4	China	2010	Mountain	Managed

Notes:

(1) Permanent resorts open all year long. Seasonal resorts open in either the summer season or the winter season of each year. Bi-seasonal resorts open in the summer season and the winter season of each year.

(2) "3": Three Trident Resort
"4": Premium Four Trident Resort
"4+5": Four Trident Resort with Five Trident Space
"5": Five Trident Resort, Villas and Chalets, and Club Med 2 cruise ship, now called Exclusive Collection collectively

(3) This includes year of re-opening.

(4) Unless otherwise stated, we wholly own the property holding companies of the resorts below under the ownership operating model.

The following maps illustrate the location of our resorts by region as of 31 December 2018:

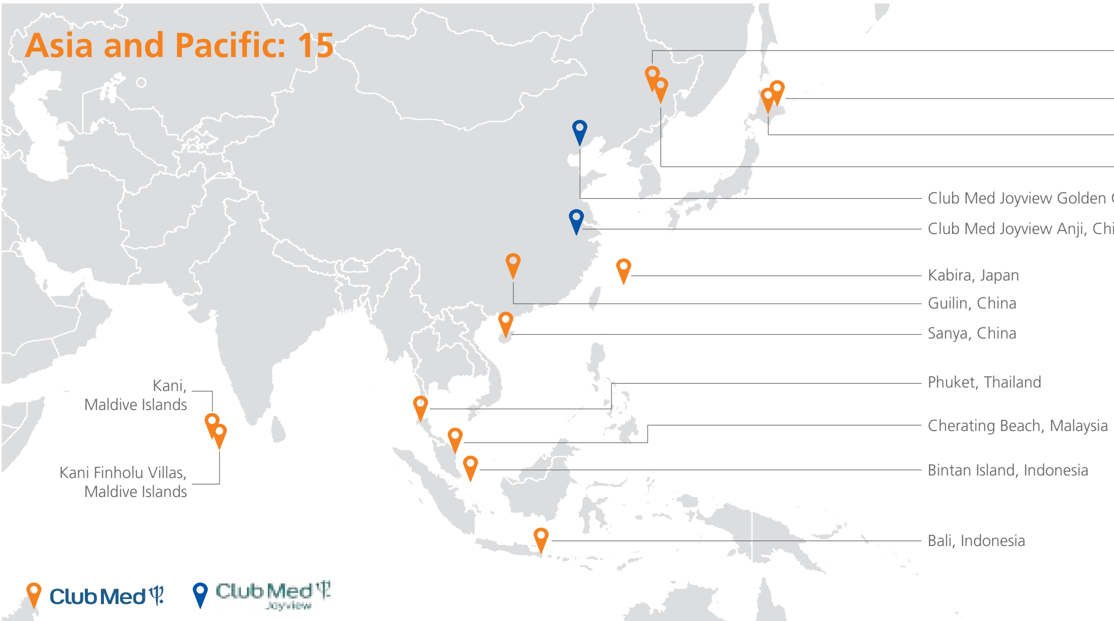
EMEA: 40

Note: [1] In Europe and Caribbean

Club Med Club Med Joyview

Americas: 12

Club Med Club Med Joyview



TOURISM DESTINATIONS

We develop, operate and manage tourism destinations, which comprise tourism resources and tourism vacation facilities. As of 31 December 2018, the main tourism destination projects include:

Atlantis Sanya[1]

Our Atlantis Sanya tourism destination zone, Atlantis Sanya, is located on the Haitang Bay National Coast of Sanya in Hainan province, China. Atlantis Sanya includes 1,314 premium guest rooms offering ocean views, one of China's largest natural seawater aquariums, a themed Waterpark with a total area of approximately 200,000 square meters, high quality food and beverage services, over 5,000 square meters of space for MICE activities and other recreational activities such as a shopping center. The Group commenced construction of Atlantis Sanya in 2014. Atlantis Sanya had its soft opening in February 2018 and officially opened on 29 April 2018. The following table illustrate some key operating information of Atlantis Sanya:

Item	Period from 15 February 2018 to 30 June 2018	For the quarter ended 30 September 2018	For the quarter ended 31 December 2018
Business Volume (RMB'000)	204,898.6	291,118.5	256,040.5
Room revenue (RMB'000)[2]	107,733.6	174,888.5	146,475.5
Other operating revenue (RMB'000)[3]	97,165.0	116,230.0	109,565.0
Occupancy Rate by Room	47.5%	73.0%	55.8%
Average Daily Rate by Room (RMB)	1,562.0	1,982.0	2,190.0
RevPar by Room (RMB)	742.0	1,447.0	1,221.0

During 2019 Chinese New Year vacation period (i.e. from 4 February 2019 to 19 February 2019), Atlantis Sanya recorded operation revenue of RMB150.4 million, including room revenue of approximately RMB77.8 million with Occupancy Rate by Room of approximately 93.0% and other operating revenue of approximately RMB72.6 million.

[1] Atlantis Sanya is owned by the Group and managed by Kerzner, except for Tang Residence.

[2] Our room guests have free access to the Aquarium and Waterpark.

[3] This mainly includes (i) the revenue from the Aquarium and the Waterpark and (ii) the revenue from the food and beverage and other services provided.

Atlantis Sanya includes 1,004 saleable residential vacation units, called Tang Residence, including 197 villas and 807 vacation apartments. Tang Residence is located in a coastal area of Haitang Bay with a total GFA of approximately 161,082 square meters. As of 31 December 2018, the Group had entered into purchase agreements for the sale of 966 units, including 183 out of 197 villas and 783 out of 807 apartments, among which, the Group had transferred 764 apartments to customers in 2018 and RMB3,393.3 million of contract liabilities was recognized as revenue in 2018. The remaining apartments and villas are expected to be transferred starting from 2019 subject to applicable laws and regulations.

After we pre-sold the vacation units, property owners of over 200 units of Tang Residence have signed the management agreements for us to manage and provide these units to visitors as an alternative accommodation choice as of 31 December 2018. We commenced the operation of 147 units of apartments in January 2019.

Lijiang International FOLIDAY Vacation Zone[1]

As of 31 December, 2018, we have obtained the land use right to construct a tourism destination with a total GFA of approximately 350,000 square meters in Baisha town in Lijiang city, Yunnan province in southwestern China (the "Lijiang Project"). We position the Lijiang Project as an international tourism destination targeting mid- to high-end customers and plan to combine comprehensive tourism and leisure features, such as sightseeing attractions, resort and other accommodations, leisure entertainment facilities, customized vacation inns and residences, performances, local activities and tours which could be operated and managed by us or our strategic partners. We have started the construction of Club Med resort in February 2019 and other portion was under design phase and will commence construction in stages. The project will be completed in stages starting from either late 2020 or early 2021 and achieve full completion in the following two to three years. As of 31 December 2018, the total cost incurred for the Lijiang Project was approximately RMB536.0 million.

Taicang FOLIDAY European Town[1]

As of 31 December 2018, we have entered into agreements and fully paid up the prices of RMB2,312.4 million for our acquisitions of land use rights of land parcels of over 483,000 square meters in total in Taicang city, Jiangsu province in East China (the "Taicang Project"). We plan to offer various themed experiences and tourism features, including but not limited to one of the largest indoor snow slope in East China, a water park, a European style town, and saleable vacation units.

In 2018, we entered into an agreement with Compagnie des Alpes ("CDA"), one of the world's leading ski resort operators based in France, to provide design and technical service for indoor ski slope. As of 31 December 2018, the Taicang Project was under design, and the construction started in 2019 and expected to be completed in stages starting from late 2020 and achieve full completion in the following three to four years. As of 31 December 2018, the total cost incurred for the Taicang Project was approximately RMB2,327.2 million, which was mainly the consideration paid for our land acquisitions.

Management of tourism destinations

Albion manages and operates tourism destination in many regions of China, such as Zhejiang, Jiangsu and Guangdong provinces. Albion started to manage and operate the apartments in Atlantis Sanya in January 2019.

SERVICES AND SOLUTIONS IN VARIOUS TOURISM AND LEISURE SETTINGS

We provide services and solutions in various tourism and leisure settings.

Entertainment, other tourism- and culture-related services

Other than operation and promotion of the Cirque du Soleil's entertainment show "Toruk-The First Flight" in Sanya in early 2018, we launched a modern show, the resident show C which involves creative inputs from world-class creators and artists and integrated with advanced stage technologies, started to be performed at the Dolphin Cay theatre of Atlantis Sanya in February 2019. We also commenced the operation of our Miniversity, a one-stop international learning and playing club for children under the joint venture with Mattel, a global leader in learning and developing

[1] The name is subject to change with the project status.

through play and the owner of the copyrights and trademarks of Fisher-Price, Thomas & Friends, MEGA, Hot Wheels, Bob the Builder and Barbie. Under the joint venture agreement, we hold 70% of equity interest in the joint venture and Mattel holds 30%. We started our first Miniversity club in Atlantis Sanya in February 2018 and launched two Miniversity in shopping malls located in Shanghai in March 2019. We will further expand into other tourism destinations and urban areas in the near future.

Platform for family-focused tourism- and leisure-related offerings

Other than direct and indirect sales channels owned or utilized by Club Med, we also launched our FOLIDAY platform to provide and distribute tailor-made tourism and leisure solutions for family. Through our FOLIDAY platform, including the FOLIDAY mobile app, Wechat account and our travel agencies, we further provide membership services through our membership royalty programs. In addition, we established two joint ventures with Thomas Cook, Kuyi International Travel Agency (Shanghai) Co., Ltd. and Kuyi International Travel Agency (Sanya) Co., Ltd., in China as travel agents and a part of our sales network. Kuyi is jointly controlled by us and Thomas Cook with equity interest of 51% and 49%, respectively. As of 31 December 2018, we held an approximate 6.7% equity interest in Thomas Cook. The business volume of FOLIDAY platform increased by 152.3% for the two months ended 28 February 2019 compared to the same period of 2018.

LOYALTY PROGRAMMES MEMBERSHIP

Club Med launched its Great Member loyalty program in 2009. It is a recognition program which rewards our clients and accompanies them before, during and after their stay in our resorts. The program combines both rewards of a classical hotel (such as room upgrade, priority check-in and late check-out) and more exclusive experiences to our highest value clients (such as private transfer, gift pass to boutique or SPA, private dinner in exclusive secluded areas). In March 2018, we launched the Foryou Club membership system in China and have integrated members from various of our brands in the FOLIDAY ecosystem, including but not limited to Atlantis Sanya, Club Med's Great Members from China, FOLIDAY app and other members from various activities and services we provide. In addition, Foryou Club is integrated with Fosun International's Youle Customer Loyalty Program. Since its initiation from 1 March 2018 to 31 December 2018, Foryou Club has accumulated approximately 3 million members and the average monthly purchase by the members is approximately RMB4.18 million.

AWARDS RECEIVED BY THE GROUP IN 2018

Award/Recognition	Award Issuing Authority	Brand/Resort/Entity/Tourism Destination Receiving Award
China's Most Promising Tourism Group of the 18th Golden Horse Awards of China Hotel	China Hotel Magazine	Fosun Tourism Group
Top Fast-Growing Cultural Tourism Group and Best Cultural Tourism Investment Institute	Tripvivid	Fosun Tourism Group
The Best Creative Design Hotel	H. DESIGN	Club Med Joyview Anji Resort
The Best Resort Hotel in 2018	Shanglvyou	Club Med Joyview Anji Resort
The Best Hotel for Families Awards	City Traveler	Club Med Joyview Anji Resort
The Best Resort Hotel in 2018	National Geographic Traveler	Club Med Joyview Golden Coast
Family Friendly Hotel of the Year	China Premium Traveler	Club Med Sanya Resort
Best innovation in services in addition to accommodations for Amazing Family (Silver Winner)	Worldwide Hospitality Awards 2018	Club Med
Best digital innovation for Club Med Digital Bracelet (Silver Winner)	Worldwide Hospitality Awards 2018	Club Med
The Best Holiday Experience of The Year in China	Sina.com	Club Med
Favourite Overseas Resort Brand in China	Global Times & Global Travel	Club Med
Travelers' Choice Award	TripAdvisor, Inc.	49 Club Med resorts
Certificate of Excellence	TripAdvisor, Inc.	49 Club Med resorts
Asia's Best Entertainment Destination Resort of the 18th Golden Horse Awards of China Hotel	China Hotel Magazine	Atlantis Sanya
Asia's Best MICE Destination Resort of the 18th Golden Horse Awards of China Hotel	China Hotel Magazine	Atlantis Sanya
Top 10 Glamorous Hotels of China of the 13th China Hotel Starlight Awards	Asia Hotel Forum (AHF)	Atlantis Sanya
China's Most Popular Conference Destination	huixiaoer.com	Atlantis Sanya
World Traveller Award Ceremony 2018 – The Most Popular Hotel	World Traveller	Atlantis Sanya
The Artistic Hotel of The Year in Greater China	Premium Traveler	Atlantis Sanya
The Icon Hotel of The Year in Greater China	Premium Traveler	Atlantis Sanya
Top 50 Best Hotel & Resort Award – Best Hotel & Resort Value Award	voyage	Atlantis Sanya
The Best Hotel of The Year 2018	Best Hotel	Atlantis Sanya

SELECTED ITEMS OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2018 RMB'000	2017 RMB'000
REVENUE	**16,269,819**	11,799,394
Cost of revenue	**(10,993,771)**	(8,969,045)
Gross profit	**5,276,048**	2,830,349
Other income and gains, net	**42,809**	208,510
Selling and marketing expenses	**(2,291,700)**	(2,170,996)
General and administrative expenses	**(1,285,322)**	(794,474)
Finance costs	**(436,905)**	(433,092)
Share of profits and losses of:		
Joint ventures	**(13,635)**	(19,290)
Associates	**2,093**	1,478
PROFIT/(LOSS) BEFORE INCOME TAX	**1,293,388**	(377,515)
Income tax (expense)/credit	**(904,267)**	82,519
PROFIT/(LOSS) FOR THE YEAR	**389,121**	(294,996)
Attributable to:		
Equity holders of the Company	**308,441**	(196,502)
Non-controlling interests	**80,680**	(98,494)
	389,121	(294,996)

REVENUE

Our revenue increased by 37.9% from RMB11,799.4 million in 2017 to RMB16,269.8 million in 2018, mainly attributable to the strong performance of our resort operation and tourism destinations business.

Revenue by business segment

	For the years ended 31 December			
	2018		2017	
	RMB'000	%	RMB'000	%
Resorts	**12,017,013**	**73.9%**	11,758,411	99.7%
– Resort operation	**9,696,020**	**59.6%**	9,082,241	77.0%
– Tourism related property sales and construction service	**50,633**	**0.3%**	492,178	4.2%
– Tourism and leisure services and solutions	**2,270,360**	**14.0%**	2,183,992	18.5%
Tourism destinations	**4,165,126**	**25.6%**	13,939	0.1%
– Tourism destination operation	**771,865**	**4.7%**	13,939	0.1%
– Tourism related property sales and other construction services	**3,393,261**	**20.9%**	–	0.0%
Services and solutions in various tourism and leisure settings	**134,130**	**0.8%**	27,044	0.2%
Inter segment eliminations	**(46,450)**	**-0.3%**	–	–
Total	**16,269,819**	**100.0%**	11,799,394	100.0%

Resorts: Revenue increased by 2.2% from RMB11,758.4 million in 2017 to RMB12,017.0 million in 2018, primarily due to resort operation revenue increased by 6.8% with amount of RMB613.8 million, partially offset by one-off constructive service revenue in 2017. The increase of resort operation revenue was driven by a combination of growth in Bed Nights Sold and Average Daily Bed Rate.

Tourism destinations: Revenue increased by RMB4,151.2 million from RMB13.9 million in 2017 to RMB4,165.1 million in 2018, primarily due to the operation of Atlantis Sanya and delivery of property units in Tang Residence. Atlantis Sanya had its soft opening in February 2018 and official opening in April 2018 and recorded operation revenue of approximately RMB752.0 million in 2018. Meanwhile, 764 pre-sold apartment units in Tang Residence were delivered to customers as of 31 December 2018 and RMB3,393.3 million was recognized as revenue accordingly.

Services and solutions in various tourism and leisure settings: Revenue increased by 396.3% from RMB27.0 million in 2017 to RMB134.1 million in 2018, primarily driven by revenue generated from online and offline travel services through our travel agency and FOLIDAY platform.

COST OF REVENUE, GROSS PROFIT AND GROSS PROFIT MARGIN BY BUSINESS FUNCTION

Cost of revenue increased by 22.6% from RMB8,969.0 million in 2017 to RMB10,993.8 million in 2018, which is in line with revenue growth.

Cost of revenue by business function

	For the years ended 31 December			
	2018		2017	
	RMB'000	%	RMB'000	%
Resorts and destination operations	**7,504,838**	**68.3%**	6,618,689	73.8%
Tourism-related property sales and construction services	**1,433,293**	**13.0%**	462,619	5.2%
Tourism and leisure services and solutions	**2,055,640**	**18.7%**	1,887,737	21.0%
Total	**10,993,771**	**100.0%**	8,969,045	100.0%

Our gross profit increased by 86.4% from RMB2,830.3 million in 2017 to RMB5,276.0 million in 2018. Except of the strong performance of tourism related property sales and construction services, which contributed RMB1,981.0 million additional gross profit in 2018, our gross profit of resorts and destination operations increased RMB444.3 million, representing of 17.9% growth year-over-year, which was mainly due to our upscale strategy of resort business and the resorts under management contract operating models increased in 2018 leading to higher gross profit, and the operation of Atlantis Sanya contributed more gross profit in 2018.

Gross profit margin of resort and destination operations increased from 27.2% in 2017 to 28.0% in 2018. Gross profit margin of tourism-related property sales and construction services increased substantially from 6% in 2017 to 58.4% in 2018, primary due to the delivery of pre-sold apartment units of Tang Residence.

Gross Profit and Gross Profit Margin

	For the years ended 31 December			
	2018		2017	
	Gross Profit RMB'000	GP Margin %	Gross Profit RMB'000	GP Margin %
Resorts and destination operations	**2,921,751**	**28.0%**	2,477,491	27.2%
Tourism-related property sales and construction services	**2,010,601**	**58.4%**	29,559	6.0%
Tourism and leisure services and solutions	**343,696**	**14.3%**	323,299	14.6%
Total	**5,276,048**	**32.4%**	2,830,349	24.0%

OTHER INCOME AND GAINS, NET

We had a net gain of RMB208.5 million in 2017 and a net gain of RMB42.8 million in 2018. The decrease was primarily due to one-off gain on the disposal of a certain subsidiary of RMB192.5 million in 2017.

SELLING AND MARKETING EXPENSES

Our selling and marketing expenses grew by 5.6% from RMB2,171.0 million in 2017 to RMB2,291.7 million in 2018. This increase amounted to RMB120.7 million was mainly due to (i) increase in sales commission of RMB100.2 million related to sales of the tourism-related residential units at Atlantis Sanya, (ii) increase in advertising and promotion of RMB74.1 million due to expanded sales and marketing efforts of both Club Med and Atlantis Sanya, offset by decrease in amortized brand royalty fee of RMB71.0 million compared with 2017.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by 61.8% from RMB794.5 million in 2017 to RMB1,285.3 million in 2018. The increase was primarily due to (i) an increase in wages, salaries and employee benefits of RMB165.6 million, largely from the period before the official opening of Atlantis Sanya and increased employees at headquarter, (ii) equity-settled share-based payments of RMB104.2 million, (iii) expenses related to this Listing of RMB56.1 million and (iv) the preparation and organization expenses related to the official opening of Atlantis Sanya of RMB67.3 million.

OPERATING PROFIT BY SEGMENT

Our operating profit and loss increased RMB1,875.3 million from RMB75.5 million in 2017 to RMB1,950.8 million in 2018.

	For the years ended 31 December			
	2018		2017	
	RMB'000	**%**	RMB'000	%
Resorts	**446,026**	**22.9%**	464,445	615.2%
Tourism destinations	**1,557,776**	**79.9%**	(380,808)	-504.4%
Services and solutions in various tourism and leisure settings	**(52,998)**	**-2.8%**	(8,136)	-10.8%
Total	**1,950,804**	**100.0%**	75,501	100.0%

Resort: Operating profit decreased from RMB464.4 million in 2017 to RMB446.0 million in 2018. Excluding the non-recurring operating items, the recurring operating profit increased from RMB286.4 million in 2017 to RMB406.2 million in 2018. Non-recurring operating items of resort operation included impairment and provisions, restructuring, gain/(loss) on the fair value change of financial assets at fair value through profit or loss.

Tourism destinations: Operating profit changed from operating loss of RMB380.8 million in 2017 to operating profit of RMB1,557.8 million in 2018. The operating profit in 2018 primarily included property sales profit of RMB1,759.5 million, which was mitigated by preparation and operation costs before Atlantis Sanya official opening amounted to RMB187.2 million in 2018.

Services and solutions in various tourism and leisure settings: Operating loss of this segment increased by RMB44.9 million in 2018 due to the ramping up of entertainment and tourism-related business in 2018, leading to more cost and expenses than revenue expansion at the early stage.

FINANCE COSTS

Finance costs net of capitalized interest increased from RMB433.1 million in 2017 to RMB436.9 million in 2018. The interest rates of borrowings in 2018 were approximately between 2.75% to 7.00%, as compared with approximately between 2.75% and 6.34% for the same period of last year.

INCOME TAX (EXPENSE)/CREDIT

Income tax expense was RMB904.3 million in 2018 comparing with income tax credit RMB82.5 million in 2017. The increase in tax expenses was mainly resulted from land appreciation tax of RMB588.7 million related to tourism related property sales business and income tax expense generated from the profit position in 2018.

NON-IFRS MEASURES

To supplement the presentation of our historical financial information with certain non-IFRS accounting measures including EBITDA, Adjusted EBITDA, and adjusted net profit/(loss). We adjust EBITDA and net profit/(loss) to eliminate the effect of certain non-cash items and one-time events including the interest owed to related companies for reorganization, equity-settled share-based payments and listing expenses. These non-IFRS financial measures are used by our management to evaluate our financial performance by eliminating the impact of certain non-cash items and one-time events and help investors understand and evaluate the consolidated performance results of our underlying business across accounting periods. The specific definition and calculation of EBITDA and the other Non-IFRS accounting measures can differ from other companies, so such measures presented herein may not be comparable to similarly named measures presented by other companies. From time to time in the future, there may be other items that the Company may exclude in reviewing its financial results.

Adjusted EBITDA

	2018 RMB'000	2017 RMB'000
Income/(Loss) before income tax	**1,293,388**	(377,515)
Adjustment:		
Depreciation	**654,454**	521,801
Amortization	**116,593**	168,935
Finance costs	**436,905**	433,092
Land appreciation tax	**(588,668)**	–
EBITDA	**1,912,672**	746,313
Add:		
Listing expenses	**56,142**	–
Equity-settled share-based payments	**104,224**	–
Adjusted EBITDA(1)	**2,073,038**	746,313

(1) Adjusted EBITDA including the preparation and operation costs of Atlantis Sanya for the years ended 31 December 2017 and 2018, before the official opening in April 2018, were RMB155.8 million and RMB187.2 million, respectively.

Adjusted EBITDA increased from RMB746.3 million in 2017 to RMB2,073.0 million in 2018.

Resort: Adjusted EBITDA of resorts decreased by 2.5% from RMB1,053.8 million in 2017 to RMB1,025.7 million in 2018 mainly due to the change of non-recurring operating items, which including impairment and provisions, restructuring cost, gain/(loss) on the fair value change of financial assets at fair value through profit or loss, and disposal. Excluding the impact of those non-recurring items, adjusted EBITDA of recurring operation for resorts increased from RMB875.3 million in 2017 to RMB987.4 million in 2018.

Tourism destination: Adjusted EBITDA of tourism destination operation changed from negative RMB278.0 million to positive RMB1,162.0 million. The adjusted EBITDA in 2018 mainly included property sales of Tang Residence of RMB1,234.8 million and operation of Atlantis Sanya amounted to RMB134.0 million, which was mitigated by preparation and operation costs before its official opening amounted to RMB187.2 million.

Services and solutions in various tourism and leisure settings: Adjusted EBITDA loss of services and solutions in various tourism and leisure settings increased from RMB27.4 million in 2017 to RMB66.0 million in 2018.

Adjusted net profit/(loss)

	2018 RMB'000	2017 RMB'000
Net profit/(loss)	**389,121**	(294,996)
Add:		
Interest to related companies prior to reorganization(1)	**30,190**	105,901
Listing expenses	**56,142**	–
Equity-settled share-based payments	**104,224**	–
Adjusted net profit/(loss)(2)	**579,677**	(189,095)

Notes:

(1) Interest to related companies include the interest on loans with Fosun Industrial and Fosun Property which were settled upon reorganization in May 2017 and the interest on convertible bonds and convertible redeemable preferred shares of Fidelidade which was settled in May 2018.

(2) Adjusted net profit (loss) including the preparation and operation costs of Atlantis Sanya for the years ended 31 December 2017 and 2018, before the official opening in April 2018, were RMB155.8 million and RMB187.2 million, respectively.

CAPITAL EXPENDITURES

Our major capital expenditures primarily consist of expenditures to land use rights and property, plant and equipment. We funded our capital expenditures from our internal resources, proceeds from share offerings, bank borrowings, finance leases, and related company loans. The amount of capital expenditures of the Group for the year ended 31 December 2017 and 2018 was RMB2,165.0 million and RMB2,788.2 million, respectively. The increase mainly due to increase of prepaid land lease payments for tourism-related land use right of Taicang Project, partially offset by decrease of expenditures related to property, plant and equipment of Atlantis Sanya after the completion of its construction in early 2018. Our capital expenditures mainly related to investments in tourism destinations in China, the upgrade or renovation of existing resorts, and investments in digital technology.

INDEBTEDNESS, LIQUIDITY AND FINANCIAL RESOURCES OF THE GROUP

Our Group funds our investments and operations principally with cash generated from our operations, bank and other borrowings, funds raised from the capital market, related party borrowings and capital investments by our Controlling Shareholders.

Our indebtedness included interest-bearing bank borrowings, convertible bonds, convertible redeemable preferred shares and finance lease payable. As of 31 December 2018, the total debt of the Group was RMB6,000.0 million, representing an decrease from RMB7,474.9 million as at 31 December 2017. As at 31 December 2018, debt of the Group over one year accounted for 87.3% of total debt, as opposed to 90.4% as at 31 December 2017. As at 31 December 2018, cash and cash equivalents increased by 89.4% to RMB1,875.0 million as compared with RMB989.7 million as at 31 December 2017, reflecting our improved financing structure.

As of 31 December 2018, the total amount of our interest-bearing bank borrowings was RMB5,426.5 million, our available banking facilities are amounted to RMB7,609.1 million in total, of which RMB6,249.0 million was utilized.

The original denomination of the Group's debt as well as cash and cash equivalents by currencies, equivalent in RMB, as at 31 December 2018, is summarized as follows:

Total debt

	For the years ended 31 December 2018 RMB'000	%
EUR	**2,905,326**	**48.4%**
RMB	**2,855,248**	**47.6%**
GBP	**90,319**	**1.5%**
Others	**149,122**	**2.5%**

Cash and cash equivalents

	For the years ended 31 December 2018 RMB'000	%
HKD	**777,089**	**41.4%**
RMB	**422,445**	**22.5%**
BRL	**176,065**	**9.4%**
EUR	**104,437**	**5.6%**
Others	**394,962**	**21.1%**

To stabilize interest expenses, Our Group endeavored to maintain appropriate borrowings at fixed interest rates and floating interest rates. We made timely adjustment to the debt structure according to the interest rate policy, seeking to optimize the interest rate level. As at 31 December 2018, 34.2% of the Group's total borrowings bore interest at a fixed interest rate.

Our loan agreements may also include material financial covenants. Furthermore, we may be required to provide additional guarantees upon the lending banks' request if any changes in our guarantor adversely affect the guarantee granted by the guarantor to the lending banks. Our Directors confirm that we complied with all material covenants under our loan agreements during the Reporting Period and up to 31 December 2018.

THE MATURITY PROFILE OF OUTSTANDING BORROWINGS

The Group sought to manage and extend the maturity of outstanding borrowings, so as to ensure that the outstanding borrowings of the Group due to mature every year would not exceed the expected cash flow of that year and the Group has the re-financing ability for the relevant liabilities in that year.

Outstanding borrowings classified by year of maturity as at 31 December 2018 are as follows: 13.9% of the outstanding borrowings is within one year, 8.8% of that is in the second year and 54.0% of that is in the third to fifth year, including 23.3% of that is over five years.

CAPITAL STRUCTURE

The Company continued to maintain a healthy and sound financial position. Our total assets increased from RMB29,329.8 million as of 31 December 2017 to RMB29,532.3 million as of 31 December 2018, and our total liabilities decreased from RMB24,782.3 million as of 31 December 2017 to RMB21,217.1 million as of 31 December 2018. Our current ratio decreased from 0.8 as of 31 December 2017 to 0.7 as of 31 December 2018 primarily due to decrease in the amounts due from related companies, which was partially offset by a decrease in contract liabilities. Our gearing ratio, which equals net debt as a percentage of total assets, decreased from 22.1% as of 31 December 2017 to 14.0% as of 31 December 2018 primarily due to (i) our total debt decreased with the redemption of convertible bonds and convertible redeemable preferred shares. (ii) our cash and cash equivalents increased due to receipt of the proceeds from share offerings.

PLEDGED ASSETS

As at 31 December 2018, the Group had pledged assets of RMB6,021.8 million (31 December 2017: RMB7,483.3 million) for bank borrowings. The decrease mainly due to the completed properties for sales of Tang Residence transferred to our customers therefore the corresponding assets pledge released. Details of pledged assets are set out in note 31 to financial statements.

CASH FLOW

As of 31 December 2018, we had cash and cash equivalents of approximately RMB1,875.0 million. The following table set outs our cash flows for the periods indicated:

	2018 RMB'000	2017 RMB'000
Net cash flows generated from operating activities	**637,090**	3,327,560
Net cash flows used in investing activities	**(3,050,687)**	(2,257,436)
Net cash flows from/(used to) financing activities	**3,277,828**	(1,445,874)
Cash and cash equivalents at end of the year	**1,874,998**	989,723

Cash flows generated from operating activities

Our net cash generated from operating activities of RMB637.1 million for the year ended 31 December 2018, reflects our profit before income tax of RMB1,293.4 million, as adjusted by (A) the adding back of certain non-cash or non-operating items such as depreciation and amortization of RMB771.0 million, interest expenses of RMB436.9 million, Equity-settled share-based payment RMB104.2 million and listing expenses of RMB56.1 million; (B) changes in working capital including (i) a decrease in properties under development of RMB849.8 million, mainly due to the completion of Tang Residence units for sale, and (ii) an increase in trade payables and other payables of RMB972.3 million mainly due to more construction costs payable relating to construction progress of Tang Residence, which were partially offset by (i) a decrease in contract liabilities of RMB2,313.1 million, as we had delivered partial of the pre-sold Tang Residence units to our customers leading to the contract liabilities recognized as revenue in 2018 accordingly, and (ii) an increase in completed properties for sale of RMB1,216.3 million, mainly reflecting the completion of Tang Residence units previously under development; and (C) income tax paid of RMB397.9 million.

Cash flows used in investing activities

For the year ended 31 December 2018, our net cash used in investing activities of RMB3,050.7 million, primarily reflects (i) RMB1,323.2 million prepayment of land usage rights in the Taicang Project, (ii) RMB1,232.7 million in purchases of property, plant, and equipment items, mainly for Atlantis Sanya and Club Med resorts under renovation, (iii) RMB232.2 million in purchases of intangible assets, mainly for investments in software and IT solutions and (iv) RMB355.4 million in purchases of financial assets at fair value, and RMB239.1 million in purchases of equity interest, which were partially offset by (i) RMB141.6 million in proceeds from disposals of financial assets at fair value, primarily related to a fixed income investment product, and (ii) RMB100.4 million in proceeds from disposal of items of property, plant and equipment.

Cash flows generated from financing activities

For the year ended 31 December 2018, our net cash generated from financing activities of RMB3,277.8 million, primarily reflects funding from net IPO proceeds of RMB2,841.8 million, funding from related companies including RMB2,348.3 million received and then was paid to another related party, and RMB960.0 million received from Fosun Commercial for the acquisition of land use right in the Taicang project and other operating costs and expenses, which were partially offset by (i)interest payment of RMB339.8 million and (ii) net repayment of bank loans of RMB199.1 million, which mainly includes we aggregately obtained bank loans of RMB2,674.8 million and repaid RMB2,873.9 million.

Net current assets (liabilities)

Our current assets consist principally of properties under development and completed properties for sale; prepayments, deposits and other receivables; cash and cash equivalents; and amounts due from related companies. The key components of our current liabilities are contract liabilities, accrued liabilities and other payables, trade payables, and amounts due to related companies.

As of 31 December 2018, the total current assets was RMB9,902.2 million and the total current liabilities was RMB14,562.7 million. Our net current liabilities of RMB4,660.5 million as at end of 2018 were mainly the result of the pre-sale of Tang Residence units, which generated large amounts of current liabilities in the form of contract liabilities, which was RMB4,434.6 million as of 31 December 2018. When physical possession of the pre-sold Tang Residence units are transferred to their buyers in 2019 and thereafter, the corresponding contract liabilities will be fully satisfied. The satisfaction of such contract liabilities does not require payment of cash by us.

We believe we have sufficient resources to fund future business such as bank facilities and cash generated from operations.

LONG-TERM INVESTMENT MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of 31 December 2017 and 2018, our long-term investments measured at fair value through other comprehensive income were RMB190.1 million and RMB309.4 million, respectively. The increase of 2018 was due to our acquisition of approximately 6.7% equity interest in Thomas Cook.

From 1 January 2019 to 12 March 2019, we bought approximately 3.62% additional shares of Thomas Cook. The Acquisitions were made through the secondary market of the London Stock Exchange.

We fund this investment principally with cash generated from our operations. Considering the growth potential and strategic value of Thomas Cook to the Group's business, we believe that the terms of the Acquisitions are fair and reasonable and in the interests of the Shareholders as a whole.

CONTINGENT LIABILITIES

During the Reporting Period, we provided guarantees mainly in favor of certain customers in respect of mortgage loans provided by banks to these customers for their purchases of developed properties where the underlying real estate certificates can only be provided to the banks in a time delayed manner due to PRC administrative procedures. These guarantees provided will be released when the customers pledge their real estate certificates as security to the banks for the mortgage loans granted by the banks. In case of a default in payments, the net realizable value of the relevant properties can cover the outstanding mortgage principal together with the accrued interest and penalties and therefore we made no provision for such guarantees.

The Group's contingent liabilities of RMB426.1 million as at 31 December 2018 comparing with RMB327.2 million as at 31 December 2017, the increase was mainly due to more mortgage loans provided by banks to our pre-sales customers of Tang Residence have been approved in 2018. Details of contingent liabilities are set out in note 48 to financial statements.

EXCHANGE RATE FLUCTUATION

The Group has resorts and commercial operations in over 40 countries and regions which are exposed to foreign exchange risk arising from various currency exposure. Major currencies for our commercial transaction included the Euro, U.S. dollar, British Pound, Hong Kong dollar and Canadian dollar. We engage in hedging transactions to limit the impact of changes in interest rates on indebtedness and the effects of changes in foreign exchange rates on commercial operations. For the years ended 31 December 2017 and 2018, we recorded foreign exchange loss of RMB5.3 million and RMB2.6 million, respectively in other income and gains, net. In addition, for the years ended 31 December 2017 and 2018 we recorded loss of RMB396.4 million and gain of RMB35.1 million exchange difference on translation of foreign operations in exchange reserve in other comprehensive income.

FINANCE POLICIES AND RISK MANAGEMENT

We are exposed to various types of financial risks, including market risk (covering currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risks. Our overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Below is a summary of our approach to managing various types of risks financial risks. More details are set out in note 52 to financial statements.

Market risk

CURRENCY RISK

We operate resorts all over the world and are exposed to the risk of fluctuations in foreign exchange rates. We have transactional currency exposures arising from the sales or purchases by operating entities and investing and financing activities by investment holding entities in currencies other than such entities' functional currencies. The major subsidiaries exposed to such currency risks use EUR or CNY as their functional currencies. We use forward currency contracts and currency swaps to hedge against the transaction currency risk arising from the future sales cash flows denominated in a currency other than the functional currency of the selling entities within our Group. The balances of the forward currency contracts and currency swaps vary with the levels of expected foreign currency transactions and changes in foreign exchange forward rates. We also use currency swaps to hedge against the currency risk on the fair value of intercompany financing denominated in a currency other than the functional currency of the borrowing entities within our Group. The hedge of the currency swaps was assessed to be effective as of 31 December 2018.

INTEREST RATE RISK

Our exposure to the risk of changes in market interest rates relates primarily to the long-term debt obligations with floating interest rates. Our policy is to manage interest cost using a mix of fixed and variable rate debts. At 31 December 2018 and 31 December 2017, approximately 34% and 33% of the Group's interest-bearing borrowings bore interest at fixed rates after hedging, respectively.

We also carried out hedging activities by entering into interest rate swap on certain variable rate debts. In interest rate swaps, we receive interest at variable rates and pay interest at fixed rates are designated as hedging instruments in respect of forecast future interest expenses on interest-floating borrowings to which we have firm commitments. The balances of the interest rate swaps vary with the terms and principal amount of the interest-floating borrowings and changes in variable rates which are generally based on the Europe Interbank Offered Rate. In addition, we have entered into interest rate swaptions to manage interest rate exposures on borrowings. These interest rate swaptions are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging interest rate derivatives were charged to the consolidated statement of profit or loss.

In order to exercise prudent management against interest rate risks, we continue to review market trends against its business operations and financial position in order to arrange the most interest rate risk management tools.

Credit risk

We have no significant concentration of credit risk due to the large number of our customers. The carrying amounts of cash and cash equivalents, trade receivables, contract assets, deposits and other receivables, and amounts due from related parties included in our statements of financial position represent our maximum exposure to credit risk in relation to our financial assets.

As at 31 December 2018 and 2017, all restricted cash and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

Liquidity risk

The liquidity of our Group is primarily dependent on our ability to maintain adequate cash inflows from operations to meet debt obligations as they fall due and our ability to obtain external financing to meet committed future capital expenditures. Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing loans and other borrowings, amounts due to related companies, convertible bonds and convertible redeemable preferred shares. Our policy is to regularly monitor current and expected liquidity requirements by preparing and reviewing monthly cash flow forecasts and our compliance with lending covenants to ensure that we maintain sufficient reserves of cash on demand and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer terms.

The primary objectives of our Group's capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. We manage our capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Reporting Period.

Hedging measures

We operate business all over the world and are exposed to the risk of fluctuations in foreign exchange rates. To manage exposure to foreign exchange rate fluctuations, we engage in forward currency contracts and currency swaps with third parties to mitigate the transaction currency risk arising from future cash flows denominated in currencies other than functional currencies. The balances of the forward currency contracts and currency swaps vary with the levels of expected foreign currency transactions and changes in foreign exchange forward rates. The terms of the above hedging instruments seek to match the expected highly probable forecast transactions. We also engage in currency swaps which are designated as hedging instruments in respect of the currency risk on intercompany financings denominated in a currency other than the functional currency of the lending entities within the Group.

To manage our exposure to the risk of changes in the market interest rates from primarily long-term debt obligations with floating interest rates, we carry out hedging activities by entering into interest rate swaps on certain variable rate debts. More details are set out in note 29 to financial statements. Our management believes the risk of default under these hedging contracts is remote and, in any event, would not be material to the consolidated financial results. We do not utilize derivative financial instruments for speculative purposes.

RECENT DEVELOPMENT OF THE COMPANY

Recent development of the Company is set out in note 53 and the "Business Overview" in this annual report.

PROPOSED FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

FORWARD-LOOKING STATEMENTS

This annual report includes certain forward-looking statements which involve the financial conditions, results and businesses of the Group. These forward-looking statements are the Group's expectation or beliefs on future events and they involve known and unknown risks and uncertainties, which may cause actual results, performance or development of the situation to differ materially from the situation expressed or implied by these statements.

FOUR-YEAR STATISTICS

Year	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Business Volume	**12,633,429**	11,699,365	10,873,234	9,280,445
Revenue	**16,269,819**	11,799,394	10,782,975	8,902,569
Gross profit	**5,276,048**	2,830,349	2,540,798	2,067,872
Operating profit/(loss)	**1,741,835**	73,389	63,130	(376,206)
Profit/(Loss) for the year	**389,121**	(294,996)	(472,557)	(953,699)
Profit/(loss) attributable to equity holders of the Company	**308,441**	(196,502)	(350,212)	(630,952)
EBITDA	**1,912,672**	746,313	630,278	2,437
Adjusted EBITDA	**2,073,038**	746,313	630,278	182,106
Adjusted net profit/(loss)	**579,677**	(189,095)	(223,082)	(551,610)
Total equity	**8,315,198**	4,547,489	1,165,773	(675,645)
Equity attributable to owners of the parent	**8,037,040**	4,617,490	1,050,130	(815,498)
Indebtedness(1)	**6,000,015**	7,474,913	6,481,227	5,046,478
Total debt(2)	**6,000,015**	7,474,913	9,243,044	7,556,480
Cash and bank balances	**1,874,998**	989,723	1,323,469	525,106
Property, plant and equipment	**10,153,134**	9,712,461	8,031,696	6,582,063
Intangible assets	**2,624,720**	2,525,089	2,320,371	2,239,749
Property under development	**2,170,618**	2,920,158	1,709,717	1,434,369
Prepaid land lease payments	**1,339,883**	832,732	845,645	867,658
Contract liabilities	**4,434,605**	6,573,325	1,719,908	504,994
Current ratio	**0.7**	0.8	0.7	0.5
Gearing ratio	**14.0%**	22.1%	40.3%	43.1%
Adjusted EBITDA margin	**12.7%**	6.3%	5.8%	2.0%

Notes:

(1) Our indebtedness includes interest-bearing bank borrowing, finance lease payables, convertible bonds, and convertible redeemable preferred shares.

(2) Total debt includes interest-bearing bank borrowings, finance lease payable, convertible bonds, convertible redeemable preferred shares, and the non-current portion of amount due to related companies.

The Board is pleased to present the corporate governance report of the Group for the Relevant Period.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Company is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance its corporate value and accountability.

During the Relevant Period, the Company applied the principles of and fully complied with the code provisions as set out in the CG Code except for the following deviation from provision A.2.1 of the CG Code. The Company regularly reviews its corporate governance practices to ensure compliance with the CG Code.

Mr. Qian Jiannong is the Chairman of the Board and the Chief Executive Officer of the Company

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the Company considers that having Mr. Qian Jiannong acting as both the Chairman and Chief Executive Officer will provide a strong and consistent leadership to the Company and allow for more effective planning and management which is in the best interests of the Company. Taking into account all the corporate governance measures that the Company has implemented after Listing, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively, which is beneficial to the business prospects of the Group. Therefore, the Company currently does not propose to separate the functions of chairman and chief executive officer. The Board will continue to review and consider splitting the roles of Chairman of the Board and the Chief Executive Officer of the Company at an appropriate time, taking into account the circumstances of the Group as a whole.

A. THE BOARD

a) Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the businesses, strategic decisions and performance of the Group. The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All Directors have carried out their duties in good faith and in compliance with the standards of applicable laws and regulations, and have acted in the interests of the Company and its shareholders at all times.

b) Delegation of Management Function

The Board takes responsibility for all major matters of the Company including the approval and monitoring of all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflicts of interest), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information to ensure that Board procedures and all applicable rules and regulations are followed. Each Director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the senior management by the Board. The delegated functions and work tasks are periodically reviewed. Under the leadership of the Chief Executive Officer, the management is responsible for the daily operation of the Company.

On a monthly basis, the senior management provides the Directors with operational and financial reports of the Group's performance, position and prospects. The Board considered the monthly reports given by the senior management to the Directors are sufficient to enable the Directors to discharge their duties. All Directors are kept informed of and duly briefed of major changes and information that may affect the Group's businesses in a timely manner.

c) Board Composition

The Board for the year ended 31 December 2018 comprised the following Directors:

Executive Directors
Mr. Qian Jiannong *(Chairman and Chief Executive Officer)*
Mr. Henri Giscard d'Estaing *(Vice Chairman and Deputy Chief Executive Officer)*
Mr. Wang Wenping *(Vice President and Chief Financial Officer)*

Non-executive Director
Mr. Wang Can

Independent Non-executive Directors
Dr. Allan Zeman
Mr. Guo Yongqing
Ms. Katherine Rong Xin

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules. There is no financial, business, family or other material/relevant relationship among the Directors. Biographical details, including offices held in public companies or organisations and other significant commitments, of the Directors are set out in the section "Biographical Details of Directors and Senior Management" of this annual report.

The Board has assessed the independence of all the independent non-executive Directors of the Company and considers all of them to be independent having regard to (i) their annual confirmation on independence as required under the Listing Rules, (ii) the absence of involvement in the daily management of the Company, and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgement. Throughout the Relevant Period, the number of independent non-executive Directors on the Board meets the one-third requirement under the Listing Rules.

The independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in Board meetings, and serving on Board committees, all independent non-executive Directors have made various positive contributions to the development of the Company.

d) Appointment and Re-election of Directors

The procedures of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee of the Company is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Each of Mr. Qian Jiannong and Mr. Wang Wenping, being executive Directors, has entered into a service contract with the Company on 19 November 2018, and Mr. Henri Giscard d'Estaing, the executive Director, entered into a service contract with the Company on 4 September 2018. Each service contract is for an initial term of three years commencing from the Listing Date.

Each of Mr. Wang Can, being our non-executive Director, Dr. Allan Zeman, Mr. Guo Yongqing and Ms. Katherine Rong Xin, being our independent non-executive Directors, has entered into a letter of appointment with our Company on 19 November 2018. Each letter of appointment is for an initial term of three years commencing from the Listing Date.

At every annual general meeting, at least one-third of the Directors' shall retire from office by rotation. All Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following general meeting after appointment.

According to the board diversity policy of the Company, all Directors' appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

e) Continuous Professional Development of Directors

Each newly appointed Director receives comprehensive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the businesses and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Continuing briefing and professional development for Directors will be arranged whenever necessary.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internal briefings for Directors will be arranged by the Company and reading materials on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Relevant Period, the Company has arranged e-training course for the Directors. On the other hand, Directors have provided records of the trainings they received to the Company. The Board considered the trainings attended by the Directors are sufficient to discharge their duties. A summary of the trainings attended by the Directors during the Relevant Period is as follows:–

	Training Matters	
Name of Directors	**Legal and Regulatory**	**Corporate Governance**
Executive Directors		
Mr. Qian Jiannong	✓	✓
Mr. Henri Giscard d'Estaing	✓	✓
Mr. Wang Wenping	✓	✓
Non-Executive Director		
Mr. Wang Can	✓	✓
Independent Non-Executive Directors		
Dr. Allan Zeman	✓	✓
Mr. Guo Yongqing	✓	✓
Ms. Katherine Rong Xin	✓	✓

f) Board Meetings

No Board meeting or general meeting of the Company was held during the Relevant Period. As the Company was listed in December 2018, the Board did not have any matters to discuss during the Relevant Period which is less than one month. The Company will fully comply with the requirement under the code provision A.1.1 of the CG Code to convene Board meetings at least four times a year at approximately quarterly intervals.

g) Practice and Conduct of Board Meetings

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings (or such other period as agreed). For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting (or such other period as agreed) to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior managements, where necessary, attend regular Board meetings and other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

The agenda of each Board meeting is set by the Chairman in consultation with members of the Board such that they are given an opportunity to include agenda items, draft and executed Board minutes were sent in a timely manner to all Directors for their comments and records, minutes of the Board meetings recorded in sufficient details were kept by the Company Secretary.

h) Directors and Officers Liability Insurance

The Company has arranged the directors and officers liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

B. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Relevant Period, the posts of Chairman and Chief Executive Officer are held by Mr. Qian Jiannong and Mr. Henri Giscard d'Estaing held the posts of Vice Chairman and Deputy Chief Executive Officer. With the assistance of the Vice Chairman and Deputy Chief Executive Officer, the segregation ensures a clear distinction between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business operations. Their respective responsibilities are clearly established and set out in writing.

The Chairman's job responsibilities are to ensure all Directors are informed of the matters to be resolved or discussed in the Board meetings; to ensure that Directors receive adequate information in a timely manner, and the relevant information is accurate, detail, complete and reliable; to lead the Board; to ensure the Board operates effectively, performs its duties, and discusses all important and appropriate matters in a timely manner; to be primarily responsible to decide and approve the agenda of each Board meeting and add other items into the agenda upon request from other Directors (where applicable), this responsibility can be delegated to other Directors or the Company Secretary; to ensure the Company to adopt a sound corporate governance code and procedure; to encourage all Directors devoting themselves to the Board's matters and to ensure the Board acts in the best interest of the Company by making himself an example; to encourage Directors with different opinions to express their concerns and give adequate time to discuss and to ensure the decisions of the Board reflect consensus of the Board; to meet with the independent non-executive Directors at least once annually, without the presence of other Directors; to ensure appropriate procedures to keep effective communication with the shareholders and to ensure shareholders' opinions are delivered to the whole Board; to promote open and positive culture to discuss, to promote Directors (especially non-executive Directors) to make effective contribution to the Board, and to ensure constructive relationship between executive Directors and non-executive Directors.

The Chief Executive Officer's job responsibilities are to lead the management to operate the daily business of the Group in line with the business plan and budget approved by the Board; to lead the management to ensure an efficient co-operation relationship with the Chairman and the Board and to meet or communicate with the Chairman regularly to review the key development, matters, opportunities and concerns; to establish and give advice on the Group's strategy and policy for the Board's consideration; to implement the strategy and policy approved by the Board or Board Committees and achieve the goal of the Group with the assistance of the management; to continuously discuss with the Chairman on those key and fundamental topics and to ensure the Board to be informed of those topics; to ensure the management to provide report to the Board in priority, including appropriate, accurate, timely and clear material to assist the Board in performing its responsibilities; to ensure the Board (especially the Chairman) to notice the complicated, controversial and sensitive matters of the Group in advance; to lead the communication plan with the equity holders (including shareholders); and to direct the Group's business in line with the common practice and procedures adopted by the Board, to encourage the Group to maintain the highest integrity, justice and corporate governance level.

C. BOARD COMMITTEES

The Board has established the Audit Committee, Remuneration Committee, Nomination Committee and Strategy Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company were established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website (www.fosunholiday.com) and the Hong Kong Stock Exchange's website (www.hkexnews.hk) and are available to Shareholders upon request.

The majority of the members of each Board committee (except the Strategy Committee) are independent non-executive Directors. The Board committees are provided with sufficient resources to discharge their duties, and upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee comprises three members, including two independent non-executive Directors, namely Mr. Guo Yongqing (Chairman) and Ms. Katherine Rong Xin and one non-executive Director namely Mr. Wang Can. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function or external auditors before submission to the Board;

- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors; and

- To review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control system (including ensuring the adequacy of resources, qualification and experience of staff of the Company's accounting, internal audit and financial reporting function, their training programmes and budget) and associated procedures.

The Audit Committee did not hold any meetings with the Auditor during the Relevant Period because the Audit Committee did not have any matters that need to be discussed with the Auditor shortly after the Company's listing. The Audit Committee will fully comply with its terms of reference.

The Company's annual results for the year ended 31 December 2018 have been reviewed by the Audit Committee.

Remuneration Committee

The Remuneration Committee comprises three members, including two independent non-executive Directors, namely Ms. Katherine Rong Xin (Chairman) and Mr. Guo Yongqing and one executive Director, namely Mr. Wang Wenping.

The primary work of the Remuneration Committee includes making recommendations to the Board on the remuneration packages of individual executive Directors and senior management after assessing their performance, as well as on the remuneration policy and structure for all Directors and senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her close associates will participate in deciding his/her own remuneration, which will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. The Remuneration Committee also reviews and approves compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive. Moreover, the Remuneration Committee reviews and approves compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate and ensures that no Director or any of his/her associates is involved in deciding his/her own remuneration.

No meeting of the Remuneration Committee was held during the Relevant Period.

Nomination Committee

The Nomination Committee comprises three members, including one executive Directors, namely Mr. Qian Jiannong (Chairman) and two independent non-executive Directors, namely Dr. Allan Zeman and Ms. Katherine Rong Xin.

The main duties of the Nomination Committee include the following:

- To review the structure, size, composition (including the skills, knowledge and experience) and diversity of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

- To identify individuals suitably qualified to become Board members and nominate and select or make recommendations to the Board on the selection of individuals nominated for directorships;

- To assess the independence of independent non-executive Directors; and

- To make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the Company's board diversity policy, skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations.

No meeting of the Nomination Committee was held during the Relevant Period.

Strategy Committee

The Strategy Committee comprises three members, including two executive Directors, namely Mr. Qian Jiannong (Chairman) and Mr. Henri Giscard d'Estaing and one independent non-executive Directors, namely Dr. Allan Zeman.

The main duties of the Strategy Committee include the following:

- To consider and make recommendations on the Company's mid and long-term strategies;
- To consider and make recommendations to the Board on significant investments and financial proposals which are subject to the approval by the Board meeting or the shareholders' meeting pursuant to the Articles or other applicable laws, rules and regulations of the Company;
- To consider and make recommendations on other significant matters which will affect the development of the Company;
- To inspect and evaluate the implementation of the above matters; and
- To make timely recommendations for adjustment and to deal in any other matters delegated by the Board from time to time.

No meeting of the Strategy Committee was held during the Relevant Period.

Board Diversity Policy

The Company recognizes and embraces the benefit of having a diverse board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage and achieving long-term sustainable growth for the Group. According to the board diversity policy of the Company, all Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board. The said elements have substantially been included in the current Board composition.

D. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiry has been made to all Directors and the Directors have confirmed that they have complied with the Model Code throughout the Relevant Period. The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by the relevant employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the above-mentioned written guidelines by the relevant employees of the Company was noted by the Company.

E. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Board is responsible for presenting a balanced and clear assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018. The senior management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company put to the Board for approval.

F. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of Ernst & Young, the external auditors of the Company, about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" of this annual report.

During the Reporting Period, the remuneration paid to Ernst & Young, the external auditors of the Company, in respect of professional audit services, amounted to RMB2.9 million and no significant non-audit services were provided by Ernst & Young to the Company.

G. RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating, determining and managing the nature and extent of the risks it is willing to take rather than eliminate risks of failure in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees the management in the design, implementation and monitoring of the risk management and internal control systems efficiently, and the management provides a confirmation to the Board on the effectiveness of these systems. The Company identifies, evaluates and monitors significant risks faced by the Company and builds up its risk management and internal control system, taking into consideration (i) the findings of internal audits and issues revealed during operation and management, (ii) audit findings of external auditors to achieve the goal of risk control, (iii) the changes, since the last review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment; (iv) the scope and quality of management's ongoing monitoring of risks and of the internal control systems and the work of the internal audit function, (v) the extent and frequency of communication of monitoring results to the Board or the Audit Committee which enables it to assess control of the Company and the effectiveness of risk management; (vi) significant control failings or weaknesses that have been identified during the period as well as the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and (vii) the effectiveness of the Company's processes for financial reporting and regulatory compliance. Such significant risks include decision-making risks of operation, financial control risks, and the risks arising from changes in business environment. Furthermore, procedures including preclearance on dealing in the Shares, notification of regular blackout and securities dealing restrictions to relevant Directors and employees and dissemination of information on a need-to-know basis have been implemented by the Group to help ensure proper handling of inside information within the Group. We reviewed the risk management and internal control systems of the Company on a regular and ad hoc basis.

The risk management department of the Company conducts independent evaluation on the effectiveness of the existing risk management and internal control system according to the audit strategy and annual audit plan of the Company. It is also responsible for monitoring the stable and proper operation and improvement of the risk management and internal control system. Audit findings of the Company are reported to the Board and the management, and the management oversees the implementation of any remedial and improvement measures to be taken. After following up and checking, such measures have been taken as expected.

During the Reporting Period, the Board has reviewed the effectiveness of the risk management and internal control system of the Group. The Company continued to improve the standardization and systematic development of the internal control system, covering the functions of financial control, operational control, compliance control and risk management. The risk management department of the Company has carried out independent internal control audits in respect of significant risk areas and has reported to the Directors regularly in respect of the effectiveness of the risk management and internal control system and significant risks. The boards of directors of the subsidiaries have submitted evaluation reports to the Company on the effectiveness of the risk management and internal control systems. The Company considers that its risk management and internal control system are effective and adequate.

H. COMPANY SECRETARY

Ms. Leung Wan Yi has been the Company Secretary of the Company since August 2018. During the Reporting Period, Ms. Leung has received no less than 15 hours of relevant professional training to refresh her skills and knowledge.

I. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies.

The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions. The Group delivers its most updated information through announcements made on the Hong Kong Stock Exchange's website, communication with analysts, meetings with investors, maintenance of the website of the Company concerning investor relations, dissemination of investor's newsletter and public forum.

The general meetings of the Company provide a forum for communication between the Board and the Shareholders. The Chairman as well as the Chairman of the Audit, Remuneration, Nomination and Strategy Committees and, in their absence, other members of the respective committees and, where applicable, the Chairman of the independent Board committee, are available to answer questions at general meetings.

There are no changes in the Memorandum and Articles of Association during the Relevant Period. The up-to-date version of the Memorandum and Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

The Company endeavors to distribute material information about the Group to the public. To promote effective communication, the Company maintains a website at www.fosunholiday.com, where information and updates on the Company's business developments and operations, financial information and other information are available to the public.

A shareholders' communication policy for enhancement of the corporate governance had been established and the Board had reviewed the shareholders' communication policy during the Relevant Period.

J. DIVIDEND POLICY

The proposal of payment and the amount of dividends will be made at the discretion of the Board and will depend on the Company's general business condition and strategies, cash flows, financial results and capital requirements, the interests of our Shareholders, taxation conditions, statutory and regulatory restrictions and other factors that our Board deems relevant. Any final dividend distribution shall also be subject to the approval of the Shareholders in a Shareholders' meeting.

K. SHAREHOLDER RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions are proposed at general meetings for each substantially separate issue, including the election of individual Directors.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll, except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Poll results announcement will be posted on the websites of the Company and the Hong Kong Stock Exchange in the manner prescribed by the Listing Rules.

Procedures for Shareholders to convene an extraordinary general meeting

In accordance with Article 64 of the Articles of Association, any one or more Shareholders holding as at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward proposals at general meeting

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Law of the Cayman Islands. However, Shareholders who wish to propose resolutions may follow Article 64 of the Articles for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of Article 64 of the Articles of Association are set out above.

Putting Forward Enquiry/Requisition to the Board

For putting forward any enquiries or requisitions to the Board, shareholders may send written enquiries/requisitions to the Company.

Contact Details

Shareholders may send their enquiries or requisitions as mentioned above to the following:
Name: Fosun Tourism Group
Address: Room 808 & 2101-06, ICBC Tower, 3 Garden Road, Central, Hong Kong

For the avoidance of doubt, Shareholders must send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

EXECUTIVE
DIRECTORS

Qian Jiannong

Henri Giscard d'Estaing

EXECUTIVE DIRECTORS

Mr. Qian Jiannong, aged 56, was appointed as chief executive officer of the Group since the establishment of commercial business department in October 2009, and was appointed as the chairman of the Board in September 2016 and re-designated as an executive Director in August 2018. Mr. Qian has over 20 years of experience in the tourism and retail industries. He has since led us in accomplishing a series of investments in the tourism industry, such as Club Med, Vigor and Thomas Cook. Mr. Qian currently serves as a global partner and the senior vice president of Fosun International, solely responsible for the operation of our Group. He has also been a director of Club Med since 2010 and Club Med Holding since February 2015, and was a director of Yuyuan from June 2010 to December 2013. Mr. Qian has been a director of Hainan Atlantis since May 2013 and primarily responsible for overall business direction of Hainan Atlantis. He was also a non-executive director of Folli Follie from May 2011 to June 2018. Mr. Qian served as a director of Grupo Osborne, S.A. from June 2014 to November 2016. From September 2006 to August 2009, Mr. Qian also served as the chief executive officer and the executive director of Nepstar Chain Drugstore Ltd.

Mr. Qian obtained a bachelor's degree in economics from Shandong University in July 1983. He received a master's degree in economics from the University of Essen (subsequently reorganized as the University of Duisburg-Essenin) in Germany in July 1992 and was enrolled in the doctoral program in economics in the University of Duisburg-Essen from 1993 to 1997.

Mr. Henri Giscard d'Estaing, aged 62, is the deputy chief executive officer of the Company since June 2018, executive Director and the vice chairman of the Board since August 2018. He has also served as the president and director of Club Med Holding and president of Club Med Invest and also Club Med since March 2015 and December 2002, respectively. Mr. Giscard d'Estaing joined Club Med in July 1997 and successively served in various roles in Club Med. In addition, Mr. Giscard d'Estaing is also a global partner of Fosun International, which demonstrates the importance of our business within the Fosun International Group. Prior to joining Club Med, Mr. Giscard d'Estaing served as the head of development, chief executive officer of Danone's British subsidiary HP Food Lea and Perrins, chief executive officer of Evian-Badoit and an associate director in Cofremca. Mr. Giscard d'Estaing has also been observer of Casino, Guichard-Perrachon (Euronext Paris: CO) since May 2016, a member of the supervisory board of Randstad N.V. (Euronext Amsterdam: RAND) since April 2008, a member of the advisory board of BOAO Forum for Asia since April 2018 and the deputy chairman of World Tourism Alliance (WTA) since its establishment in 2017. Mr. Giscard d'Estaing graduated from Institut d'Etudes Politiques de Paris in 1977 and also received a master's degree in economics from University Paris II Panthéon-Assas in July 1979.

Wang Wenping

NON-EXECUTIVE DIRECTOR

Wang Can

Mr. Wang Wenping, aged 41, the executive Director since August 2018. Mr. Wang became our vice president and chief financial officer when he joined the Group on 24 April 2017. Before joining the Group, Mr. Wang served as the executive director, chief financial officer and company secretary at Something Big Technology Holdings Limited and served as a senior audit manager at Deloitte Touche Tohmatsu Certified Public Accountants LLP. Mr. Wang has over 18 years of working experience in the auditing and finance industries.

Mr. Wang has been a non-practicing member of the Shanghai Institute of Certified Public Accountants since June 2015, and was also a practicing member from November 2002 to April 2015. He was also granted the qualification of Chartered Professional Accountant by the Chartered Professional Accountants of British Columbia in April 2015. Mr. Wang received a bachelor's degree majoring in accounting from Xiamen University in July 2000 and received an executive master of business administration degree from China Europe International Business School in November 2018.

NON-EXECUTIVE DIRECTOR

Mr. Wang Can, aged 39, is the non-executive Director since August 2018. Mr. Wang joined the Fosun International Group in 2012, as at the end of the Reporting Period, he has also been the executive director, senior vice president and the chief financial officer of Fosun International, a non-executive director of Fosun Pharma, a director of Shanghai Ganglian E-Commerce Holdings Co., Ltd. (Shenzhen Stock Exchange: 300226) and various companies within the Remaining Fosun International Group. He once worked as the general manager of Investment Management Support Center, the co-director of Fosun Technology Innovation Center, the general manager of Investment Management Department, deputy CFO and general manager of Financial Planning & Analysis Department of the Fosun International Group. Prior to joining the Fosun International Group, Mr. Wang worked in Kingdee Software (China) Co., Ltd., PricewaterhouseCoopers Zhong Tian LLP, Standard Chartered Bank (China) Limited and Huazhu Group Limited (listed on NASDAQ with stock code HTHT, formerly known as China Lodging Group, Limited). Mr. Wang is a non-practicing member of Chinese Institute of Certified Public Accountants (CICPA) and a member of The Association of International Accountants (AIA) and the Association of Chartered Certified Accountants (ACCA). Mr. Wang graduated from Anhui University in 1997 and received an EMBA degree from China Europe International Business School in 2014.

INDEPENDENT
NON-EXECUTIVE
DIRECTORS

Allan Zeman

Guo Yongqing

Katherine Rong Xin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Allan Zeman, aged 70, the independent non-executive Director since November 2018. As at the end of the Reporting Period, Dr. Zeman has been the chairman of Lan Kwai Fong Group, the independent non-executive director of Sino Land Company Limited (Stock Exchange: 00083), Tsim Sha Tsui Properties Limited (Stock Exchange: 00247), Global Brands Group Holding Limited (Stock Exchange: 00787) and Television Broadcasts Limited (Stock Exchange: 00511). Dr. Zeman has also been the non-executive chairman and an independent non-executive director of Wynn Macau, Limited (Stock Exchange: 01128) and a non-executive director of Pacific Century Premium Developments Limited (Stock Exchange: 00432) and its independent non-executive director during the period from July 2006 to March 2018.

Dr. Zeman has been the chairman of Ocean Park from 2003 to 2014 and member of the board of West Kowloon Cultural District Authority from 2008 to 2016, and currently an honorary advisor of the Ocean Park and chairman of commercial letting panel of the West Kowloon Cultural District Authority since December 2016.

Dr. Zeman was appointed a Justice of the Peace in Hong Kong in 2001. Dr. Zeman was awarded the Gold Bauhinia Star in 2004 and the Grand Bauhinia Medal in 2011.

Dr. Zeman was awarded an Honorary Doctorate of Laws Degree from the University of Western Ontario, Canada in June 2004. In November 2012, he was also awarded Honorary Doctorate Degrees of Business Administration from City University of Hong Kong and the University of Science and Technology of Hong Kong.

Mr. Guo Yongqing, aged 44, an independent non-executive Director since November 2018. As at the end of the Reporting Period, Mr. Guo has been a professor of accounting in Shanghai National Accounting Institute and an independent director of Chongqing Brewery Co., Ltd. (Shanghai Stock Exchange: 600132) and Huangshan Tourism Development Co., Ltd. (Shanghai Stock Exchange: 600054 and 900942). Mr. Guo has also been an independent non-executive director of Tianjin Capital Environmental Protection Group Company Limited, a company listed on the Shanghai Stock Exchange and the Stock Exchange under the stock codes 600874 and 1065, respectively.

Mr. Guo has been a non-practicing member of the Chinese Institution of Certified Public Accountants since December 2009 and has also been a member of the Enterprise Accounting Standards Advisory Committee of the Ministry of Finance of China since July 2016. Mr. Guo was awarded the "Qingpu Leading Talent" by the Organization Department of CPC of Qingpu District, Shanghai and the Bureau of Human Resources and Social Security of Qingpu District, Shanghai.

Mr. Guo graduated from Dongbei University of Finance and Economics, majoring in accounting, and received a bachelor's degree in July 1996 and a master's degree in March 1999. He graduated from Shanghai University of Finance and Economics majoring in accounting with a doctor's degree in February 2002.

Ms. Katherine Rong Xin, aged 55, the independent non-executive Director since November 2018. As at the end of the Reporting Period, Ms. Xin has been Professor of Management and Associate Dean at the China Europe International Business School. Ms. Xin served as an independent director in Shanghai Blossom Hill Hotel Management Co. Ltd., a company mainly engaged in boutique hotel management in China under the *Blossom Hill* brand, from March 2012 to April 2017.

Ms. Xin was awarded Chinese Most Cited Researchers by Elsevier, a global provider of scientific, technical, and medical information, for five consecutive years from 2014 to 2018.

Ms. Xin graduated from Anhui University in July 1984 with a bachelor's degree in English. She received a master's degree in applied linguistics from Graduate University of Chinese Academy of Sciences in July 1986, and a master's degree in business administration from California State University in June 1991. She obtained a doctor's degree in business administration from the University of California in June 1995.

SENIOR MANAGEMENT

Mr. Michel Wolfovski, aged 61, is the chief financial officer and the deputy chief executive officer of Club Med. Mr. Wolfovski joined Club Med in March 1998, and is primarily responsible for overseeing the operation, management and financial matters of Club Med, and moreover is the supervisor of Club Med's business in North and South America and operations in Europe-Africa.Prior to joining Club Med, he worked at the Lagardère Group where he successively served as an auditor, the head of management control and accounting at Matra Manurhin Défense, vice president financial management at Fairchild Space and Defense Corporation in the U.S., and management finance Director at the Matra Communication group. Before that, Mr. Wolfovski served as an auditor at Ernst & Young.Mr. Wolfovski is the member of the French Institute of Certified Public Accountants. Mr. Wolfovski received his master's degree from Le Havre Business School, France, in July 1982.

Mr. Cao Ming Long, aged 54,is the senior vice president of our Group and president of Hainan Atlantis. Mr. Cao joined our group in 2013, and is primarily responsible for overseeing the construction, operation and development of Atlantis Sanya. He has over 17 years of working experience in the real estate and tourism industries.Prior to joining our group, Mr. Cao served as the chief operating officer of China real property division of Tuan Sing Group. Prior that, Mr. Cao worked at WBL Properties (China) (Private) Ltd. (formerly known as Weames Development (Private) Ltd. — China property division) where he served as the deputy general manager. Prior to that, Mr. Cao worked as the operation director/deputy managing director in Asia Food and Properties Co., Ltd. China Division.Mr. Cao obtained a bachelor's degree in medicine from the Second Military Medical University in July 1989, and obtained a master's degree in business administration from University of Leicester in July 1999.

Mr. Huang Minyu, aged 49, is the vice president of our Group and the chairman of Fosun Albion. Mr. Huang joined our group in 2016, is primarily responsible for strategic planning and resources synergization of Albion.Mr. Huang has around 17 years of working experience in real estate and tourism industries. Prior to joining our Group, he successively worked at Shanghai Forte Land Co., Ltd.. Mr. Huang also served as the director and member of the investment decision-making committee of Huayin (International) Finance Holdings Group Co., Ltd., and the president of Shanghai Xiande Real Estate Development Co., Ltd. Prior that Mr. Huang worked at Shanghai Lansheng Group and Shanghai New Century Exhibition Development Co., Ltd. as assistant general manager. Mr. Huang received a certificate for completing junior college courses majoring in water quality stabilization from East China University of Science and Technology (formerly known as East China Institute of Chemical Engineering) in 1991. He also obtained a master's degree in public administration from Northwest Normal University in June 2015.

Mr. Xu Bingbin, aged 38, is the vice president and managing director of investment management of our Group. Mr. Xu joined our group in November 2009, by the end of the Reporting Period, he is also the director of Club Med, the director of Vigor and the director of Kuyi. Currently Mr. Xu is primarily responsible for driving strategic investment projects such as Club Med, Vigor and Thomas Cook and further international investments. Prior to joining our Group, Mr. Xu served as the assistant general manager of China International Economic Consultants Co., Ltd. Shanghai Branch. Mr. Xu obtained a bachelor's degree in economics from Shanghai University in July 2003. He also received a master's degree in international business from Monash University in Australia in November 2005.

Ms. Wang Yuenan, aged 43, is the vice president and general manager of the human resources department of our group. Mrs. Wang joined our group in April 2017, and is primarily responsible for human resource strategic planning, organization design and development, leadership, talent acquisition and development. Ms. Wang has over 20 years of working experience, 13 years which focused on human resources management. Prior to joining our Group, she served as a human resources director of China, and an interim human resources leader of Asia Pacific and India of at Trane Air Conditioning System (China) Co., Ltd. Prior that, Ms. Wang worked as human resources director of Grundfos Pumps (Shanghai) Co., Ltd. She also worked at Mondelez Shanghai Food Corporate Management Co., Ltd. where she last served as the national human resources manager. Prior to that, Ms. Wang served as APAC organization development and learning leader in the Specialty Materials Business Group of Honeywell (China) Co., Ltd. Ms. Wang obtained a bachelor's degree in economics from the East China Normal University in July 1997, and obtained a master's certificate in applied psychology from East China Normal University in June 2005. She also completed the Chief Human Resource Officer Executive Education Program held by Shanghai Jiao Tong University in April 2015.

COMPANY SECRETARY

Ms. Leung Wan Yi, aged 35, has been the company secretary of the Company since August 2018. Ms. Leung joined Fosun International Group in 2015. Ms. Leung received a bachelor's degree in business administration from Hong Kong Shue Yan University in July 2007 and a master's degree in professional accounting and corporate governance from City University of Hong Kong in July 2010. Ms. Leung has experience in the company secretarial industry for years and is a Fellow of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

DIRECTORS' REPORT

The Board is pleased to present its report and the audited financial statements of the Group for the year ended 31 December 2018.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 30 September 2016 as an exempted company with limited liability under the laws of the Cayman Islands. The Shares were listed on the Main Board of the Stock Exchange on 14 December 2018.

USE OF NET PROCEEDS FROM LISTING

As of 31 December 2018, with an Offer Price of HK$15.6 per Share, we have raised net proceeds of approximately HK$3,269.9 million from the Global Offering dated on 14 December 2018, after deducting part of the underwriting commissions and listing expenses paid in connection with the Global Offering before the Over-allotment Option exercised. As stated in the Prospectus, the intended uses of the IPO Proceeds are set out as follows:

- approximately 19% of the net proceeds, is expected to be used to expand our existing business. A majority of this portion of the net proceeds is expected to be used for: (i) further developing our resort business through renovating resorts, upgrading resort facilities, extending the capacities of our existing resorts, resort maintenance and the opening of new resorts; and (ii) developing our digital technology infrastructure including management systems, digital solutions and applications for our resorts business to improve customer experience; and the remaining net proceeds is expected to be used for: (iii) enhancing our FOLIDAY branding and promoting other brands in our business, and expanding our FOLIDAY platform to increase user base, developing broader distribution network and further promoting precise and targeted sales and marketing activities; and (iv) developing our kid learning and playing business as well as cultural events, performing arts and live entertainment business;

- approximately 52% of the net proceeds, is expected to be used for (i) the development of the Lijiang Project and Taicang Project, including acquisition of additional land use right, designing, planning, construction and procurement of construction materials; and (ii) exploring new tourism destinations with valuable resources, especially those favored by Chinese customers, through cooperation with our various strategic business partners. 28% of this portion of the net proceeds is expected to be used for the development of Lijiang Project, and 72% of this portion of the net proceeds is expected to be used for the development of Taicang Project;

- approximately 26% of the net proceeds, is expected to be used to repay part of our outstanding bank loans. The Company obtained a bank loan in the amount of HK$2 billion in June 2018, repayable at the end of loan tenor: up to 12 months of the first drawdown or one month after the Listing Date, whichever is earlier. Interest is charged at the Hong Kong Interbank Offered Rate plus 1.4% to 2.5% per annum. The Company primarily use the proceeds of this loan to finance our land acquisition for the Taicang Project; and

- approximately 3% of the net proceeds, is expected to be used for working capital and general corporate purposes.

As of 31 December 2018, approximately 26% of the net proceeds, or approximately HK$850.0 million, was used to repay part of our outstanding bank loan which was obtained in June 2018 in the amount of HK$2 billion. This loan was repayable at the end of loan tenor: up to 12 months of the first drawdown or one month after the Listing Date, whichever is earlier. Interest is charged at the Hong Kong Interbank Offered Rate plus 1.4% to 2.5% per annum. Other than the net IPO proceeds, we used the cash generated from operations to repay the rest of the outstanding bank loan. We primarily use the proceeds of this loan to finance our land acquisition for the Taicang Project. Except for repayment of outstanding bank loans, as of 31 December 2018, we haven't utilized the IPO proceeds for other purpose yet.

PRINCIPAL ACTIVITIES

The Group's principal activities are (i) resorts, which we operate through Club Med and Club Med Joyview; (ii) tourism destinations, which we develop, operate and manage, including Atlantis Sanya, as well as destinations we manage for other parties; and (iii) services and solutions in various tourism and leisure settings.

BUSINESS REVIEW OF THE GROUP IN 2018

A fair view of the business of the Group in 2018 and a discussion and analysis of the material factors underlying the Group's performance, results and financial position during the year are provided in the sections headed "Business Overview" and "Management Discussion and Analysis" in this annual report, respectively. Description of the major risks and uncertainties faced by the Group can be found throughout this annual report, particularly in this Directors' Report. Particulars of important events affecting the Group that have occurred since the end of the financial year 2018, can also be found in the above mentioned sections and the notes to financial statements. The outlook of the Group's business is discussed throughout this annual report including the section headed "Letter to Shareholders".

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2018 and the state of affairs of the Group at that date are set out in the financial statements and the accompanying notes of this annual report.

The Board do not recommend the payment of final dividend to Shareholders for the year ended 31 December 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 23 May 2019 to Tuesday, 28 May 2019, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the annual general meeting, all share transfer documents accompanied by the relevant share certificates and other relevant documents, if any, must be lodged with Computershare Hong Kong Investor Services Limited, the share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 22 May 2019.

SUMMARY FINANCIAL INFORMATION

A summary of the financial information for the last four financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out in the section headed "Four-Year Statistics" in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in notes 14 to financial statements, respectively.

ISSUED SHARES

Details of movements in the Shares during the Reporting Period are set out in note 40 to financial statements.

SUBSIDIARIES

The names of the principal subsidiaries, their principal places of operation, their countries of incorporation and particulars of their issued share capital are set out in note 1 to financial statements.

BORROWINGS

Particulars of borrowings of the Group are set out in note 31 to financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the Relevant Period.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PRE-IPO SHARE OPTION SCHEME

The Company adopted a Pre-IPO Share Option Scheme on 29 December 2017 and the shareholders of Fosun International approved the said scheme on 23 February 2018. The following detailed information in relation to the Pre-IPO Share Option Scheme is set out in the circular of Fosun International dated 1 February 2018 (the "**Circular**") and note 42 to financial statements. Unless otherwise defined, the capitalized terms set out herein shall have the same meanings as set out in the Circular. The major terms of the Pre-IPO Share Option Scheme are as follows:

1) The purpose of the Pre-IPO Share Option Scheme is to provide the participants with the opportunity to acquire proprietary interests in the Company and to encourage the participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholder(s) as a whole.

2) The Participants of the Pre-IPO Share Option Scheme include (i) any full-time employee(s) of the Company or of any of its subsidiaries; (ii) directors of the Company or of any of its subsidiaries; and (iii) any person(s) whether or not an employee(s) or officer(s) of the Company or of any of its subsidiaries who the Board, or the duly authorized committee thereof, considers to be able to enhance the operations or value of the Group.

3) The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Pre-IPO Share Option Scheme and other share option schemes of the Company shall not exceed the Scheme Mandate Limit (being 10% of the number of the relevant class of shares of the Company in issue as of the Adoption Date). The Scheme Mandate Limit shall include the number of shares of the Company which would be issued upon the exercise of all outstanding Options by the Grantees (to the extent not already exercised) together with the number of shares of the Company which have already been issued pursuant to the earlier exercise of any Option granted under the Pre-IPO Share Option Scheme. The total of 100,000,000 Shares available for issue under the Pre-IPO Share Option Scheme representing approximately 8.18% of the issued Shares as of the end of the Reporting Period.

4) The total number of shares of the Company which may be issued and to be issued upon exercise of the Options granted and to be granted to each Participant or Grantee (as the case may be) (including both redeemed and outstanding Options) in any 12-month period shall not exceed 1% of the number of the relevant class of shares of the Company in issue as of the proposed date of grant; unless any further grant of Options (including redeemed, cancelled and outstanding Options) to the Participant or the Grantee exceeding the 1% limit is made in compliance with the requirements under the Listing Rules (including the prior approval of the shareholders of Fosun International).

5) The exercise period of any option granted under the Pre-IPO Share Option Scheme must not be more than 10 years commencing on the date of grant.

6) The acceptance amount for the option is determined by the Board or the duly authorized committee thereof from time to time.

7) The Exercise Price shall be determined solely by the Board, or the duly authorized committee thereof, with reference to factors which may include business performance and value of the Company and individual performance of the relevant Grantee.

8) Subject to the termination provisions under the Pre-IPO Share Option Scheme and provided that under no circumstance shall the life of the Pre-IPO Share Option Scheme be more than 10 years from the Adoption Date, the Pre-IPO Share Option Scheme shall be valid and effective for a period commencing on the Adoption Date and ending on the date immediately preceding the date of Listing, after which period no further Options shall be granted but the provision of the Pre-IPO Share Option Scheme shall remain in full force and effect in all other respects.

On 14 December 2018, the Shares were listed and traded on the Main Board of the Stock Exchange, since then, no further options has been or will be granted under the Pre-IPO Share Option Scheme.

During the Reporting Period, the Company has granted accumulated 45,645,277 Options to subscribe for an aggregate of 45,645,277 Shares under the Pre-IPO Share Option Scheme. As of the end of the Reporting Period, 44,555,517 effective Options were outstanding except for the expired, lapsed or cancelled Options. The aggregate fair value of the Options granted amounted to approximately RMB184,620,000.

The following table discloses movements in the Company's outstanding Options under the Pre-IPO Share Option Scheme during the Reporting Period.

Name of Grantee	Date of grant of the Options	On 1 January 2018	Number of the Options: Granted during the Reporting Period	Exercised during the Reporting Period	Expired/lapsed/cancelled during the Reporting Period	On 31 December 2018	Exercise period of the Options	Exercise price of the Options per Share (HKD)
Qian Jiannong	23 February 2018	–	20,000,000	–	–	20,000,000	22 February 2019 to 22 February 2026[1]	8.43
Wang Wenping	23 February 2018	–	536,625	–	–	536,625	28 December 2018 to 28 December 2021[2]	8.43
	19 November 2018	–	810,000	–	–	810,000	18 November 2019 to 18 November 2022[3]	15.60
Other Grantees	23 February 2018	–	11,292,132	–	1,089,760	10,202,372	28 December 2018 to 28 December 2021[2]	8.43
	19 November 2018	–	13,006,520	–	–	13,006,520	18 November 2019 to 18 November 2022[3]	15.60
Total		**–**	**45,645,277**	**–**	**1,089,760**	**44,555,517**		

Notes:

1. The Options, being granted to Mr. Qian Jiannong on 23 February 2018 shall be vested according to the following period:

Percentage of Options to be vested	Vesting Date
20%	22 February 2019
20%	22 February 2020
20%	22 February 2021
20%	22 February 2022
5%	22 February 2023
5%	22 February 2024
5%	22 February 2025
5%	22 February 2026

2. The Options, being granted to Mr. Wang Wenping and other Grantees on 23 February 2018 shall be vested according to the following period:

Percentage of Options to be vested	Vesting Date
25%	28 December 2018
25%	28 December 2019
25%	28 December 2020
25%	28 December 2021

3. The Options, being granted to Mr. Wang Wenping and other Grantees on 19 November 2018 shall be vested according to the following period:

Percentage of Options to be vested	Vesting Date
25%	18 November 2019
25%	18 November 2020
25%	18 November 2021
25%	18 November 2022

The exercise of the Options by the Grantees shall be subject to and conditional upon the fulfillment of certain performance targets as the Board, or the duly authorized committee thereof, may determine at its sole discretion in accordance with the Pre-IPO Share Option Scheme.

Save as disclosed above, there were no outstanding Options granted under the Pre-IPO Share Option Scheme during the Reporting Period.

PRE-IPO SHARE OWNERSHIP PLAN AND PRE-IPO FREE SHARE AWARD PLAN

Details of the Pre-IPO Share Ownership Plan and Pre-IPO Free Share Award Plan are set out in note 42 to financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the Consolidated Statement of Changes in Equity of this annual report and details of movements in the reserves of the Company during the Reporting Period are set out in note 41 to financial statements.

On 31 December 2018, the Company's reserves available for distribution amounted to RMB8,037.0 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Group's five largest suppliers contributed less than 30% of the total purchases and the Group's five largest customers contributed less than 30% of the total sales.

During the Reporting Period, none of the Directors or any of their close associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued shares) had any beneficial interests in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the Relevant Period were:

Executive Directors

Mr. Qian Jiannong *(Chairman and Chief Executive Officer)*
Mr. Henri Giscard d'Estaing *(Vice Chairman and Deputy Chief Executive Officer)*
Mr. Wang Wenping *(Vice President and Chief Financial Officer)*

Non-executive Director

Mr. Wang Can

Independent Non-executive Directors

Dr. Allan Zeman
Mr. Guo Yongqing
Ms. Katherine Rong Xin

According to Article 109 of the Articles of Association, Mr. Qian Jiannong, Mr. Henri Giscard d'Estaing and Mr. Wang Wenping shall retire by rotation at the annual general meeting. All of the above three retiring Directors, being eligible, will offer themselves for re-election at the same meeting.

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Qian Jiannong and Mr. Wang Wenping, being our executive Directors, has entered into a service contract with our Company on 19 November 2018, and Mr. Henri Giscard d'Estaing, our executive Director, entered into a service contract with our Company on 4 September 2018. Each service contract is for an initial term of three years commencing from the Listing Date. The service contracts may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations.

Each of Mr. Wang Can, being our non-executive Director, Dr. Allan Zeman, Mr. Guo Yongqing and Ms. Katherine Rong Xin, being our independent non-executive Directors, has entered into a letter of appointment with our Company on 19 November 2018. Each letter of appointment is for an initial term of three years commencing from the Listing Date. The letters of appointment may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations.

DIRECTORS AND SENIOR MANAGEMENT REMUNERATION

The Remuneration Committee of the Company considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate. References to the remuneration standards of the industry as well as the business development of the Company are made to ensure the level of remuneration should be sufficient to attract and retain the Directors, and the Company should avoid paying more than necessary for this purpose.

Details of the Directors remuneration are set out in note 9 to financial statements.

The remuneration of senior management by band for the year ended 31 December 2018 is set out below:

	Number of senior management
RMB1,000,001 to RMB2,000,000	2
RMB2,000,001 to RMB4,000,000	2
RMB4,000,001 to RMB6,000,000	–
RMB6,000,001 to RMB8,000,000	1
RMB8,000,001 to RMB10,000,000	–
RMB10,000,001 to RMB12,000,000	–
	5

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the Relevant Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of 31 December 2018, none of the Directors nor their respective associates had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 31 December 2018, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

(i) Interests in the Shares

Name of Director/Chief executive	Nature of interests	Number of Shares/ underlying shares interested	Approximate percentage in relevant class of shares
Qian Jiannong	Beneficial owner	21,500,804	1.76%
Henri Giscard d'Estaing	Beneficial owner	850,230	0.07%
Wang Wenping	Beneficial owner	1,746,625	0.14%
Wang Can	Beneficial owner	829	0.00%

(ii) Interests in associated corporation

Name of Director/Chief executive	Name of associated corporation	Nature of interests	Number of Shares/underlying shares interested	Approximate percentage in relevant class of shares/
Qian Jiannong	Fosun International	Beneficial owner	9,585,000	0.11%(1)
Henri Giscard d'Estaing	Fosun International	Beneficial owner	3,100,000	0.04%(1)
	Club Med Holding	Beneficial owner	375,000(2)	0.56%
Wang Can	Fosun International	Beneficial owner	9,725,000	0.11%(1)

Notes:

(1) The calculation is based on the total number of 8,546,928,994 shares of Fosun International in issue as of the end of the Reporting Period.

(2) Including 257,813 ordinary shares of Club Med Holding and 117,187 preferred share C of Club Med Holding.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As of 31 December 2018, so far as was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholder	Nature of interests	Number of Shares/underlying shares interested	Approximate percentage in relevant class of shares
Fosun International	Beneficial owner	1,000,000,002	81.76%
FHL(1)	Beneficial owner	15,389,930	1.26%
	Interest in controlled corporation	1,000,000,002	83.02%
FIHL(2)	Interest in controlled corporation	1,015,389,932	83.02%
Guo Guangchang(3)	Interest in controlled corporation	1,015,389,932	83.02%

Notes:

(1) FHL holds approximately 70.72% equity interest in Fosun International, and is therefore deemed to be interested in the Shares directly held by Fosun International.

(2) FIHL holds 100% equity interest in FHL, and is therefore deemed to be interested in the Shares which FHL is interested in.

(3) Guo Guangchang holds 85.29% equity interest in FIHL, and is therefore deemed to be interested in the Shares which FIHL is interested in.

Save as disclosed above, so far as was known to the Directors, as of 31 December 2018, the Company has not been notified by any persons (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance were entered into between the Company or any of its subsidiaries and any controlling shareholders or any of its subsidiaries during the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as of the date of this annual report, the Company has maintained sufficient public float in compliance with the minimum requirement of the Listing Rules and the relevant exemption granted by the Stock Exchange upon the Company's listing.

CONNECTED TRANSACTIONS

As mentioned in the Prospectus, the following are the partially exempt continuing connected transactions. The Company did not enter into any connected transaction during the Relevant Period.

1. On 19 November 2018, the Company entered into a property lease and management services framework agreement with Fosun International, (the "**Office Property Lease and Management Services Framework Agreement**"), pursuant to which the Remaining Fosun International Group agreed to lease properties, including but not limited to the properties of the Remaining Fosun International Group in Beijing and Shanghai, for office use and provide related property management services, where applicable, to the Group. The Office Property Lease and Management Services Framework Agreement is for a term commencing on the Listing Date until 31 December 2020 and is renewable for a term of three years upon mutual consents and subject to the requirements under the Listing Rules and other applicable laws and regulations. The annual cap for the year ended 31 December 2018 is RMB9.5 million, while the actual transaction amount for the year ended 31 December 2018 is approximately RMB2.7 million.

   As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of the transactions contemplated under the Office Property Lease and Management Services Framework Agreement, on an annual basis, exceeds 0.1% but less than 5%, and they are on normal commercial terms, these transactions are subject to the reporting, annual review and announcement requirements, but are exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For further details about the Office Property Lease and Management Services Framework Agreement, please refer to the Prospectus.

2. SCM Corporation, a subsidiary of Club Med, entered into a management agreement covering Club Med Tomamu Resort with Hoshino Tomamu on 20 June 2016, as amended on 8 December 2017 (collectively, the "**Tomamu Resort Management Agreement**"), pursuant to which SCM Corporation, as the manager, agreed to provide management service for the Club Med Tomamu Resort. On 16 May 2017, Hoshino Tomamu, SCM Corporation and CMJ Management Corporation (a subsidiary of Club Med) entered into an assignment agreement pursuant to which SCM Corporation assigned all of its rights and obligations and contractual status under the Tomamu Resort Management Agreement to CMJ Management Corporation. Under the Tomamu Resort Management Agreement, Hoshino Tomamu is granted until the termination of such agreement a non-exclusive, non-assignable and non-transferable license to use Club Med's names and trademarks as necessary for the resort's operation and promotion. On 20 June 2016, Club Med entered into a sales and marketing agreement with Hoshino Tomamu covering the same resort, as amended on 20 June 2016 (collectively, the "**Tomamu Resort Sales and Marketing Agreement**"), pursuant to which Club Med agreed to act as the exclusive and sole agent to promote, sell and market the Club Med Tomamu Resort as a Club Med product in accordance with the Club Med system.

Each of the Tomamu Resort Management Agreement and the Tomamu Resort Sales and Marketing Agreement has a term of ten years commencing from 1 December 2017, the soft opening date of Club Med Tomamu Resort. As required by Rule 14A.52 of the Listing Rules, the period for the agreement for a continuing connected transaction must not exceed three years, except where the nature of the transaction requires the agreement to be of a duration longer than three years. Under Club Med's management contract operating model, Club Med usually enters into a long-term management and sales and marketing agreement to ensure business stability and continuity because it is not in the interest of both the resort owner and resort manager to frequently change the resort managers or to enter into short-term management agreements which could result in disruptions to operations. It also takes time to find new places and properties that are suitable to be managed and marketed under the Club Med brand. As such, a longer duration gives Club Med longer term visibility on its costs of operations and allows Club Med to share the future growth of the resort and boost its revenue. Our Directors are of the view that entering into the Tomamu Resort Management Agreement and the Tomamu Resort Sales and Marketing Agreement for a period of more than three years is in line with normal business practice and is in the interests of the Company and Shareholders as a whole. The annual cap of Tomamu Resort Management Agreement and Tomamu Resort Sales and Marketing Agreement for the year ended 31 December 2018 is RMB16.3 million and RMB98.3 million respectively, while the actual amount of Tomamu Resort Management Agreement and Tomamu Resort Sales and Marketing Agreement for the year ended 31 December 2018 is approximately RMB9.7 million and RMB74.5 million respectively.

As the Tomamu Resort Management Agreement and the Tomamu Resort Sales and Marketing Agreement were both entered into by the Group with Hoshino Tomamu in respect of the management of Club Med Tomamu Resort, such continuing connected transactions thereunder have been aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of these transactions, on an annual basis, exceeds 0.1% but less than 5%, and they are on normal commercial terms or better, the transactions are subject to the reporting, annual review and announcement requirements, but are exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For further details about the Tomamu Resort Management Agreement and Tomamu Resort Sales and Marketing Agreement, please refer to the Prospectus.

ANNUAL REVIEW BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS AND THE AUDITOR

Our independent non-executive Directors have reviewed the continuing connected transactions outlined above, and confirmed that such Continuing Connected Transactions had been entered into:

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

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the Company and Shareholders as a whole.

Our auditor has performed the relevant procedures regarding the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740, *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 53 and 54 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The auditor of the Company has performed agreed upon procedures regarding the continuing connected transactions entered into by the Group during the year ended 31 December 2018 as set out above and states that:

(a) nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Board;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to our attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

Save as disclosed in this annual report, during the year ended 31 December 2018, the Company had no connected transactions or continuing connected transactions which fell to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions.

NON-COMPETITION UNDERTAKING

As disclosed in the Prospectus, the independent non-executive Directors will review the matters, relating to the enforcement of the deed of non-competition undertaking dated 26 November 2018 (the "**Deed of Non-competition Undertaking**") to ensure the compliance of Deed of Non-competition Undertaking by the Controlling Shareholders. During the Relevant Period, the independent non-executive Directors have reviewed matters relating to the enforcement of the Deed of Non-competition Undertaking. Controlling Shareholders have provided the Company with an annual declaration of compliance with the provisions of the Deed of Non-competition Undertaking.

During the Relevant Period, the Controlling Shareholders have provided the Company with all information necessary for the enforcement of the Company's rights under the Deed of Non-competition Undertaking or all information required by the Company for the review of independent non-executive Directors. The Company has also accessed to appropriate staff members of the Controlling Shareholders to discuss and obtain such information, in order to enable the Company to consider whether to exercise any of its rights under the Deed of Non-competition Undertaking.

RELATED PARTY TRANSACTIONS

Related party transactions entered by the Group during the Reporting Period are disclosed in note 49 to financial statements. During the year ended 31 December 2018, certain related party transactions constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the Reporting Period of the Group are set out in note 53 to financial statements and the "Business Overview" in this annual report.

ENVIRONMENT POLICY AND THE PERFORMANCE

The Company actively fulfils social responsibility, protects and cares for the environment, makes good use and cherishes resources, adopts more environment-friendly design and technology, enhances the sense of environmental protection among employees, cooperative partners and customers, and strives to minimize the impact of the Company's businesses on the environment. Details are set out in the section "Environmental, Social and Governance Report" in this annual report.

RELATIONSHIP WITH ITS EMPLOYEES, CUSTOMERS, SUPPLIERS AND INVESTORS

The Company actively manages its relationship with employees, customers, suppliers, investors, the general public in communities where it operates and other stakeholders, since the actions of such persons are able to influence the performance and value of the Company.

The Company adopts a variety of ways to communicate with its employees, such as FOLIDAY Sharing Sessions (non-regular) and their performance review and feedback from management heads in different tiers. These communication channels allow the Company to understand its employees and at the same time to deliver the Company's strategies and culture to its employees, through which the latest information of the country, industries and enterprises is also shared with our employees, thus a diverse platform for learning and development is provided. Our employees are also encouraged to attend charitable activities for upholding the Group's value and brand.

The Company actively manages its relationship with investors. Subject to the compliance requirement, the Investor Relations Department actively conveys the Company's information to the market to ensure high degree of transparency and smooth communication. In addition to the daily communication with the analysts and investors, we also hold results press conference, roadshow and reverse roadshow, investors' teleconference, etc.

COMPLIANCE WITH LAWS AND REGULATIONS

Though the Company is incorporated in the Cayman Islands, its business activities and investments cover various jurisdictions in addition to Hong Kong including but not limited to Chinese mainland, the United States of America and Europe. During the Relevant Period, the Company had complied with all material laws and regulations of jurisdictions aforesaid that have an impact on the Company.

MAJOR RISKS AND RESPONSIVE MEASURES

With the growth of global operations, the Group further enhanced group-level risk management in 2018, and improved enterprise risk management system from the aspects of organizational structure, management policies and work flows to enhance risk management level. Nevertheless, the Group is fully aware of the risks and uncertainties in its operations, such as:

1. Strategic risk

Strategic risk refers to the risk that the established strategy does not match the market environment and the company's capability due to the invalid process of strategy formulation and implementation or the change of business environment. The Group's business spans the globe, and there exists certain uncertainty in the judgment of the industry development trend. The Group may also not be able to achieve its expectation in integrating global industrial resources and promoting synergy.

On the basis of fully studying the development trend of domestic and foreign markets and national policies, the Group ensures the coordination of the strategic objectives of the Group and its subsidiaries, by formulating long-term development strategy. Meanwhile, the group regularly reviews the development strategy of the group and dynamically adjusts the strategy according to the changes of external conditions. The group promotes the implementation of the established strategies by formulating annual budgets and business plans, and tracks the achievement of plans through monthly meetings and business analysis meetings, so as to guide subsidiaries in strategic risk management and avoid negative effects caused by lack of strategic synergy among subsidiaries.

2. Market risk

We operate in a competitive and fragmented industry. Although we are dedicated to providing quality tourism and leisure products and services to our customers and focus on mid- and high-end markets that are difficult to penetrate, we face competition from competitors of similar grades and/or styles in the same geographical market. Moreover, there is no guarantee that other brand competitors will not enter into this market with competitive services and prices. The success of our business will depend largely on our ability to compete in areas such as brand reputation, company image, service prices and quality, and convenience of resort and tourism destination location. Our competitors may offer more facilities and/or services at similar or more competitive prices compared to ours to attract more customers. If the efforts of our competitors are successful, our business may be adversely affected. For example, our resorts may experience lower occupancy rates, or our resorts are required to lower room rates, both of which will result in a material and adverse effect on our business, financial condition and results of operations.

We constantly conduct research and monitor industry trends in order to anticipate changes in our industry or create new demand for innovative products and services that we design. The diversity of our destinations mitigates the risks arising from seasonality or over-concentration in a particular geographical area. We mitigate the off-season impact by attracting more customers through promoting our resorts and tourism destinations through offering well-designed kid camps, leisure-related healthcare services, and other activities. These efforts can help offset some of the seasonal variations in our operations.

We also utilize our global resources to provide customized development plans and solutions for the tourism destination projects by taking into account the specific location characteristics and changing consumer trends. We have enhanced our ecosystem by expanding our portfolio of increasingly popular and innovative tourism and leisure resources, solutions, activities and services, to serve our customers' tourism and leisure needs within our FOLIDAY ecosystem. We intend to increase the attractiveness of our ecosystem through introducing a greater variety of experience-enriching offerings, which allow our customers to interact more frequently with our platform

3. Financial risk

We undertake a wide range of financial risks, including currency risk, fair value interest rate risk and cash flow interest rate risk, credit risk and liquidity risk. We operate resorts all over the world and are exposed to the risk of fluctuations in foreign exchange rates. Our exposure to the risk of changes in market interest rates relates primarily to the long-term debt obligations with floating interest rates. Our reporting currency is the RMB.

As we conduct our businesses worldwide, we receive foreign currency payments from our customers during our daily operations, and we have different bank borrowing balances in different currencies. The fluctuations in currency exchange rates may significantly decrease the RMB amount received from foreign currency revenues, and could have a significant impact on our indebtedness position. As a result, we are subject to fluctuations in currency exchange rates which may cause volatility in our results of operations and may make it difficult or impossible to compare our results of operations from period to period. We have entered into interest rates swap contracts to manage interest rate exposures on borrowings. In order to exercise prudent management against interest rate risks, we continue to review market trends against its business operations and financial position in order to arrange the most interest rate risk management tools.

4. Operational risk

Operational risk is the prospect of loss resulting from inadequate or failed procedures, people and systems, or from external events. The Group operates resorts and tourism destinations in over 40 countries and regions and faces operational risks in terms of customer safety, food safety and personal data protection, etc.

We have set up an internal control system and enhanced our risk management and internal control policies and systems in a continual effort to improve our risk management capabilities and enhance our internal controls. Our internal control system is organized on a decentralized basis, underpinned by rules relating to organization, strategies, procedures and practices aimed at controlling risks that may have a material impact on our assets or on our ability to achieve our objectives. Internal control procedures in each business unit extend to every level of the Group and are the responsibility of the operating and corporate departments.

For the quality control of services provided in our tourism destinations, we have established a series of monitoring measures, including but not limited to the establishment of customer relation service departments to manage all customers' claims and communications and quality control measures on quality of food, outsourced services and transportations. We also hire third-party health and safety management companies to conduct regular food safety inspections. For our services and solutions in various tourism and leisure settings, we have implemented quality control measures such as reviewing customers' comments on online platforms, and monitoring the qualities of our services and platform on a regular basis to ensure timely quality improvements.

Our information systems are designed to meet requirements for security, reliability, availability and traceability of information. We have implemented security systems to ensure that such data are protected and loss of such data, whether through hacking or other means, is avoided, so as to ensure the security of the information systems and the integrity of our data. Only employees with the professional necessity to access the customers' information are authorized with a limited access to such confidential information, and employees are forbidden from extracting from our information systems any data of a personal nature and in particular the data subject to privacy protection.

5. Compliance risk

Compliance risk refers to the risk of legal liability, regulatory penalties, financial losses or reputational losses caused by the company and its staff and marketers due to non-compliance in business management or practice. While the Group operates business all over the world, it is also required to comply with the laws and regulations of different jurisdictions.

The Group is well aware of the importance of compliance management to the development of the company and always regards environmental protection, occupational health, safe production and quality management (EHSQ) as an important part of fulfilling social responsibility. The Group complies with the information disclosure requirements of the Hong Kong Stock Exchange and fulfills its disclosure obligations in a timely manner. We have established local legal teams in all regions of our business operations to handle legal matters of different jurisdictions. Where necessary, we also seek advice from external counsel. To improve efficiency of legal management, the legal teams confer periodically to share information such as best practices and insights into newly promulgated laws which have impact on our operations, and the local legal teams are required to promptly notify the central legal department of sensitive matters, including but not limited to material legal proceedings, significant projects and projects involving legal risks.

6. Reputational risk

Reputational risk refers to the risk of loss resulted from stakeholders' negative comment on the company caused by business management or external events. Any incident or adverse publicity concerning any one of our resorts, tourism destination and/or brands may adversely affect our businesses under the same brand as a whole. For example, any incident or adverse publicity concerning any one of our Club Med resorts may adversely affect all our resorts under the Club Med brand, and may result in a decreased number of guests and adversely affect our results of operations.

The Group has established a reputational risk management mechanism of prior warning, in-process response, ex post inspection and reputation recovery.

FUTURE DEVELOPMENT OF THE GROUP

Future development of the Group is set out in the "Letter to Shareholders" and "Business Overview" in this annual report.

PERMITTED INDEMNITY PROVISION

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office. The Company has arranged appropriate directors' and officers' liability insurance for the Directors and officers of the Group.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights in relation to, the Shares, they are advised to consult an expert.

AUDITORS

The financial statements of the Group were audited by Ernst & Young. Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On Behalf of the Board

Qian Jiannong
Chairman

15 March 2019

MESSAGE FROM THE MANAGEMENT

This environmental, social and governance report (the "ESG Report") aims to illustrate the Group's policies, performance and measures on environment, employment, health and safety, development and training, labor standards, supply chain management, product liability, anti-corruption and community investment in an objective and balanced manner and covers the main businesses operated by the Group and its important investees. The reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency" as set out in the Environmental, Social and Governance Reporting Guide, Appendix 27 of the Listing Rules underpin the preparation of the ESG Report, the contents of the ESG Report and the presentation of information.

ENVIRONMENT

Our business activities may potentially cause impacts to the environment. In this connection, we have different measures in place to mitigate the significant impacts of emissions, discharges and waste generation on the environment and natural resources, and improve the quality of our environment by the efficient use of resources including but not limited to continuously improve management and adopt advanced technologies during the operations to reduce greenhouse gas emissions and wastewater, carry out energy conservation and emission reduction, continue to adopt more environmentally friendly raw materials and purchase eco-certified products or products that obtained a fair trade label. We have adopted various approaches to manage the environmental impacts of our operations. Environmental considerations are integrated in our business operation. We have also implemented green initiatives, spread the practice, advocate for environmental protection in our business operation and communicated clearly with the suppliers and contractors about our concerns.

During the Reporting Period, we comply with the environmental laws and local standards relating to greenhouse gas emissions, discharge into water, and generation of hazardous and non-hazardous waste and there was no significant impact of activities on the environment and natural resources.

Reducing Greenhouse Gas Emissions

The Group has various environmental protection policies and measures, among them the first Life Cycle Analysis (LCA) of Club Med was conducted in 2006. Club Med manages its progress through its global environmental monitoring system, Tech Care. Please see greenhouse gas emission data in 2017 and 2018 as below:

GREENHOUSE GAS EMISSIONS (GHG Protocol)

	Unit	2018	2017
Total Hotel Days (THD) of the reporting scope	thousands	**11,366**	10,690
Hotel Day Capacity (HDC) of the reporting scope	thousands	**12,536**	11,839
Direct emissions from building combustion system	t eCO2	**32,662**	28,363
Direct emissions related to vehicule and boat fuel	t eCO2	**3,048**	3,477
Direct fugitive emissions (refrigerant gas)	t eCO2	**16,410**	20,976
Total direct emissions (scope 1)	t eCO2	**52,121**	52,816
Indirect emissions related to purchased electricity	t eCO2	**92,746**	88,352
of which avoided emission deducted (RE emissions certificates - France)	t eCO2	**2,187**	1,920
Indirect emissions related to urban heat	t eCO2	**1,133**	1,376
Total indirect emissions (scope 2)	t eCO2	**93,880**	89,728
Total emissions (scopes 1+2)	t eCO2	**146,000**	142,544
Carbon intensity (building energy) par THD	kg eCO2	**11.1**	11.0
... per Hotel Day Capacity	kg eCO2	**10.1**	10.0
Carbon intensity (scope 1+2) par THD	kg eCO2	**12.8**	13.3
... per Hotel Day Capacity	kg eCO2	**11.6**	12.0

The Group aims to reduce carbon intensity linked to the energy use of buildings. In 2018, 17% of electricity consumed came from renewable sources (EDF green certificates and hydropower produced in the village) and in choosing the renewable energy equipment, We focused on already mature and high-yield technologies.

– Currently 4% of the villages are equipped with photovoltaic panels (6000 m^2) and 28% of villages are equipped with solar thermal panels (about 3000 m^2) corresponding on average to about 20% of needs in sanitary hot water.

– 23% of villages have refrigeration heat recovery units (vs 26% in 2017).

– Heat pumps are installed in 30% of villages as of 2018 (vs 15% in 2017).

In 2018, greenhouse gases related to the use of refrigerant gases decreased by 21.8% vs 2017 with the introduction in Europe, Africa and North America of a new generation of heavy fuel oil (HFO) gas that not only has similar performance and safety characteristics similar to hydrofluorocarbon (HFC), but most importantly good environmental properties characterized by a low global warming potential (GWP).

Waste Management

The waste management improvement process of the Group has been strengthened and accelerated by the Green Globe rollout and consists of:

– reducing waste at the source via purchasing (minimizing packaging) and changes in services (eliminating some individual packaging);

– increasing the reuse of resources and decreasing the use of disposable products;

– generalizing quantitative monitoring of waste; and

– setting targets for reducing waste that is not recycled with the aim of moving toward zero waste.

In 2018, we launched its "Bye-Bye Plastic" programme aiming to remove single-use plastic products at the bar, in the restaurant but also in rooms by 2021 (straws, dishware, amenities in the rooms, etc.).

Besides, commitments made under the Green Globe certification continued to be implemented with:

– systematic sorting carried out in all departments;

– a more proactive search for waste channels; and

– signing of a food waste collection contract in France since 2017.

Lastly, we continue to work with their suppliers and carriers on the recovery and reuse of packaging (containers, pallets, plastic crates for fish to replace polystyrene bins, etc.).

The following tables show the total hazardous and non-hazardous waste produced by Club Med in 2017 and 2018:–

	Total production in 2018 (in tonnes)	Total production in 2017 (in tonnes)
Hazardous waste (e.g. cooking oils, batteries, WEEE (as defined below))	**About 150 tonnes of cooking oil estimated + about 10 tonnes of others hazardous waste**	About 70 tonnes of cooking oil estimated + about 140 tonnes of others hazardous waste
Non-hazardous waste (e.g. compostable waste like food waste)	**About 20,000 tonnes of non-hazardous recycled waste estimated + about 22,000 tonnes of non-hazardous & non-recycled waste estimated**	About 3,000 tonnes of non-hazardous recycled waste estimated + 15,000 tonnes of non-hazardous & non-recycled waste estimated

	2018	2017
Hazardous waste (e.g. cooking oils, batteries, WEEE (as defined below))	**0.013kg/THD**	0.006kg/THD
Non-hazardous waste (e.g. compostable waste like food waste)	**1.68kg/THD**	0.36kg/THD

We are concerned about hazardous waste such as cooking oils, batteries, WEEE (waste electrical and electronic equipment) and computer consumables, energy-saving light bulbs, medical waste (infectious clinical waste) and empty containers of hazardous products (paints, solvents, etc.), thus, we are committed to use the appropriate channels for all its waste and, as part of the Green Globe deployment, to proactively seek out solutions where they do not currently exist.

In 2018:

– regular outreach in all villages on sorting, tracking and maintaining records of this type of waste; and

– a proactive search for hazardous waste solutions, as needed, in new villages involved in the Green Globe process, and customer guidance on the proper handling of potentially infectious waste.

All villages now systematically recycle where the appropriate channels are available.

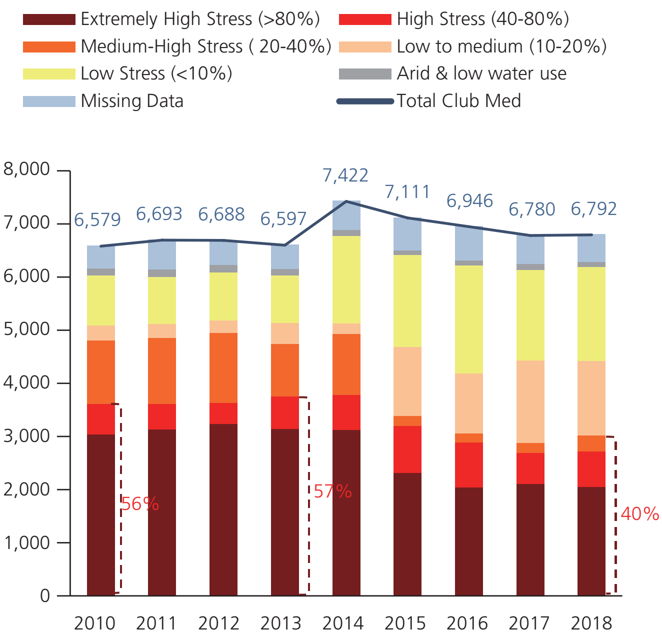
Given our vast experience in buffet management, we are able to control the production of food waste per hotel day. The recycling of food waste has been introduced, following the signature of a biowaste collection contract with an industrial for collection and recovery of organic waste.

Use of Resources

WATER

Our resorts frequently operate in seaside locations in warm weather regions, which explains the high percentage of water from areas of high or very high water stress.

Withdrawal water by water stress zone (thousand of m3) – Worldwide



	Unit	2018	2017
Water consumption in intensity	m3 by Hotel Day Capacity	**0.544**	0.575

To control water consumption, we have taken the following actions:–

Reusing recycled water, curbing watering needs

Due to the fact that the operations are often in far-flung locations, we frequently had to "produce" its own water by drilling wells or through desalination (seawater or brackish groundwater) from very early. Water recycling is a common practice in the villages, especially those with green spaces where virtually all treated water is reused for irrigation.

– 39% of villages (excluding ski resorts) recycle their water for irrigation.

– 50% of villages (excluding ski resorts) use their own or purchased recycled water for irrigation.

Implementation of Efficient Equipment

Village facilities and equipment have been designed to control water consumption (flow regulators on taps, pressure reducers, water-saving flushing, centralized irrigation management systems, drip irrigation, etc.). In addition, maintenance work is performed regularly at all villages, such as repairing leaks in the water supply etc.

ENERGY

Reducing energy use is a major concern for the Group given the pressures on energy resources, both present and future, and the threat of future repercussions on energy prices and the quality and reliability of supplies, as well as the probable future existence of a carbon price.

The following tables showing the total direct and indirect energy consumption and consumption ratio of resorts in 2017 and 2018:–

	Total consumption in 2018 (kWh in '000)	Total consumption in 2017 (kWh in '000)
Total direct and indirect energy	**386,337**	352,066

	Unit	2018	2017
Total direct and indirect energy consumed per THD	kWh	**34.0**	32.9
….per Hotel Day Capacity	kWh	**30.8**	29.7

We make use of different energy-saving initiatives to reduce our environmental impact and carbon footprint. For example, facilities like centralized building management systems, automatic heating, ventilation and air conditioning (HVAC) shut-off systems, key tags, LED lighting and energy-saving light bulbs, presence sensors are being installed.

On the other hand, we understand that behavioural change is essential to derive longer-term results. Within the Group, we encourage our staff to conserve energy in daily operations.

For the total packaging material used for finished products, we are of the view that it is not applicable to our business.

SUPPLY CHAIN MANAGEMENT

Supply chain is essential to enhance sustainability performance of the Group and suppliers are expected to equip with same business ethics. Sustainability performance of potential suppliers will be considered as a selection criteria for their application, where suppliers shall fulfil the requirements such as legal and regulatory compliance, occupational health and safety, non-discrimination, anti-corruption, labour and environmental policies etc. We also put emphasis on transparency during the communication, selection and supervision process with suppliers. Regular monitoring will be conducted to assess the performance of existing suppliers. Suppliers who are unable to fulfil our requirements may be asked for clarification or suspended or delisted depending on the severity of the issue.

The overall strategy for procurement management of the Group is: accommodation, evolution, cost reduction, efficiency enhancement. Accommodation and evolution are strategic measures whereas cost reduction and efficiency enhancement are strategic goals. The basic principles of the Group for procurement practices are: openness, fairness and impartiality. The basic principles of the Group for selection of suppliers are: meeting the technical and business requirements and winning the bid at the lowest price.

PRODUCT AND SERVICE QUALITY

The Group places a high priority on product and service excellence for our customers. We have policies and practices to ensure that our products and services meet our quality standards. In 2018, there were no incidents of non-compliance with any material laws and regulations concerning the provision of our products or services, including but not limited to, health and safety, product and service information, marketing communications and advertising, and privacy matters. To fulfil product responsibility, we clearly communicate with, build capacity in and receive vigorous support from our employees, customers and supply chain.

The quality and reliability of sales information is an essential condition of a relationship of trust between a company and its customers, especially when it comes to products as involved as vacations.

In light of this, and of our strong brand awareness and reputation, we rely on a specific process managed by Marketing department, and on the various departments, including the Legal Department, to ensure that promotional materials are reliable and do not contain exaggerated promises. This includes making sure that the terms and conditions of sale provided for products and services are clear, complete, reliable and comply fully with all applicable tourism legislation and regulations.

For service quality, we gathered feedback via "GM Feedback", thereafter, Customer Service France handles customer feedback, monitors and manages quality, and provides operations staff with monthly feedback reports. Concerning the "GM Feedback", in 2018 the rate of "very satisfied" from the Club Med customer is slightly above comparing 2017. Furthermore, the "Quali-signs" quality standards are in all villages and compliance with these standards is managed through staff training and various forms of monitoring.

CUSTOMER PRIVACY AND DATA PROTECTION

The Group protects customer data privacy and we comply with all relevant laws and regulations to safeguard the data security of our customers. The Group pays extra attention to customer data management and no substantiated complaints regarding leakage of customer privacy or loss of customer data were reported during the Reporting Period.

SOCIAL RESPONSIBILITY OF THE GROUP

During the Reporting Period, the charitable and other donations made by the Group amounted to approximately RMB12.5 million.

Club Med had a partnership with the NGO Agrisud, signed in late 2008, to enable local producers to supply Club Med villages, and to guide them towards more sustainable land use, based on the principles of agro-ecology.

With 336 very small business supported and more than 2,500 beneficiaries in four countries, cumulative financial support of €715,000, and over 182 tons of product cumulated since 2008, Club Med is Agrisud's largest partner in the tourism sector and its second private partner.

The Green Globe certification process launched in 2010 was continued in 2018 with the ongoing evolution of tools (e.g., village diagnostics, Green Globe self-assessments, configurable action plans, training modules, etc.) and with guidance, monitoring and support for the villages involved.

Club Med works closely with all services providers, and particularly with the Green Globe Coordinators in certified villages or those seeking certification. At the end of 2018, 77% of all villages were eco-certified.

In 2018, Atlantis Sanya fully harnessed its own advantages to fulfill its corporation social responsibilities by cooperating with local government to hold several times of public welfare activities.

1. On 10 August 2018, the Company joined a charitable activity lead by Sanya Civil Bureau namely "Sanya Left-Behind Children Summer Camp" invited 70 left-behind children to visit the Aquarium.

2. On 2 December 2018, in response to ONE FOSUN project, Atlantis Sanya invited teachers and students from Sanya Charity House totaling 60 people to visit the Aquarium and enjoy a buffet lunch.

Anti-corruption

Preventing corruption and fraud is a priority for the Group and all of its employees. The Group adopts a zero tolerance policy for bribery, embezzlement and other corruption acts of all employees. By means of the Group's anti-corruption hotline, mailbox and other channels to publicize extensively the way to report any incident of corruption, the Group supervises the integrity and diligence of its employees. The Group strictly complies with the laws and regulations of the PRC and other countries in which its business is located, including laws and regulations such as prevention of bribery, blackmail, fraud and money laundering, and has various internal control systems to ensure such compliance in operations.

We have various regulations and systems, which include, "Regulations for Cash Gifts and Gifts Received during Business Activities", "Regulations regarding Personal Matters Reporting for Key Position", "Instruction of Anti-Money Laundering" etc..

In our resort business, due to its international nature, some employees work in countries where the risk of corruption is considered high. Thus over and above those internal procedures already in place, the Group sets up anti-corruption plan to reassert the commitment of the management team to counter corruption, provide more detailed information on training about high-risk situations, and provide greater support for those job functions most exposed to these risks. A cross-disciplinary working group of representatives from different functional departments was formed and has formulated a corruption risk map and the "Anti-Corruption Code".

- ***Training***
  The Group implemented a training program for the prevention and fight against corruption. This program includes both on-site training for the positions most exposed to risk and the dissemination of awareness modules. Besides, anti-corruption is also included in new joiners' orientation training as one of the topics with the most importance.

- ***Internal alert procedure***
  The Group established its anti-corruption hotline and mailbox to receive internal and external report information. We implemented an alert reporting and processing system which allow employee to report situations in breaching the Anti-Corruption Code as well as sexual harassment to a point of contact.

- ***Investigation***
  Risk management and internal audit teams are responsible for investigating corruption and fraud cases, and designated staff are assigned to collect, assess and investigate each piece of report information. The Group also identifies, rectifies and prevents relevant operational risks in the process of investigating and punishing fraud cases, restores economic losses while punishing the responsible persons and prevents the relevant anti-corruption and remediates management issues.

- ***Disciplinary Mechanism***
  Corruption and fraud cases and related investigation results are reported to the Group's Disciplinary Committee. The Disciplinary Committee makes decisions and applies punishments to responsible persons in accordance with punishment policy. The Group applies seriously punishment to the fraudulent employees, and encourages and builds up the culture of anti-corruption in the Group.

SAFE WORKING ENVIRONMENT

We are committed to providing a safe and comfortable working environment for our employees. We adhere to applicable laws and regulations and to avoid work-related injuries. Employees are required to strictly follow all safety practices which protect them from occupational hazards in daily operation. Training of occupational health and safety is also provided to our employees in order to enhance their safety awareness. During the Reporting Period, there was no confirmed incident of non-compliance with relevant laws or regulations relating to the provision of a safe working environment and protection of employees from occupational hazards which have a significant impact to the Group.

HUMAN RESOURCES

As of 31 December 2018, the Group had approximately 18,916 employees.

During the year of 2018, we promoted the organizational evolution under the guidance of our cultural values, continually attracted strategic talents, strengthened talent pipeline and advanced technology innovation, and achieved periodical results regarding the intelligent innovation of talent management.

We further optimized the Group talent recruitment mechanism and proactively built up an elite HR management and recruiting team. By optimizing and promoting the Group talent database system and integrating our talents through utilizing big data, the talent acquisition efficiency was improved. By organizing campus recruitment, bring vitality to the Group. The organization has been continually developed to improve its talent pipeline, brain gains, overall efficiency and cross-departmental talent synergies. More career development opportunities were offered for talented personnel with outstanding performance and high potential. We also optimized the overall incentives framework of the Group based on different business practices, explored and implemented the incentive mechanism of technologically innovative enterprises, constantly optimizing and enhancing our various incentives mechanism to achieve better results.

Fulfilment of the Commitment to Employees

The Group regards its employees as its most valuable capital. Meanwhile, the Group has been aiming to provide the best platform for employees to realize their values. We fully protect the interests of employees, and we are always concerned with the personal development of our staff. We emphasized on the importance of cultivating outstanding talents with an international perspective, and devise a career development path with the Group characteristics to allow both companies and our employees to develop together.

Employee Caring and Services

The Group persists in improving, innovating and strengthening the establishment of a comprehensive and diversified benefit system in order to create a sound enterprise atmosphere and enhance the sense of belonging among the employees. The Group cares not only for its employees, but also their families. These are consistent with the value upheld by the Group.

EMPLOYEE CARING

The Group will send out birthday wishes and gifts and celebrate the traditional festivals for expatriate employees; centering on the Group's happiness ecosystem, their families may also participated in various warm-hearted activities of the Company. For long-term service employees, the Group will commend and reward them during the New Year celebration. We fully utilized the Group's tourism resources so that employees can access to all types of internal products, services and related resources at lower costs more conveniently.

The Group pays great attention to staff's health management. In addition to the annual health check benefitting all, we encourage employees to participate in Tai Chi and other fitness activities. We try to promote body exercises during breaks, and conduct health forums, so as to enhance staff health awareness.

The Group also cares about both the physical and mental health of female employees and provides extra care to them. The Group expresses its appreciation to female employees on Women's Day every year. We also organize lectures regularly on women's health and prevention of occupational diseases.

EMPLOYEE SERVICES

We use the internet and various innovative channels to enrich employee services. We have further optimized and innovated the methods of benefit distribution and dissemination, such as displaying various remuneration benefits and human resources policies using sticky posts and online banners on the home page of the Group's intranet. We distribute employee benefits through our self-developed mobile application platform and also use the platform to allow users to recharge value online and pay for meals. The Group has hired a full-time employee service staff who assists its employees in applying for various certificates, such as employment permits/residence permits for overseas staff, the permits for introduction of high caliber employees from other provinces or cities/residence certificates for employees from other cities, the settlement of registered permanent residence of college graduates and collective residence affiliation (集體戶口掛靠) so as to reduce time and efforts spent by employees on applying for these certificates, which effectively supported the introduction of excellent talents.

Employee Learning and Development

The Group believes that talents represent the core competitiveness of an enterprise, and as such, it has always been valuing the development of both the Company and its staff as one of the most important responsibilities of the Group. It provides the employees with more opportunities for career development and better working conditions through sustained efforts. With continuous growth and structural improvement, we have promoted the integration and cooperation among team members, created value and built groups with elitism culture. These measures allow both the Group and its staff to build a brilliant future together.

CULTURAL PROMOTION

We enhanced the promotion and the unified understanding of the Group's corporate culture and values through continuous training and the exchange of views among our portfolio enterprises. Meanwhile, we also integrate our internal and external training materials and resources, in attempt to promote our corporate brand. In addition, the Group has developed a unified mechanism regarding the promotion, guidance, communication and coordination of talents-related issues to effectively bridge the gap between the diverse talents.

CAREER DEVELOPMENT

In accordance with the development strategy and the human resources planning requirements of the Group and taking into account the characteristics of its own development, we have established talent development and professional talent training programs for different talents. We plan development paths and design methods of learning in a scientific and rational manner that matches different development goals. We further design training courses in accordance with the quality of capabilities and occupational requirements to help employees grow rapidly.

Learning and Development Cases

TALENT ECHELON TRAINING PROGRAM

The Group has carried out training programs such as e-learning platform, real case study and on-job-training in accordance with the Group's development strategy and planning for employee development.

PROFESSIONAL TALENT TRAINING

While devising various professional and specialized trainings, the Company focused on relevant areas with the aim of honing the employees' business ability to "learn from practice" and enhancing their adaptability.

LEARNING AND DEVELOPMENT OF ENTIRE STAFF

The Group offers a variety of learning and development programs to all staff, in addition to specially-designed programs for specific personnel.

- ***New Employee Orientation***
  We organized quarterly New Employee Orientation to accelerate new employee's transformation in the Group with deeper understanding on the Group Culture Value.

- ***Compliance Training***
  We launched compliance training and further improved the compliance learning system.

- ***Sharing Session***
  In 2018, we launched Sharing session focused on the Group strategies, inviting Fosun Tourism Board members and executives of the Group to share the corporate strategies, culture and best practices. The sessions helped the employees to have a deeper understanding on the Group's strategy, have their horizon broadened and their knowledge enriched. More than 400 employees attended the sessions online and offline.

- ***On-The-Job Training***
  We carried out on-the-job trainings to form a good mechanism for review, feedback and learning at work.

Employment and Labour Standards

Our employees are our most valuable asset and also the core of competitive advantages of the Group. The Group has been adhering to the principle of "attracting people with development, uniting people by career, training people with work and appraising people with performance" and advocates fair competition and opposes discrimination. All employees and job applicants are not confined by factors such as gender, age, race, skin color and religious belief. The establishment of all human resources policies strictly complies with all rules and relevant regulations in connection with remuneration and dismissal, recruitment and promotion, employee schedule, equal opportunities, diversity, working hours, rest periods and other benefits in countries/regions where our operations are located.

During the Reporting Period, all employees of the Group met the minimum working age requirements set out in the relevant laws of the countries/regions where our operations were located and the employment of child labor or forced labor was prohibited.

Employee Incentive

The Group has consistently implemented a performance-oriented Total Reward System, focusing on the Group's strategies and specific business needs, which is in line with internal and external market trends. The Group has established the "multi-level, full-coverage" remuneration incentive system, including Reward & Recognition Program, Operations Bonus Incentive Plan and other mid-to-long term incentive system to advocate the concept of "sharing gains and risks", empowering the departments and the portfolio companies, and promoted the business development and team success via effective inventive system.

HR Intelligent Innovation

Advancing with the times, the Group's HR department use various intelligent innovation in HR management practices: Create HR system and process for systematic and standardized management of human resource information, data and process. Quickly break through technical bottlenecks and reduce management costs. Using various internet technologies, is committed to providing basic facilities, data sharing and analysis capabilities on organization mechanisms, talents and data within the entire group.

To the board of directors of Fosun Tourism Group
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Fosun Tourism Group (the "Company") and its subsidiaries (the "Group") set out on pages 74 to 189, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group and of the Company as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
The carrying value of goodwill in the consolidated financial statements amounted to RMB1,737,345,000 as at 31 December 2018. In accordance with IFRSs, the Group is required to perform impairment test for goodwill at least on an annual basis. In performing the impairment test, the goodwill has been allocated to the corresponding subsidiary acquired as the acquired subsidiary is the only cash-generating unit that can benefit from synergy of the acquisition. The impairment test is based on the recoverable amount of the acquired subsidiary to which the goodwill is allocated. The recoverable amount of the subsidiary is its value in use using cash flow projections based on a financial budget covering a 5-year period. This matter was significant to our audit because the impairment test process was complex and involved significant judgements and estimates. The disclosures about impairment of goodwill are included in note 2.3 "Summary of Significant Accounting Policies", note 3 "Significant Accounting Judgements and Estimates" and note 17 "Goodwill", which specifically explain the key assumptions management used for the calculation of the recoverable amounts.	Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group, in particular, the discount rate and the growth rate beyond a 5-year period, with the assistance of internal valuation specialists. We paid attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance and the business development plan of the acquired subsidiary to which the goodwill is allocated. We also focused on the adequacy of the disclosures in the consolidated financial statements.
Impairment of the trademark with indefinite life	
The carrying value of the trademark with indefinite life in the consolidated financial statements amounted to RMB2,046,576,000 as at 31 December 2018. In accordance with IFRSs, the Group is required to perform impairment test for indefinite-life intangible assets at least on an annual basis. The impairment test is based on the recoverable amount of the individual asset, which is its fair value less costs of disposal using relief from royalty method. This matter was significant to our audit because the impairment test process is complex and involved significant judgements and estimates. The disclosures about impairment of indefinite-life intangible assets are included in note 2.3 "Summary of Significant Accounting Policies", note 3 "Significant Accounting Judgements and Estimates" and note 16 "Intangible Assets", which specifically explain the key assumptions management used for the calculation of the recoverable amounts.	Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group, in particular, the discount rate and the royalty rate of the individual asset, with the assistance of internal valuation specialists. We paid attention to the revenue forecasts used by comparing the forecasts with historical performance. We also focused on the adequacy of the disclosures in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Share-based payments	
The Group granted various equity-settled instruments to employees under a number of share-based compensation plans in 2018. The Group evaluated the fair values of those equity-settled instruments at grant dates. Taking into account assumptions on the beneficiaries' turnover, the Group amortised the expected cumulative expenses of those equity-settled instruments over their vesting periods. For the year ended 31 December 2018, the Group recognised share-based payment expenses of RMB104,224,000. The disclosures about share-based payments are included in note 2.3 "Summary of Significant Accounting Policies", note 3 "Significant Accounting Judgements and Estimates" and note 42 "Share-based Payments", which specifically explain the key assumptions management used for the calculation of the fair value and amortisation.	Our audit procedures included, among others, obtaining and reviewing the documents for approvals and grants of the equity-settled instruments to verify the appropriateness of determining the share-based payments category, grant dates, vesting conditions and vesting dates. We involved internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group in the valuation model, in particular, dividend yield, expected volatility, historical volatility, risk-free interest rate and weighted average share price, etc. and performing the recalculation based on the above inputs to the model used. We also focused on the adequacy of the disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants

Hong Kong
15 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	5	**16,269,819**	11,799,394
Cost of revenue		**(10,993,771)**	(8,969,045)
Gross profit		**5,276,048**	2,830,349
Other income and gains, net	6	**42,809**	208,510
Selling and marketing expenses		**(2,291,700)**	(2,170,996)
General and administrative expenses		**(1,285,322)**	(794,474)
Operating profit		**1,741,835**	73,389
Finance costs	8	**(436,905)**	(433,092)
Share of profits and losses of:			
Joint ventures		**(13,635)**	(19,290)
Associates		**2,093**	1,478
PROFIT/(LOSS) BEFORE INCOME TAX	7	**1,293,388**	(377,515)
Income tax (expense)/credit	11	**(904,267)**	82,519
PROFIT/(LOSS) FOR THE YEAR		**389,121**	(294,996)
Attributable to:			
Equity holders of the Company		**308,441**	(196,502)
Non-controlling interests		**80,680**	(98,494)
		389,121	(294,996)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:	13		
Basic			
– For profit/(loss) for the year (RMB)		**0.31**	(0.39)
Diluted			
– For profit/(loss) for the year (RMB)		**0.30**	(0.39)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
PROFIT/(LOSS) FOR THE YEAR	**389,121**	(294,996)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Effective portion of changes in fair value of hedging instruments arising during the year	**34,116**	(39,599)
Reclassification adjustments for gains included in the consolidated statements of profit or loss	**26,758**	19,145
Exchange differences on translation of foreign operations	**35,102**	(396,366)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**95,976**	(416,820)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Actuarial reserve relating to employee benefits	**(106,078)**	(6,364)
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(774,011)**	(18,379)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(880,089)**	(24,743)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(784,113)**	(441,563)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(394,992)**	(736,559)
Attributable to:		
Equity holders of the Company	**(405,013)**	(448,470)
Non-controlling interests	**10,021**	(288,089)
	(394,992)	(736,559)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**10,153,134**	9,712,461
Prepaid land lease payments	15	**1,339,883**	832,732
Intangible assets	16	**2,624,720**	2,525,089
Goodwill	17	**1,737,345**	1,727,382
Investments in joint ventures	18	**–**	3,435
Investments in associates	19	**158,586**	143,672
Financial assets at fair value through profit or loss	20	**363,845**	18,499
Equity investments designated at fair value through other comprehensive income	20	**309,438**	190,064
Properties under development	21	**1,124,014**	486,282
Due from related companies	22	**20,400**	59,885
Prepayments, other receivables and other assets	23	**1,556,763**	475,601
Deferred tax assets	24	**241,978**	259,507
Total non-current assets		**19,630,106**	16,434,609
CURRENT ASSETS			
Inventories	25	**178,640**	151,099
Completed properties for sale	26	**1,243,892**	27,581
Properties under development	21	**1,046,604**	2,433,876
Trade receivables	27	**772,353**	989,937
Contract assets and other assets	28	**59,313**	103,201
Prepayments, other receivables and other assets	23	**2,450,631**	2,364,453
Due from related companies	22	**1,933,349**	5,029,720
Derivative financial instruments	29	**54,664**	35,181
Financial assets at fair value through profit or loss	20	**–**	130,000
Restricted cash	30	**287,791**	640,450
Cash and cash equivalents	30	**1,874,998**	989,723
Total current assets		**9,902,235**	12,895,221

Continued/...

	Notes	2018 RMB'000	2017 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank borrowings	31	752,377	712,283
Contract liabilities	32	4,434,605	6,573,325
Trade payables	33	1,870,767	1,244,064
Accrued liabilities and other payables	34	4,742,855	4,457,659
Tax payable		730,616	286,111
Finance lease payables	35	6,647	6,312
Due to related companies	22	1,975,348	3,348,278
Derivative financial instruments	29	49,516	78,109
Total current liabilities		14,562,731	16,706,141
NET CURRENT LIABILITIES		(4,660,496)	(3,810,920)
TOTAL ASSETS LESS CURRENT LIABILITIES		14,969,610	12,623,689
NON-CURRENT LIABILITIES			
Convertible redeemable preferred shares	36	163,136	588,387
Convertible bonds	37	330,369	1,188,672
Interest-bearing bank borrowings	31	4,674,114	4,899,270
Finance lease payables	35	73,372	79,989
Deferred income	38	120,720	121,591
Other long term payables	39	589,646	473,629
Deferred tax liabilities	24	703,055	724,662
Total non-current liabilities		6,654,412	8,076,200
Net assets		8,315,198	4,547,489
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	40	174	–
Reserves	41	8,036,866	4,617,490
		8,037,040	4,617,490
Non-controlling interests	43	278,158	(70,001)
Total equity		8,315,198	4,547,489

Qian Jiannong
Director

Wang Wenping
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

		Attributable to equity holders of the Company										
	Notes	Issued share capital RMB'000	Share premium* RMB'000	Statutory surplus reserve* RMB'000	Fair value reserve* RMB'000	Capital and other reserve* RMB'000	Merger reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Accumulated losses* RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018		–	6,816,506	–	(12,257)	(404,847)	(157,474)	(326,820)	(1,297,618)	4,617,490	(70,001)	4,547,489
Profit for the year		–	–	–	–	–	–	–	308,441	308,441	80,680	389,121
Net changes in fair value of equity investments designated at fair value through other comprehensive income		–	–	–	(726,458)	–	–	–	–	(726,458)	(47,553)	(774,011)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	52,079	–	52,079	(16,977)	35,102
Cash flow hedges		–	–	–	–	52,619	–	–	–	52,619	8,255	60,874
Actuarial reserve relating to employee benefits		–	–	–	–	(91,694)	–	–	–	(91,694)	(14,384)	(106,078)
Total comprehensive loss for the year		–	–	–	(726,458)	(39,075)	–	52,079	308,441	(405,013)	10,021	(394,992)
Issue of shares	40(vi)	–	1,346,426	–	–	–	–	–	–	1,346,426	–	1,346,426
Net issues of restricted shares under the share ownership plan	40(vii)	7	93,101	–	–	(27,070)	–	–	–	66,038	–	66,038
Issue of shares from initial public offering	40(viii)	167	2,829,983	–	–	–	–	–	–	2,830,150	–	2,830,150
Dividends paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	(20,966)	(20,966)
Deemed contribution from the Controlling Shareholder		–	–	–	–	–	1,000	–	–	1,000	–	1,000
Capital contribution from the ultimate controlling shareholder		–	–	–	–	–	–	–	–	–	5,773	5,773
Profit appropriation to reserve		–	–	7,384	–	–	–	–	(7,384)	–	–	–
Equity-settled share-based payments	42	–	–	–	–	101,788	–	–	–	101,788	2,436	104,224
Acquisition of additional interests in subsidiaries		–	–	–	(30,217)	(197,313)	–	(94,522)	–	(322,052)	319,867	(2,185)
Deemed distribution to the ultimate controlling shareholder		–	–	–	–	–	(2,800)	–	–	(2,800)	–	(2,800)
Reclassification of non-controlling interests to liabilities as if the acquisition has taken place due to put options granted to non-controlling shareholders of a subsidiary		–	–	–	–	(195,987)	–	–	–	(195,987)	31,028	(164,959)
At 31 December 2018		174	11,086,016	7,384	(768,932)	(762,504)	(159,274)	(369,263)	(996,561)	8,037,040	278,158	8,315,198

* These reserve accounts comprise the consolidated reserves of RMB8,036,866,000 in the consolidated statement of financial position as at 31 December 2018 (31 December 2017: RMB4,617,490,000).

Year ended 31 December 2017

		Attributable to equity holders of the Company									
	Notes	Issued share capital RMB'000	Share premium* RMB'000	Fair value reserve* RMB'000	Capital and other reserve* RMB'000	Merger reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017		–	–	–	(266,996)	2,523,236	(104,994)	(1,101,116)	1,050,130	115,643	1,165,773
Loss for the year		–	–	–	–	–	–	(196,502)	(196,502)	(98,494)	(294,996)
Net changes in fair value of equity investments designated at fair value through other comprehensive income		–	–	(12,257)	–	–	–	–	(12,257)	(6,122)	(18,379)
Exchange differences on translation of foreign operations		–	–	–	–	–	(221,826)	–	(221,826)	(174,540)	(396,366)
Cash flow hedges		–	–	–	(13,641)	–	–	–	(13,641)	(6,813)	(20,454)
Actuarial reserve relating to employee benefits		–	–	–	(4,244)	–	–	–	(4,244)	(2,120)	(6,364)
Total comprehensive loss for the year		–	–	(12,257)	(17,885)	–	(221,826)	(196,502)	(448,470)	(288,089)	(736,559)
Issue of shares	40(ii)(iii)	–	6,816,506	–	–	–	–	–	6,816,506	–	6,816,506
Disposal of subsidiaries	44	–	–	–	–	–	–	–	–	(11,433)	(11,433)
Dividends paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	(5,598)	(5,598)
Deemed contribution from the Controlling Shareholder	(i)	–	–	–	–	1,225,100	–	–	1,225,100	–	1,225,100
Deemed contribution from the ultimate controlling shareholder		–	–	–	–	1,800	–	–	1,800	–	1,800
Deemed distribution to subsidiaries of the Controlling Shareholder	(ii)(iii)	–	–	–		(3,907,610)	–	–	(3,907,610)	–	(3,907,610)
Disposal of partial interests in a subsidiary without losing control		–	–	–	12,323	–	–	–	12,323	(7,253)	5,070
Reclassification of non-controlling interests to liabilities as if the acquisition has taken place due to put options granted to non-controlling shareholders of a subsidiary		–	–	–	(132,289)	–	–	–	(132,289)	126,729	(5,560)
At 31 December 2017		–	6,816,506	(12,257)	(404,847)	(157,474)	(326,820)	(1,297,618)	4,617,490	(70,001)	4,547,489

Notes:

(i) In February 2017, Fosun Luxembourg Holdings S.à r.l. ("Fosun Luxembourg") capitalised its liabilities due to a subsidiary of the Controlling Shareholder amounting to EUR159,504,725 (equivalent to RMB1,225,100,000) to its share capital which was recorded in the merger reserve.

(ii) In February 2017, the Group completed the acquisition of the entire equity interests in Shanghai Fanyou Investment Management Co., Ltd. and Shanghai Qijin Investment Management Co., Ltd. ("Qijin Investment") at a consideration of RMB2,667,804,000. The amount due to the related companies is recorded and the merger reserve decreased accordingly.

(iii) In May 2017, the Group completed the acquisition of the entire equity interests of Fosun Luxembourg. The consideration was settled in the form of an additional issue of the shares of the Company to the Controlling Shareholder. The share capital and share premium of the Company increased while the merger reserve decreased by RMB1,239,806,000 accordingly. Details are set out in note 40(ii).

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before income tax		**1,293,388**	(377,515)
Adjustments for:			
Depreciation of items of property, plant and equipment	7	**654,454**	521,801
Amortisation of prepaid land lease payments	7	**22,170**	22,062
Amortisation of intangible assets	7	**94,423**	146,873
Provision for impairment of items of property, plant and equipment	7	**46,532**	37,425
Provision for impairment of intangible assets	7	**18,287**	10,614
Provision for impairment of trade receivables	7	**7,695**	10,550
Provision for impairment of prepayments, other receivables and other assets	7	**645**	636
Provision for inventories	7	**2,296**	2,258
Deferred income	38	**(7,771)**	(8,370)
(Gain)/loss on the fair value change of financial assets at fair value through profit or loss	6	**(9,569)**	7,918
Interest income	6	**(23,053)**	(33,403)
Interest expenses	8	**436,905**	433,092
Gain on disposal of items of property, plant and equipment	6	**(35,318)**	(91,566)
Gain on disposal of a subsidiary	6	**–**	(192,549)
Gain on disposal of intangible assets	6	**(2,703)**	–
Loss/(gain) on fair value adjustment on derivative financial instruments	7	**90**	(6,753)
Gain on disposal of an associate	6	**(50,274)**	–
Equity-settled share-based payment	7	**104,224**	–
Listing expenses	7	**56,142**	–
Share of profits and losses of joint ventures		**13,635**	19,290
Share of profits and losses of associates		**(2,093)**	(1,478)
CASH INFLOWS BEFORE WORKING CAPITAL CHANGES		**2,620,105**	500,885

Continued/...

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
(Increase)/decrease in completed properties for sale		**(1,216,311)**	22,200
Decrease/(increase) in properties under development		**849,837**	(642,645)
Increase in inventories		**(29,837)**	(10,020)
Decrease/(increase) in contract assets and other assets		**43,888**	(92,703)
Decrease/(increase) in trade receivables		**209,794**	(513,646)
Increase in prepayments, other receivables and other assets		**(491,675)**	(537,402)
Decrease/(increase) in restricted cash		**352,659**	(366,237)
Increase in amounts due from related companies		**(6,810)**	–
Increase in trade payables		**626,703**	111,093
Increase in amounts due to related companies		**35,614**	12,078
Increase/(decrease) in other long term payables		**8,554**	(17,603)
(Decrease)/increase in contract liabilities		**(2,313,113)**	4,719,401
Increase in other payables and accruals		**345,628**	425,084
CASH GENERATED FROM OPERATIONS		**1,035,036**	3,610,485
Income tax paid		**(397,946)**	(282,925)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES		**637,090**	3,327,560

Continued/...

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,232,676)**	(2,004,049)
Purchase of intangible assets		**(232,228)**	(160,984)
Purchase of investments at fair value through profit or loss		**(355,431)**	(130,000)
Purchase of investments at fair value through other comprehensive income		**(239,060)**	–
Increase of prepaid land lease payments		**(1,323,249)**	(9,198)
Proceeds from disposal of intangible assets		**22,731**	5,873
Proceeds from disposal of items of property, plant and equipment		**100,387**	255,838
Acquisition of subsidiaries		**–**	(411,302)
Investment in a joint venture		**(10,200)**	–
Disposal of a subsidiary	44	**–**	155,858
Proceeds from disposal of investments in an associate		**82,386**	–
Purchase of equity interests in associates		**(8,014)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**141,616**	–
Government grant received related to items of property, plant and equipment	38	**6,381**	9,385
Loan to a related party		**(20,400)**	(25,500)
Interest received		**17,070**	33,227
Dividends received from associates		**–**	23,416
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(3,050,687)**	(2,257,436)

Continued/...

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling shareholders of subsidiaries		**5,773**	–
Deemed contribution from subsidiaries of the ultimate controlling shareholder		**1,000**	1,000
Deemed contribution to subsidiaries of the ultimate controlling shareholder		**(2,800)**	–
New interest-bearing bank borrowings		**2,674,819**	1,194,239
Net proceeds from issue of shares under initial public offering		**2,841,818**	–
Issues of restricted shares under the share ownership plan		**66,038**	–
Payment of listing expenses		**(16,430)**	–
Repayment of interest-bearing bank borrowings		**(2,873,941)**	(581,167)
Redemption of convertible bonds		**(73,001)**	–
Redemption of preference shares		**(36,074)**	–
Acquisition of additional interests in subsidiaries		**(2,185)**	–
Disposal of partial interests in a subsidiary without losing control		**–**	5,070
Funding repaid or provided to related companies		**(2,368,336)**	(2,194,444)
Funding received from related companies		**3,421,933**	501,717
Dividends paid to non-controlling shareholders of subsidiaries		**(20,966)**	(5,598)
Repayment of loan receivables from third parties		**–**	3,623
Interest paid		**(339,820)**	(370,314)
NET CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**3,277,828**	(1,445,874)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**864,231**	(375,750)
Net foreign exchange differences		**21,044**	42,004
Cash and cash equivalents at beginning of the year		**989,723**	1,323,469
CASH AND CASH EQUIVALENTS AT END OF YEAR	30	**1,874,998**	989,723

1. CORPORATE AND GROUP INFORMATION

Fosun Tourism Group (the "Company", formerly known as Fosun Tourism and Culture Group (Cayman) Company Limited) was a limited liability company incorporated in the Cayman Islands on 30 September 2016. The registered company name was changed to Fosun Tourism Group on 2 August 2018. The registered address of the Company is Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P. O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. During the year, the Group primarily engaged in the provision of pioneering and family-focused tourism and leisure solutions. The principal business activities are:

- Resorts
- Tourism destinations, and
- Services and solutions in various tourism and leisure settings

In the opinion of the directors, the holding company and the controlling shareholder of the Company is Fosun International Limited (the "Controlling Shareholder"), which is incorporated in Hong Kong. The ultimate holding company of the Company is Fosun International Holdings Limited. The ultimate controlling shareholder of the Company is Mr. Guo Guangchang.

Information about subsidiaries

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

Name of the principal subsidiaries	Place of incorporation/ registration and place of operations	Date of incorporation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Hainan Atlantis Commerce and Tourism Development Co., Ltd. (海南亞特蘭蒂斯商旅發展有限公司)	People's Republic of China/Mainland China	15 May 2013	RMB801,500,000	–	100%	Tourism destination development and operation
Lijiang Fosun Tourism and Culture Development Co. Ltd. (麗江復星旅遊文化發展有限公司) (formerly known as Lijiang Derun Real Estate Co., Ltd. (麗江德潤房地產開發有限公司)) ("Lijiang Fosun")	People's Republic of China/Mainland China	2 March 2006	RMB10,000,000	–	100%	Tourism destination development and operation
Yueou (Taicang) Tourism and Culture Development Co., Ltd. (悅歐（太倉）旅遊文化開發有限公司)*("Yueou Tourism")	People's Republic of China/Mainland China	29 June 2018	– / RMB360,000,000	–	100%	Tourism destination development and operation
Club Med Holding	France	9 September 2014	EUR67,136,345	–	86.45%	Investment holding
Club Med Invest	France	9 September 2014	EUR184,963,519	–	100%	Investment holding

Continued/...

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name of the principal subsidiaries	Place of incorporation/ registration and place of operations	Date of incorporation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Club Med SAS	France	12 November 1957	EUR149,704,872	–	100%	Offering vacation resort services
Club Mediterranee (Bahamas) Ltd.	Bahamas	29 January 1976	EUR833,820	–	100%	Offering vacation resort services
Holiday Village of Punta Cana S.A.	The Dominican Republic	3 December 1976	EUR242,241	–	100%	Offering vacation resort services
Club Med Sales Inc.	United States	15 October 1971	EUR4,347,826	–	100%	Wholesale and retail of Club Med products
Holiday Villages of Sandpiper, Inc.	United States	5 October 1993	EUR833,820	–	100%	Offering vacation resort services
Operadora de Aldeas Vacacionales, S.A. de C.V.	Mexico	11 April 1979	EUR35,442,838	–	100%	Offering vacation resort services
Vacation Properties de Mexico, S.A. de C.V.	Mexico	25 July 1994	EUR65,722,920	–	100%	Offering vacation resort services
Holiday Villages management Services Ltd.	Mauritius	26 May 1983	EUR748,690	–	100%	Offering vacation resort services
Club Med Marine	France	8 June 1976	EUR14,470,471	–	100%	Offering vacation resort services
Itaparica SA Empreendimentos Turisticos	Brazil	19 November 1973	EUR4,560,900	–	51.60%	Offering vacation resort services
Maldivian Holiday Villages Ltd.	Hong Kong/Maldives	29 March 1988	EUR865	–	100%	Offering vacation resort services
Club Med Brasil SA	Brazil	24 February 1999	EUR50,916,962	–	100%	Offering vacation resort services

* In June 2018, the Group established Yueou Tourism with a registered capital at RMB360,000,000. As at 31 December 2018, the share capital has not been paid up yet.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting standards, International Accounting Standards and interpretations ("IASs")) approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, financial assets at fair value through profit or loss, equity investments designated at fair value through other comprehensive income and defined benefit plan. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has net current liabilities of RMB4,660,496,000 as at 31 December 2018. Having taken into account of the expected cash flows from operating and financing activities and the fact that the contract liabilities included in current liabilities in the amount of RMB4,434,605,000 at 31 December 2018 which will be recognised as revenue and not result in cash outflows in the next twelve months from the end of the year, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of approximately RMB8.6 billion and lease liabilities of RMB8.6 billion will be recognised at 1 January 2019. The impact to the opening balance of retained earnings of the Group as at 1 January 2019 is not material.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRIC Interpretation 23, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

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

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

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

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

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

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

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

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

Fair value measurement

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

Buildings and leasehold improvements	2% – 50%
Machinery	5% – 10%
Furniture, fixtures and other equipment	3% – 33%
Others	20% – 33%
Freehold land	Not depreciated
Construction in progress	Not depreciated

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

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

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

Intangible assets (other than goodwill)

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

TRADEMARK

Club Med trademark has been classified as an asset with an indefinite useful life. It is tested for impairment annually either individually or at the cash-generating unit level. Such intangible asset is not amortised. The useful live of such intangible asset is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

LEASEHOLD RIGHTS

The leasehold rights represent the access rights paid to enter the lease contract by the successive tenant to its predecessor. The payment for the access rights is determined generally based on economic performance and outcome of the underlying location. Most of the leasehold rights come from France and are treated as having the indefinite useful life where the tenants could realise the leasehold rights from the successor. In addition, the tenants have the legal protection to be entitled to an eviction indemnity against the lessor at the end of the lease if it is not renewed by the lessor to the successive tenants. The leasehold rights will not expire and will contribute to the future cash flow of the Group indefinitely.

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

For the leasehold rights in other countries, situation is different as such legal protection of the tenants against the lessor does not exist. In such countries, leasehold rights are usually amortised over the length of the lease period.

OTHER INTANGIBLE ASSETS

Other intangible assets are qualified as having a finite life and are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives. The principal annual rates used for this purpose are as follows:

Software	4% – 33%
Others	10% – 33%

The annual rates for softwares are determined in accordance with the useful lives of the software which are assessed by Group considering different purpose and usage of the software. The software served as basement IT system or technological platform is amortised over a long period up to 26 years. Other softwares served as fast updating applications are amortised over a shorter period, such as 3 to 5 years.

Others include mainly certain client lists acquired under business combinations and some rights paid to enter contracts other than leases. They are either depreciated over the estimated useful life of the clients' relationship or the contract duration.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

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

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

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

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

Investments and other financial assets

INITIAL RECOGNITION AND MEASUREMENT

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in "Revenue recognition".

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

SUBSEQUENT MEASUREMENT

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

FINANCIAL ASSETS AT AMORTISED COST (DEBT INSTRUMENTS)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The 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.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (DEBT INSTRUMENTS)

The Group measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The 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.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

SUBSEQUENT MEASUREMENT *(Continued)*

FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (EQUITY INSTRUMENTS)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

GENERAL APPROACH

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

GENERAL APPROACH *(Continued)*

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets and other assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

SIMPLIFIED APPROACH

For trade receivables and contract assets and other assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

SUBSEQUENT MEASUREMENT

The measurement of financial liabilities depends on their classification, as described below:

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

SUBSEQUENT MEASUREMENT *(Continued)*

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

LOANS AND BORROWINGS

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest amortisation process.

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

FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedge accounting

INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

The Group elected to continue to apply the accounting policy of hedge accounting under IAS 39. For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout each reporting period for which they were designated.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

FAIR VALUE HEDGES

The change in the fair value of a hedging instrument is recognised in the consolidated statement of profit or loss as other expenses or other incomes. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the consolidated statement of profit or loss as other expenses or other incomes.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the consolidated statement of profit or loss over the remaining term of the hedge using the effective interest method. effective interest amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated statement of profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedge accounting *(Continued)*

FAIR VALUE HEDGES *(Continued)*

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the consolidated statement of profit or loss.

CASH FLOW HEDGES

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge which is recorded in capital and other reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

CURRENT VERSUS NON-CURRENT CLASSIFICATION

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Convertible redeemable preference shares

Convertible redeemable preference shares are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible redeemable preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Properties under development

Properties under development are stated at cost which includes all development expenditures, including land costs, construction costs, borrowing costs and other costs directly attributable to such properties during the development period.

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

Properties under development are valued at the lower of cost and net realisable value at the end of each reporting period and any excess of cost over the net realisable value of an individual item of properties under development is accounted for as a provision. Net realisable value is based on estimated selling prices in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

Completed properties for sale

Completed properties for sale are recognised in the consolidated statement of financial position at the lower of cost and net realisable value. Net realisable value is estimated by the directors based on the prevailing market conditions. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Any excess of cost over the net realisable value of an individual item of completed properties for sale is accounted for as a provision.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

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

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

Provisions

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

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

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when: (i) there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline; and (ii) the employees affected have been notified of the plan's main features.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

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

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

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

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

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

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

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments

The Company operates a share option scheme and a share ownership plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value of options under the share option scheme is determined by management using a binomial model. The fair value of restricted shares under the share ownership plan is determined by management using an asset-based approach, further details of which are given in note 42 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

RESORTS AND DESTINATION OPERATION

Resorts and destination operation mainly includes the operations of resorts and the provision of tourism destination design, operation and management services. The revenue is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

TOURISM AND LEISURE SERVICES AND SOLUTIONS

Tourism and leisure services and solutions mainly include the provision of travel and transportation solutions, entertainment and other services. The revenue is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

TOURISM-RELATED PROPERTY SALES AND CONSTRUCTION SERVICES

Revenues are recognised when or as the control of the asset is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides benefits which are received and consumed simultaneously by the purchaser; or
- creates and enhances an asset that the purchaser controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

TOURISM-RELATED PROPERTY SALES AND CONSTRUCTION SERVICES *(Continued)*

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of each reporting period as a percentage of total estimated costs for each contract.

For property development and sale contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

REVENUE FROM OTHER SOURCES

OTHER INCOME

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Customer loyalty program

The Group operated two loyalty programs which were Club Med Great Member loyalty program and Foryou Club loyalty program. A performance obligation is identified only if the option to acquire additional goods and services provides a material right to the customer that it would not receive without entering into that contract. For such contracts, the Group allocates contract price to those separate performance obligations attributed to the benefits granted to the customers under two loyalty programs. A portion of contract price attributable to the benefits granted is recognised as a reduction of revenue in deferred revenue and are recognised in revenues when those benefits are exercised or when the benefits expire. The revenue allocated to each performance obligations is calculated based on their relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using other suitable methods. The likelihood that the benefits will be exercised are assessed and adjusted for the estimation of the standalone selling price.

Employee benefits

The Group provides the post-employment benefits mainly as follows: (i) defined contribution pension schemes for all employees of the companies in Mainland China; (ii) accommodation benefits for all eligible employees of the companies in Mainland China, details of which are set out below; and (iii) employee benefits to all eligible employees of the subsidiary of Club Med Holding ("CMH").

(I) DEFINED CONTRIBUTION PENSION SCHEMES FOR ALL ELIGIBLE EMPLOYEES OF THE COMPANIES IN MAINLAND CHINA

The full-time employees of the companies in Mainland China, are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred.

(II) ACCOMMODATION BENEFITS FOR ALL ELIGIBLE EMPLOYEES OF THE COMPANIES IN MAINLAND CHINA

According to the relevant People's Republic of China ("PRC") rules and regulations, the PRC companies now comprising the Group and their employees are each required to make contributions which are in proportion to the salaries and wages of the employees to an accommodation fund administered by the government agencies in the PRC. There is no further obligation on the part of the Group except for such contributions to the accommodation fund. Contributions to an accommodation fund administrated by the government agencies are charged to the consolidated statement of profit or loss as and when they are incurred.

(III) EMPLOYEE BENEFITS FOR ALL ELIGIBLE EMPLOYEES OF CMH AND ITS SUBSIDIARIES

All eligible employees of CMH and its subsidiaries receive certain short-term benefits, such as vacation pay, "13th month" bonuses, sick leave, health insurance and unemployment insurance in France.

The post-employment benefit plans of CMH and its subsidiaries are based on legal obligations in each host country and on its subsidiaries' compensation policies. Long-term benefit plans include both defined contribution and defined benefit plans.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(III) EMPLOYEE BENEFITS FOR ALL ELIGIBLE EMPLOYEES OF CMH AND ITS SUBSIDIARIES *(Continued)*

(A) DEFINED CONTRIBUTION PLANS

Under defined contribution plans, CMH pays contributions to an external fund that is responsible for paying the benefits. The payment of contributions releases the employer of its further obligation towards his employees. The main defined contribution plans consist of government-sponsored basic and supplementary pension plans in Europe and defined-contribution pension plans in North America.

Contributions to all of these plans are recognised as an expense for the period in which they are incurred.

(B) DEFINED BENEFIT PLANS

CMH has an obligation to pay benefits to eligible employees either at the end of their employment or during their retirement. The Group's main defined benefit plans provide indemnities payable to employees on retirement or when they leave the Group.

The Group operates an unfunded defined benefit pension plan, which is covered by provisions recorded in the financial statements. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from a defined benefit pension plan, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) is recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

(i) the date of the plan amendment or curtailment; and

(ii) the date that the Group recognises restructuring-related costs

Interest is calculated by applying the discount rate to the defined benefit liability. The Group recognises the following changes in the net defined benefit obligation under "administrative expenses" and "other expenses" in the consolidated statement of profit or loss by function:

(i) service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements

(ii) interest expense or income

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the note 12 to the financial statements.

Foreign currencies

This financial statements is presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rates of exchange ruling at the end of the reporting period.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss are translated into RMB at the average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

OPERATING LEASE COMMITMENTS – GROUP AS LESSEE

The Group has entered into property, plant and equipment leases with various lessors. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessors retain all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

CONSOLIDATION OF LIJIANG FOSUN IN WHICH THE GROUP DELEGATES CERTAIN SHAREHOLDER RIGHTS TO SHANGHAI YUYUAN TOURIST MART CO., LTD. ("YUYUAN")

Qijin Investment, a subsidiary of the Group, which is the sole shareholder of Lijiang Fosun, entered into an equity entrustment agreement with Yuyuan on 20 November 2017 (the "Equity Entrustment Agreement"), pursuant to which, Yuyuan is entrusted by Qijin Investment with certain shareholder rights of Lijiang Fosun such as decision-making rights, voting rights and the right to appoint directors, rather than the right to dispose of any equity interests of Lijiang Fosun and share all variable returns generated by Lijiang Fosun. The Equity Entrustment Agreement became effective on 11 May 2018 with the term of 2 years since the effective date.

The Group considers that it controls Lijian Fosun even though Qijin Investment delegates certain shareholder rights in Lijiang Fosun to Yuyuan on 11 May 2018 because Qijin Investment is entitled to all the variable return of Lijiang Fosun and the right to dispose any equity interest of Lijiang Fosun and all day-to-day operations of the Lijiang Fosun are continued to be managed by the management team appointed by the Group from the effective date of the Equity Entrustment Agreement till the end of the reporting period. In addition, Yuyuan will not charge any service fee for the entrustment service but only reimburse the actual costs occurred in respect of the service, which also indicated that Yuyuan does not have any incentive and intention to direct any relevant activities of Lijiang Fosun through its shareholders rights granted by Qijin Investment.

As a result of the rights to variable return of Lijiang Fosun from the Group's involvement in it and with the Group's ability to affect those returns through its power over Lijiang Fosun, Lijiang Fosun was continued to be consolidated by the Group as a principal from the effective date of the Equity Entrustment Agreement till the end of the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(Continued)

Judgements *(Continued)*

REVENUE RECOGNITION OF TOURISM-RELATED PROPERTY SALES AND CONSTRUCTION SERVICE

Revenue from tourism-related property sales and construction service during the year is recognised over time when the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. Assessing whether the Group could recognise revenue from tourism-related property sales and construction services over time requires significant judgement which includes the assessment of the legal terms in the sales contracts.

Estimation uncertainty

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

IMPAIRMENT OF GOODWILL

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2018 was RMB1,737,345,000 (31 December 2017: RMB1,727,382,000). Further details are given in note 17 to the financial statements.

IMPAIRMENT OF THE TRADEMARK WITH INDEFINITE LIFE

The Group determines whether the trademark with indefinite life are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the individual asset. An asset's recoverable amount is the fair value less costs of disposal using relief from royalty method. The carrying amount of the trademark with indefinite life at 31 December 2018 was RMB2,046,576,000 (31 December 2017: RMB2,034,840,000). Further details are given in note 16 to the financial statements.

IMPAIRMENT OF NON-FINANCIAL ASSETS (OTHER THAN GOODWILL)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the year. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

For the year ended 31 December 2018, impairment losses on intangible assets and property, plant and equipment in the amount of RMB64,819,000 (2017: RMB48,039,000) have been recognised in profit or loss as set out in note 7 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(Continued)

Estimation uncertainty *(Continued)*

PROVISION FOR EXPECTED CREDIT LOSSES ON TRADE RECEIVABLES

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, the balances are grouped based on shared credit risk characteristics and the days past due.

The approach is initially based on the Group's historical observed default rates. The Group will calibrate the approach to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 27 to the financial statements.

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (OTHER THAN GOODWILL)

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets (other than goodwill). This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge or amortisation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

DEFERRED TAX ASSETS

Deferred tax assets are recognised for deductible temporary differences and carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 December 2018 was RMB4,273,160,000 (31 December 2017: RMB5,238,615,000).

NET REALISABLE VALUE OF INVENTORIES, PROPERTIES UNDER DEVELOPMENT AND COMPETED PROPERTIES FOR SALE

Net realisable value of inventories, properties under development and completed properties for sale is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(Continued)

Estimation uncertainty *(Continued)*

REVENUE RECOGNITION OVER TIME OF TOURISM-RELATED PROPERTY SALES AND CONSTRUCTION SERVICES

The revenue from tourism-related property sales and construction services over time is recognised by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each property unit in the contract. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

PRC LAND APPRECIATION TAX ("LAT")

The Group is subject to LAT in the PRC. The provision for 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 all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

SHARE-BASED PAYMENTS

The Group granted various equity-settled instruments to employees under a number of share-based compensation plans in 2018. The Group is required to evaluated the fair values of those equity-settled instruments at grant dates based on models. The evaluation of the fair values are on the basis of some assumptions. The Group amortised the expected cumulative expenses of those equity-settled instruments over the period in which the vesting conditions are fulfilled. For the year ended 31 December 2018, the Group recognised share-based payment expenses of RMB104,224,000. Further details are given in note 42 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

(a) The resorts segment which comprises principally the operation and management of the resorts which offer vacation resort services at a package rate;

(b) The tourism destinations segment which comprises principally the development, management and operation of tourism resources and tourism vacation facilities and facilities directly and indirectly supporting tourism; and

(c) The services and solutions in various tourism and leisure settings segment which comprises principally development and promotion of the cultural events, performing arts, live entertainment and culture-related services and the operation of online and offline tourism and leisure products and solution platforms.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment operating profits which is calculated based on gross profit less other income and gains, other expenses, selling and marketing expenses and general and administrative expenses. No analysis of the Group's assets and liabilities by operating segment is disclosed as it is not regularly provided to the chief operating decision-maker for review.

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

Year ended 31 December 2018

	Resorts RMB'000	Tourism destinations RMB'000	Services and solutions in various tourism and leisure settings RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue (note 5)					
External customers	12,005,592	4,135,251	128,976	–	16,269,819
Inter-segment sales	11,421	29,875	5,154	(46,450)	–
Total revenue	12,017,013	4,165,126	134,130	(46,450)	16,269,819
Segment operating profit/(loss)	446,026	1,557,776	(52,998)	–	1,950,804
Unallocated expenses*					(208,969)
Total operating profit					1,741,835
Finance costs					(436,905)
Share of profits and losses of joint ventures					(13,635)
Share of profits and losses of associates					2,093
Profit before income tax					1,293,388

* The unallocated expenses for the year ended 31 December 2018 mainly represented the listing expenses (note 7), equity-settled share-based payments expenses (note 42), and other employee benefit expenses.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2017

	Resorts RMB'000	Tourism destinations RMB'000	Services and solutions in various tourism and leisure settings RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue					
External customers	11,758,411	13,939	27,044	–	11,799,394
Inter-segment sales	–	–	–	–	–
Total revenue	11,758,411	13,939	27,044	–	11,799,394
Segment operating profit/(loss)	464,445	(380,808)	(8,136)	–	75,501
Unallocated expenses					(2,112)
Total operating profit					73,389
Finance costs					(433,092)
Share of profits and losses of joint ventures					(19,290)
Share of profits and losses of associates					1,478
Loss before income tax					(377,515)

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

	2018 RMB'000	2017 RMB'000
Revenue from external customers		
Europe, Middle East and Africa	**8,074,476**	7,923,809
America	**2,198,692**	2,085,801
Asia Pacific	**5,996,651**	1,789,784
	16,269,819	11,799,394

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

	2018 RMB'000	2017 RMB'000
Non-current assets		
Europe, Middle East and Africa	**5,987,058**	5,877,430
America	**3,300,219**	3,241,095
Asia Pacific	**9,125,827**	6,506,388
	18,413,104	15,624,913

The non-current asset information above is based on the locations of the assets and excludes financial instruments, deferred tax assets and amounts due from related companies.

Information about a major customer

No revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer for the year ended 31 December 2018 (2017: nil).

5. REVENUE

An analysis of revenue is as follows:

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers		
Resorts and destination operation	10,426,589	9,096,180
Tourism-related property sales and construction services	3,443,894	492,178
Tourism and leisure services and solutions	2,399,336	2,211,036
	16,269,819	11,799,394

(i) Disaggregated revenue information

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2018

Segments	Resorts RMB'000	Tourism destinations RMB'000	Services and solutions in various tourism and leisure settings RMB'000	Eliminations RMB'000	Total RMB'000
Type of goods or services					
Resorts and destination operation	9,696,020	771,865	–	(41,296)	10,426,589
Tourism-related property sales and construction services	50,633	3,393,261	–	–	3,443,894
Tourism and leisure services and solutions	2,270,360	–	134,130	(5,154)	2,399,336
	12,017,013	4,165,126	134,130	(46,450)	16,269,819
Inter-segment sales	(11,421)	(29,875)	(5,154)	46,450	–
Total revenue from contracts with customers	12,005,592	4,135,251	128,976	–	16,269,819
Timing of revenue recognition					
Goods transferred at a point in time	–	3,393,261	–	–	3,393,261
Services transferred over time	12,017,013	771,865	134,130	(46,450)	12,876,558
	12,017,013	4,165,126	134,130	(46,450)	16,269,819
Inter-segment sales	(11,421)	(29,875)	(5,154)	46,450	–
Total revenue from contracts with customers	12,005,592	4,135,251	128,976	–	16,269,819

5. REVENUE *(Continued)*

(i) Disaggregated revenue information *(Continued)*

For the year ended 31 December 2017

Segments	Resorts RMB'000	Tourism destinations RMB'000	Services and solutions in various tourism and leisure settings RMB'000	Eliminations RMB'000	Total RMB'000
Type of goods or services					
Resorts and destination operation	9,082,241	13,939	–	–	9,096,180
Tourism-related property sales and construction services	492,178	–	–	–	492,178
Tourism and leisure services and solutions	2,183,992	–	27,044	–	2,211,036
	11,758,411	13,939	27,044	–	11,799,394
Inter-segment sales	–	–	–	–	–
Total revenue from contracts with customers	11,758,411	13,939	27,044	–	11,799,394
Timing of revenue recognition					
Services transferred over time	11,758,411	13,939	27,044	–	11,799,394
Inter-segment sales	–	–	–	–	–
Total revenue from contracts with customers	11,758,411	13,939	27,044	–	11,799,394

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

RESORTS AND DESTINATION OPERATION, TOURISM AND LEISURE SERVICES AND SOLUTIONS

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services.

TOURISM-RELATED PROPERTY SALES AND CONSTRUCTION SERVICES

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

6. OTHER INCOME AND GAINS, NET

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

	2018 RMB'000	2017 RMB'000
Other income		
Interest income	**23,053**	33,403
Government grants	**23,269**	27,182
Compensation and indemnity	**8,671**	58,467
Others	**16,232**	26,935
	71,225	145,987
Gains		
Gain on disposal of:		
– A subsidiary (note 44)	**–**	*192,549*
– An associate	***50,274***	–
Gain on disposal of items of property, plant and equipment	**35,318**	91,566
Gain on disposal of items of intangible assets	**2,703**	–
Gain on the fair value change of financial assets at fair value through profit or loss	**9,569**	–
Gain on reversal of provisions relating to		
– Resort closure costs	***27,261***	–
– Commercial claims or disputes	**–**	*19,711*
– Litigation claims	***89,048***	*22,208*
	214,173	326,034
Other income and gains	**285,398**	472,021
Other expenses		
Compensation costs relating to employees	**(57,973)**	(77,459)
Provision for litigation, including tax related	**(40,440)**	(40,671)
Provision for resort closure costs	**(38,989)**	(75,022)
Loss on the fair value change of financial assets at fair value through profit or loss	**–**	(7,918)
Impairment loss on:		
– Intangible assets	***(18,287)***	*(10,614)*
– property, plant and equipment	***(46,532)***	*(37,425)*
Exchange loss, net	**(2,649)**	(5,303)
Others	**(37,719)**	(9,099)
Other expenses	**(242,589)**	(263,511)
Other income and gains, net	**42,809**	208,510

7. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Notes	2018 RMB'000	2017 RMB'000
Cost of revenue:			
Cost of resorts and destination operation services and tourism and leisure service provided		**9,560,478**	8,506,426
Cost of tourism-related property sales and construction services		**1,433,293**	462,619
		10,993,771	8,969,045
Employee benefit expense (including directors' and chief executive's remuneration)			
Wages and salaries		**2,665,444**	2,244,641
Accommodation benefits and others			
– Defined contribution fund		***427,693***	*413,741*
Pension scheme costs:			
– Defined benefit fund		***19,622***	*26,037*
– Defined contribution fund		***155,363***	*115,904*
Equity-settled share-based payment expenses		**104,224**	–
		3,372,346	2,800,323
Listing expenses (including reporting accountants' fee)		**56,142**	–
Auditor's remuneration		**2,880**	11,430
Depreciation of property, plant and equipment	14	**654,454**	521,801
Amortisation of prepaid land lease payments	15	**22,170**	22,062
Amortisation of intangible assets	16	**94,423**	146,873
Impairment of financial and contract assets and other assets:			
Impairment of trade receivables	27	***7,695***	*10,550*
Impairment of financial assets included in prepayments, other receivables and other assets		***645***	*636*
Provision for inventories		**2,296**	2,258
Provision for impairment of items of property, plant and equipment	14	**46,532**	37,425
Provision for impairment of intangible assets	16	**18,287**	10,614
Fair value (gain)/loss on financial assets at fair value through profit or loss	6	**(9,569)**	7,918
Fair value loss/(gain) on derivative instruments, net		**90**	(6,753)
Operating rental expenses		**1,402,852**	1,305,048
Exchange loss, net	6	**2,649**	5,303
Gain on disposal of investments in an associate	6	**(50,274)**	–
Gain on disposal of a subsidiary	6	**–**	(192,549)
Gain on disposal of items of property, plant and equipment	6	**(35,318)**	(91,566)
Gain on disposal of items of intangible assets	6	**(2,703)**	–

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 RMB'000	2017 RMB'000
Interest on bank borrowings	334,668	368,781
Interest on loans from related companies	360	15,267
Interest expense arising from revenue contracts	174,393	134,016
Interest on convertible bonds (note 37)	45,545	87,834
Interest on convertible redeemable preferred shares (note 36)	23,418	44,550
Interest on finance leases	3,648	1,706
Bank charges and other financial costs	5,219	3,461
	587,251	655,615
Less: Interest capitalised (notes 14 and 21)	150,346	222,523
Total finance costs	436,905	433,092

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2018 RMB'000	2017 RMB'000
Fees	180	–
Other emoluments:		
Salaries, allowances and benefits in kind	5,323	–
Performance related bonus	5,186	–
Equity-settled share-based payments expenses	47,942	–
Pension scheme contributions	558	–
	59,009	–
	59,189	–

During the year, certain directors were granted share options and restricted shares, in respect of their services to the Group, under the share option scheme and share ownership plan of the Company, further details of which are set out in note 42 to the financial statements. The fair values of such options and restricted shares, which have been recognised in the consolidated statement of profit or loss over the vesting period, were determined as at the date of grant and the amount included in the consolidated financial statements for the year ended 31 December 2018 is included in the above directors' and chief executive's remuneration disclosures.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(a) Independent non-executive directors

The fees of independent non-executive directors during the year was as follows:

	2018 RMB'000	2017 RMB'000
Allan Zeman	60	–
Guo Yongqing	60	–
Katherine Rong Xin	60	–
	180	–

On 19 November 2018, Dr. Allan Zeman, Mr. Guo Yongqing, and Ms. Katherine Rong Xin were appointed as independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year. There were no independent non-executive directors during 2017 and the period from 1 January 2018 to the date of the appointment of the above three independent non-executive directors.

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

There were no emoluments paid by the Group to the directors as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office during the year.

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonus RMB'000	Pension scheme contributions RMB'000	Equity-settled share based payment expenses RMB'000	Total remuneration RMB'000
2018						
Executive directors:						
Qian Jiannong*	–	1,703	1,688	44	39,520	42,955
Wang Wenping	–	486	192	21	2,431	3,130
Henri GISCARD d' ESTAING	–	2,528	3,095	459	4,009	10,091
Xu Bingbin	–	356	139	17	1,226	1,738
Xu Meng	–	250	72	17	756	1,095
Non-executive director:						
Wang Can	–	–	–	–	–	–
	–	5,323	5,186	558	47,942	59,009

* Mr. Qian Jiannong is both an executive director and the chief executive of the Company from the date of incorporation of the Company.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, a non-executive director and the chief executive *(Continued)*

On 2 August 2018, Mr. Henri GISCARD d' ESTAING, Mr. Wang Wenping, Mr. Wang Can were appointed as directors, and Mr. Xu Bingbin and Mrs. Xu Meng were resigned as directors. On 17 August 2018, Mr. Qian Jiannong, Mr. Henri GISCARD d' ESTAING and Mr. Wang Wenping were appointed as executive directors, and Mr. Wang Can was appointed as the non-executive director.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include two directors (2017: nil), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2017: five) highest paid employees, who are neither a director nor chief executive of the Company, are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	6,253	13,666
Performance related bonus	3,836	16,529
Equity-settled share based payment expenses	4,755	–
Pension scheme contributions	784	2,425
	15,628	32,620

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

	2018 Number of employees	2017 Number of employees
RMB1,000,001 to RMB2,000,000	–	–
RMB2,000,001 to RMB4,000,000	–	1
RMB4,000,001 to RMB6,000,000	2	2
RMB6,000,001 to RMB8,000,000	1	1
RMB8,000,001 to RMB10,000,000	–	–
RMB10,000,001 to RMB12,000,000	–	1
	3	5

During the year, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 42 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the year ended 31 December 2018 is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

(a) Income tax in the consolidated statements of profit or loss represents:

	2018 RMB'000	2017 RMB'000
Current – France and others	**118,290**	86,333
Current – Mainland China		
Income tax in Mainland China for the year	**200,868**	–
LAT in Mainland China for the year	**588,668**	–
Deferred (note 24)	**(3,559)**	(168,852)
Income tax expense/(credit) for the year	**904,267**	(82,519)

The provision for income tax of CMH and its subsidiaries incorporated in France in the year of 2018 was based on a rate of 34.43% (2017: 34.43%).

The provision for Mainland China current income tax is based on the statutory rate of 25% (2017: 25%) of the assessable profits for the reporting period of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008.

LAT is levied 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 land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

11. INCOME TAX *(Continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

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

	France and others RMB'000	Mainland China RMB'000	Total RMB'000
2018			
Profit before income tax	59,441	1,233,947	1,293,388
Tax at the applicable tax rates	20,465	308,487	328,952
Different tax rates for specific entities	18,230	–	18,230
Tax effect of:			
Income not subject to tax	(95,061)	–	(95,061)
Loss attributable to joint ventures and associates	1,181	3,409	4,590
Expenses not deductible for tax	81,682	7,411	89,093
Tax losses not recognised	140,335	41,587	181,922
Tax losses utilised from prior years	(115,238)	(199)	(115,437)
Overprovision in prior years	(3,023)	–	(3,023)
Others*	53,500	–	53,500
Subtotal	102,071	360,695	462,766
Provision for LAT for the year	–	425,911	425,911
Deferred tax effect of provision for LAT (note 24)	–	(106,478)	(106,478)
Prepaid LAT for the year	–	162,757	162,757
Tax effect of prepaid LAT	–	(40,689)	(40,689)
Tax expense	102,071	802,196	904,267

11. INCOME TAX *(Continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates: (Continued)

	France and others RMB'000	Mainland China RMB'000	Total RMB'000
2017			
Profit/(loss) before income tax	70,576	(448,091)	(377,515)
Tax at the applicable tax rates	24,299	(112,023)	(87,724)
Different tax rates for specific entities	907	–	907
Tax effect of:			
Income not subject to tax	(57,815)	–	(57,815)
(Profit)/loss attributable to a joint venture and associates	(509)	4,823	4,314
Effect of decrease in applicable tax rates on opening deferred tax	(3,538)	–	(3,538)
Expenses not deductible for tax	61,421	599	62,020
Tax losses not recognised	127,449	(53,709)	73,740
Tax losses utilised from prior years	(117,436)	(357)	(117,793)
Overprovision in prior years	(5,292)	–	(5,292)
Others*	48,662	–	48,662
Tax expense/(credit)	78,148	(160,667)	(82,519)

* Others mainly include the surcharge taxes in France and Italy which were calculated on the basis of the results of the relevant entities in France and Italy.

12. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2017: nil).

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 1,011,003,222 (2017: 504,109,589) in issue during the year.

The calculation of the diluted earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed vesting of all dilutive potential ordinary shares into ordinary shares.

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

	2018 RMB'000	2017 RMB'000
Earnings/(loss)		
Profit/(Loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings/(loss) per share calculations	308,441	(196,502)

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	1,011,003,222	504,109,589
Effect of dilution – weighted average number of ordinary shares:		
– Share ownership plan	9,016,195	–
– Share option scheme	4,867,606	–
Weighted average number of ordinary shares used in the calculation of diluted earnings/(loss) per share	1,024,887,023	504,109,589
Basic earnings/(loss) per share (RMB)	0.31	(0.39)
Diluted earnings/(loss) per share (RMB)	0.30	(0.39)

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings and leasehold improvements RMB'000	Machinery RMB'000	Furniture, fixtures and other equipment RMB'000	Construction in progress RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018, net of accumulated depreciation and impairment	1,439,440	3,008,962	389,393	522,279	4,349,374	3,013	9,712,461
Additions	–	270,845	162,786	257,221	460,456	12,085	1,163,393
Disposals	–	(13,545)	(6,471)	(11,936)	(30,970)	(2,147)	(65,069)
Depreciation provided during the year	–	(367,867)	(147,366)	(137,230)	–	(1,991)	(654,454)
Impairments	–	(34,557)	(2,976)	(8,999)	–	–	(46,532)
Transfer	–	3,529,904	756,257	(55,471)	(4,230,690)	–	–
Exchange realignment	10,899	23,028	5,201	1,621	2,586	–	43,335
At 31 December 2018, net of accumulated depreciation and impairment	1,450,339	6,416,770	1,156,824	567,485	550,756	10,960	10,153,134
At 31 December 2018							
Cost	1,450,339	7,727,957	1,592,028	918,113	552,915	13,054	12,254,406
Accumulated depreciation and impairment	–	(1,311,187)	(435,204)	(350,628)	(2,159)	(2,094)	(2,101,272)
Net carrying amount	1,450,339	6,416,770	1,156,824	567,485	550,756	10,960	10,153,134
At 1 January 2017, net of accumulated depreciation and impairment	1,553,752	3,507,389	361,679	348,595	2,260,281	–	8,031,696
Additions	–	253,663	109,448	197,108	2,201,812	3,116	2,765,147
Acquisition of subsidiaries	–	–	–	40	–	–	40
Disposals	(73,393)	(113,236)	(1,820)	(11,889)	(57)	–	(200,395)
Disposal of subsidiaries (note 44)	–	(223,046)	–	–	–	–	(223,046)
Depreciation provided during the year	–	(327,589)	(109,045)	(85,064)	–	(103)	(521,801)
Impairments	–	(44,886)	(2,784)	(417)	10,662	–	(37,425)
Transfer	–	31,541	37,918	53,703	(123,162)	–	–
Exchange realignment	(40,919)	(74,874)	(6,003)	20,203	(162)	–	(101,755)
At 31 December 2017, net of accumulated depreciation and impairment	1,439,440	3,008,962	389,393	522,279	4,349,374	3,013	9,712,461
At 31 December 2017 and at 1 January 2018:							
Cost	1,439,440	3,913,502	672,404	725,825	4,351,533	3,116	11,105,820
Accumulated depreciation and impairment	–	(904,540)	(283,011)	(203,546)	(2,159)	(103)	(1,393,359)
Net carrying amount	1,439,440	3,008,962	389,393	522,279	4,349,374	3,013	9,712,461

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

(1) The net book values of property, plant and equipment pledged as security for interest-bearing bank loans are as follows (note 31):

	2018 RMB'000	2017 RMB'000
Construction in progress	416,583	4,233,909
Property, plant and equipment	4,010,421	–
	4,427,004	4,233,909

(2) Capitalised interest expenses included in construction in progress of the Group are as follows (note 8):

	2018 RMB'000	2017 RMB'000
Interest expenses capitalised	50,049	127,781

15. PREPAID LAND LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000
Cost:		
At beginning of year	930,272	921,074
Additions	541,922	9,198
At end of year	1,472,194	930,272
Accumulated amortisation:		
At beginning of year	75,478	53,416
Amortisation provided during the year	22,170	22,062
At end of year	97,648	75,478
Net book value:		
At beginning of year	854,794	867,658
At end of year	1,374,546	854,794
Net book value pledged as security for bank loans (note 31)	832,932	854,794
Portion classified as current assets included in prepayments, other receivables and other assets (note 23)	(34,663)	(22,062)
Non-current portion	1,339,883	832,732

16. INTANGIBLE ASSETS

	Trademark and patents RMB'000	Software RMB'000	Leasehold rights RMB'000	Others RMB'000	Total RMB'000
Cost at 1 January 2018, net of accumulated amortisation and impairment	**2,038,243**	**359,806**	**93,662**	**33,378**	**2,525,089**
Additions	**259**	**216,605**	**211**	**18**	**217,093**
Disposals	**(172)**	**(18,075)**	**(1,781)**	**–**	**(20,028)**
Amortisation provided during the year	**(523)**	**(82,394)**	**(1,875)**	**(9,631)**	**(94,423)**
Impairments	**–**	**(10,327)**	**(7,960)**	**–**	**(18,287)**
Exchange realignment	**11,728**	**2,755**	**484**	**309**	**15,276**
At 31 December 2018	**2,049,535**	**468,370**	**82,741**	**24,074**	**2,624,720**
At 31 December 2018:					
Cost	**2,050,375**	**739,814**	**98,606**	**125,132**	**3,013,927**
Accumulated amortisation and impairment	**(840)**	**(271,444)**	**(15,865)**	**(101,058)**	**(389,207)**
Net carrying amount	**2,049,535**	**468,370**	**82,741**	**24,074**	**2,624,720**
Cost at 1 January 2017, net of accumulated amortisation and impairment	1,908,594	294,741	92,270	24,766	2,320,371
Additions	804	121,335	735	87,652	210,526
Acquisition of subsidiaries	–	–	–	800	800
Disposals	(30)	(2,167)	(3,676)	–	(5,873)
Amortisation provided during the year	–	(64,086)	(1,838)	(80,949)	(146,873)
Impairments	–	(10,614)	–	–	(10,614)
Exchange realignment	128,875	20,597	6,171	1,109	156,752
At 31 December 2017	2,038,243	359,806	93,662	33,378	2,525,089
At 31 December 2017 and 1 January 2018:					
Cost	2,038,556	537,315	99,654	123,701	2,799,226
Accumulated amortisation and impairment	(313)	(177,509)	(5,992)	(90,323)	(274,137)
Net carrying amount	2,038,243	359,806	93,662	33,378	2,525,089

The intangible assets of the Group with indefinite life are mainly the trademark amounting to EUR260,800,000 (equivalent to RMB2,046,576,000 as at 31 December 2018 (31 December 2017: RMB2,034,840,000)) which arose from the acquisition of Club Med SAS and its subsidiaries ("Club Med SAS Group") in 2015. The trademark has indefinite life as the extension cost is low and the trademark can be used indefinitely. The impairment test is based on the recoverable amount of the trademark, which is its fair value less costs of disposal.

16. INTANGIBLE ASSETS *(Continued)*

The fair value calculation of the trademark used relief from royalty method based on royalty rates from 1.5% to 2.5% of forecasted revenues based on a value-in-use calculation using cash flow projections based on an operational plan for a maximum period of three years, and the application of a growth rate of 2.5% on the subsequent two years as approved by senior management. The long-term growth rate of revenues beyond the fifth year period is 1.9%, which is also an estimate of the long-term rate of inflation. The discount rate applied to the royalty income was 8.5% for 2018.

Assumptions were used in the fair value calculation of the trademark for 2018. The following describes each key assumption on which management has based its relief from royalty calculation to undertake impairment testing of the trademark:

Discount rates – The discount rate used reflects specific risks relating to the trademark which arose from the acquisition of Club Med SAS Group.

Royalty rates – The royalty rates are determined based on comparable or similar transactions.

Long-term growth rate – The basis used to determine the value assigned to long-term growth rate is the forecast price indices during the budget year from where the main accommodations are located.

The values assigned to the discount rate, royalty rate and long-term growth rate are consistent with the Group's historical experience and external information sources.

Sensitivity to changes in key assumptions

Trademark

As at 31 December 2018, the recoverable amount of the trademark exceeds the carrying amount by RMB823,967,000.

The following table sets forth the impact of reasonably possible changes in each of the key assumptions, with all other variables held constant, of the trademark impairment testing of the Group as of the dates indicated.

As at 31 December 2018, recoverable amount of the trademark exceeds its carrying amount by:

	2018 RMB'000
Possible changes of key assumptions	
Discount rate increase by 1%	458,078
Royalty rates decrease by 0.5%	555,589
Long-term growth rate decrease by 0.5%	678,791

With regard to the assessment of fair value, management believes that no reasonably possible changes in any of the key assumptions would cause the recoverable amount of the trademark to be materially lower than its carrying amount.

17. GOODWILL

	RMB'000
Cost and net carrying amount at 1 January 2017	1,617,682
Exchange realignment	109,700
Cost and net carrying amount at 31 December 2017 and 1 January 2018	1,727,382
Exchange realignment	9,963
Cost and net carrying amount at 31 December 2018	1,737,345

Impairment testing of goodwill

The Group's goodwill acquired through business combination is from the acquisition of Club Med SAS Group in February 2015 and the goodwill has been allocated to the corresponding subsidiary acquired for impairment testing as the acquired subsidiary is the only cash-generating unit that can benefit from synergy of the acquisition.

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on an operational plan for a maximum period of three years, and the application of a growth rate of 2.5% on the subsequent two years as approved by senior management. The discount rate applied to the cash flow projections was 10.7% for 2018. The growth rate used to extrapolate the cash flows of the above cash-generating unit beyond the fifth year period is 1.9%, which is also an estimate of the long-term rate of inflation.

Assumptions were used in the value in use calculation of the cash-generating unit for the reporting period. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate – The discount rate used is before tax and reflects specific risks relating to the cash generating unit.

Long-term growth rate – The basis used to determine the value assigned to long-term growth rate is the forecast price indices during the budget year from where the main accommodations are located.

The values assigned to the discount rate and long-term growth rate are consistent with the Group's historical experience and external information sources.

17. GOODWILL *(Continued)*

Sensitivity to changes in key assumptions

As at 31 December 2018, the recoverable amount of the cash-generating unit exceeds its carrying amount by RMB3,986,428,000.

The following table sets forth the impact of reasonable possible changes in each of the key assumptions, with all other variables held constant, of goodwill impairment testing of the Group as of the dates indicated.

As at 31 December 2018, recoverable amount of the cash-generating unit exceeds its carrying amount by:

	2018 RMB'000
Possible changes of key assumptions	
Pre-tax discount rate increase by 1%	**2,762,250**
Long-term growth rate decrease by 0.5%	**3,531,285**

With regard to the assessment of value in use, management believes that no reasonably possible changes in any of the key assumptions would cause the recoverable amount of the CGU for which goodwill is allocated to be materially lower than its carrying amount.

18. INVESTMENTS IN JOINT VENTURES

	2018 RMB'000	2017 RMB'000
Share of net assets	–	3,435

The Group's amounts due from joint ventures and amounts due to joint ventures are disclosed in note 22 to the financial statements.

The share of the joint ventures' losses of the Group during this year mainly came from Kuyi International Travel Agency (Shanghai) Co. Ltd. which was established in September 2015. Based on the Group's assessment as at 31 December 2018, no impairment indications were noted and no impairment were required in respect of the investment in the joint venture.

As at 31 December 2018, there was no material joint venture within the Group (31 December 2017: nil).

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

	2018 RMB'000	2017 RMB'000
Share of the joint ventures' loss for the year	(13,635)	(19,290)

	2018 RMB'000	2017 RMB'000
Aggregate carrying amount of the Group's investments in the joint ventures	–	3,435

19. INVESTMENTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Share of net assets	**158,586**	143,672

The Group's amounts due from associates and amounts due to associates are disclosed in note 22 to the financial statements.

As at 31 December 2018, there were no material associates within the Group (31 December 2017: nil).

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

	2018 RMB'000	2017 RMB'000
Share of the associates' profits for the year	**2,093**	1,478

	2018 RMB'000	2017 RMB'000
Aggregate carrying amount of the Group's investments in the associates	**158,586**	143,672

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	2018 RMB'000	2017 RMB'000
Equity investments designated at fair value through other comprehensive income:			
Unlisted equity investment, at fair value Financière Core Motion Group ("FCMG")	(i)	**40,492**	190,064
Listed equity investment, at fair value Thomas Cook Group plc ("TCG")	(i)	**268,946**	–
		309,438	190,064
Financial assets at fair value through profit or loss:			
Long-term investments			
Unlisted investments, at fair value Non-trading	(ii)	**363,845**	18,499
Short-term investments			
Unlisted investments, at fair value Non-trading	(iii)	**–**	130,000
		363,845	148,499

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

Notes:

(i) The Group irrevocably designated the equity investments as investments at fair value through other comprehensive income on the basis that they are not held for trading and the Group considers these investments to be strategic in nature.

(ii) The long-term financial assets at fair value through profit or loss as at 31 December 2018 include an investment in financial products issued by an asset management company with amount of RMB341,692,000. The maturity date is 17 December 2020. They were classified as financial assets at fair value though profit or loss as their contractual cash flows are not solely payments of principal and interest.

The long-term financial assets at fair value through profit or loss with an amount of RMB5,736,000 was pledged to a bank to provide funding to such investment.

(iii) The short term financial assets at fair value as at 31 December 2017 consisted of an the investment in the People's Bank of China national bonds and financial products issued by the PRC financial institution with the amounts of RMB80,000,000 and RMB50,000,000 respectively as at 31 December 2017. The investment was settled during the year ended 31 December 2018.

21. PROPERTIES UNDER DEVELOPMENT

	2018 RMB'000	2017 RMB'000
Land cost	1,586,506	1,703,721
Construction costs	533,055	1,102,803
Capitalised finance costs	51,057	113,634
	2,170,618	2,920,158
Portion classified as current assets	1,046,604	2,433,876
Non-current portion	1,124,014	486,282

The properties pledged to banks to secure interest-bearing bank borrowings are as follows:

	2018 RMB'000	2017 RMB'000
Net book value pledged (note 31)	282,647	2,394,576
Additions to properties under development include:		
Interest expense capitalised (note 8)	100,297	94,742

The Group's properties under development are situated in Mainland China, France.

22. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES

	Notes	2018 RMB'000	2017 RMB'000
Due from related companies:			
The holding company	(i)	**1,898,412**	2,675,190
Associates	(ii)	**910**	35,532
Joint ventures	(iii)	**46,499**	26,076
Other related companies	(iv)	**7,928**	2,352,807
Total		**1,953,749**	5,089,605
Portion classified as current assets		**1,933,349**	5,029,720
Non-current portion		**20,400**	59,885

Notes:

(i) As at 31 December 2018, the balances due from the holding company were non-trade in nature, unsecured, interest-free and repayable on demand. As at 31 December 2018, the balances mainly came from the unpaid subscription price for the shares of the Company issued to the Controlling Shareholder.

(ii) As at 31 December 2018, the balances due from associates with the amounts of RMB910,000 (31 December 2017: RMB1,147,000) were non-trade in nature, unsecured, interest-free and repayable on demand.

As at 31 December 2017, the balances due from the associate with the amount of RMB34,385,000 bore interest at a fixed interest rate of 1.00% per annum and is repayable in 2031. The amounts due from associates were pledged to bank to provide funding to such associates. During the year ended 31 December 2018, the balances were settled due to the disposal of the associate.

(iii) As at 31 December 2018, the balances due from a joint venture with the amount of RMB580,000 (31 December 2017: RMB576,000) were non-trade in nature, unsecured, interest-free and repayable on demand.

As at 31 December 2017, the balance due from a joint venture with the amount of RMB25,500,000 was non-trade in nature, unsecured and interest-free. The maturity date was 30 April 2019. During 2018, additional funding amounting to RMB20,400,000 was provided to this joint venture with the maturity date of 19 March 2020.

The remaining balances due from a joint venture as at 31 December 2018 with an amount of RMB19,000 (31 December 2017: nil) were trade in nature.

(iv) As at 31 December 2018, the balances due from other related companies with the amount of RMB6,791,000 were trade in nature, unsecured, interest-free and repayable on demand.

The remaining balances due from other related companies were non-trade in nature, unsecured, interest-free and repayable on demand.

	Notes	2018 RMB'000	2017 RMB'000
Due to related companies:			
Associates		**–**	741
A joint venture	(v)	**29,192**	19,891
Other related companies	(vi)	**1,946,156**	3,327,646
Total		**1,975,348**	3,348,278
Portion classified as current liabilities		**1,975,348**	3,348,278

22. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES *(Continued)*

Notes: (Continued)

(v) As at 31 December 2018, the balance due to a joint venture with the amount of RMB9,868,000 (31 December 2017: RMB9,508,000) was pledged by an investment in a subsidiary, bearing interest at a fixed interest rate of 4.00% per annum and repayable in 2019.

The remaining balance due to a joint venture was non-trade in nature, unsecured, interest-free and repayable on demand.

(vi) As at 31 December 2018, the balances include an amount of RMB47,692,000 (31 December 2017: RMB12,078,000) which was trade in nature, unsecured, interest-free and repayable on demand.

The remaining balances amounting to RMB1,898,464,000 are non-trade in nature which include the amount of RMB1,898,412,000 due to Zhejiang Fosun Commercial Co. Ltd. and amounts of RMB52,000 due to fellow subsidiaries, which are under the common control of the ultimate controlling shareholder, Mr. Guo Guangchang. The balances are unsecured, interest-free and repayable on demand.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018 RMB'000	2017 RMB'000
Prepayments consist of:		
Prepayments for various goods and services	**1,149,614**	1,184,676
Current portion of prepaid land lease payments due in one year	**34,663**	22,062
Prepayments for acquisition of land use right	**1,189,084**	–
Prepayments for investments in financial instruments	**4,022**	–
Prepayments for asset management	**13,739**	–
Prepaid value-added tax and surcharges	**816,055**	833,026
Deposits	**146,968**	156,878
Other receivables consist of:		
Tax recoverable	**340,159**	407,294
Loans to third parties	**138,395**	130,135
Others	**178,715**	109,190
Impairment allowance	**(4,020)**	(3,207)
	4,007,394	2,840,054
Portion classified as current assets	**2,450,631**	2,364,453
Non-current portion	**1,556,763**	475,601
Non-current portion of prepayments, other receivables and other assets:		
Deposits for lease contracts	**142,946**	151,606
Loans to third parties	**138,395**	130,135
Prepayments for purchase of construction materials, equipment and others	**75,338**	193,416
Prepayments for acquisition of land use rights	**1,189,084**	–
Prepayments for a proposed investment in financial instruments	**4,022**	–
Prepayments for asset management	**6,870**	–
Others	**108**	444
	1,556,763	475,601

24. DEFERRED TAX

Movements in deferred tax assets and liabilities are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Accruals and provisions RMB'000	Additional LAT provisions RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2017	311,731	36,783	–	53,282	401,796
Deferred tax credited to the consolidated statement of profit of loss during the year	76,164	2,318	–	34,475	112,957
Exchange realignment	9,727	2,482	–	4,113	16,322
Gross deferred tax assets at 31 December 2017 and at 1 January 2018	**397,622**	**41,583**	**–**	**91,870**	**531,075**
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	**(121,907)**	**25,106**	**106,478**	**(25,677)**	**(16,000)**
Exchange realignment	**3,879**	**148**	**–**	**(2,221)**	**1,806**
Gross deferred tax assets at 31 December 2018	**279,594**	**66,837**	**106,478**	**63,972**	**516,881**

24. DEFERRED TAX *(Continued)*

Movements in deferred tax assets and liabilities are as follows: *(Continued)*

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries and others RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2017	1,053,906	–	1,053,906
Disposal of subsidiaries (note 44)	(21,486)	–	(21,486)
Deferred tax (credited)/charged to the consolidated statement of profit or loss during the year	(72,764)	16,869	(55,895)
Exchange realignment	19,705	–	19,705
Gross deferred tax liabilities at 31 December 2017 and at 1 January 2018	**979,361**	**16,869**	**996,230**
Deferred tax (credited)/charged to the consolidated statement of profit or loss during the year	**(14,056)**	**(5,503)**	**(19,559)**
Exchange realignment	**1,287**	**–**	**1,287**
Gross deferred tax liabilities at 31 December 2018	**966,592**	**11,366**	**977,958**

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

	2018 RMB'000	2017 RMB'000
Deferred tax offset in the consolidated statement of financial position	**274,903**	271,568
Net deferred tax assets recognised in the consolidated statement of financial position	**241,978**	259,507
Net deferred tax liabilities recognised in the consolidated statement of financial position	**703,055**	724,662

Deferred tax assets have not been recognised in respect of the following items:

	2018 RMB'000	2017 RMB'000
Tax losses	**4,273,160**	5,238,615

24. DEFERRED TAX *(Continued)*

Tax losses carried forward as at the end of the year:

	2018 RMB'000	2017 RMB'000
Less than one year	**95,557**	44,013
One to five years	**324,982**	347,745
Beyond five years	**106,935**	74,551
Without limitation	**3,745,686**	4,772,306
	4,273,160	5,238,615

Tax losses arising in Mainland China that will expire in one to five years for offsetting against future taxable profits. Tax losses arising in location other than Mainland China will be available indefinitely or expire in one to over five years for offsetting against future taxable profits as shown above. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

25. INVENTORIES

	2018 RMB'000	2017 RMB'000
Goods for resale	**100,572**	78,107
Consumables and supplies	**81,434**	81,215
Impairment	**(3,366)**	(8,223)
	178,640	151,099

26. COMPLETED PROPERTIES FOR SALE

	2018 RMB'000	2017 RMB'000
Completed properties for sale	**1,243,892**	27,581

The completed properties for sale pledged to banks to secure interest-bearing bank borrowings are as follows:

	2018 RMB'000	2017 RMB'000
Net book value pledged (note 31)	**210,236**	–

The completed properties for sale are situated in France and Mainland China.

27. TRADE RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	810,125	1,025,981
Impairment	(37,772)	(36,044)
	772,353	989,937

The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by the management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The carrying amounts of the trade receivables in the consolidated statements of financial position approximate to their fair values.

An ageing analysis of the trade receivables as at the end of each reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018 RMB'000	2017 RMB'000
Outstanding balances with ages:		
Within 90 days	607,716	965,099
91 to 180 days	17,671	24,440
181 to 365 days	146,966	398
	772,353	989,937

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018 RMB'000	2017 RMB'000
At beginning of year	36,044	22,925
Amount written off as uncollectible	(6,062)	–
Impairment losses, net	7,695	10,550
Exchange realignment	95	2,569
At end of year	37,772	36,044

27. TRADE RECEIVABLES *(Continued)*

The following is an ageing analysis of trade receivables based on the days past due after the provision provided for specific balances:

	2018 RMB'000	2017 RMB'000
Current	**757,011**	841,858
Past due		
Within 30 days	**9,191**	63,519
Over 30 days	**6,151**	84,560
	772,353	989,937

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, the balances are grouped based on shared credit risk characteristics and the days past due. The expected loss rate of trade receivables that are categorised as current or past due within 30 days is assessed to be 0.1%, while the expected loss rate for the trade receivables balances over 30 days past due is assessed to be 0.5%.

The expected loss rate is reviewed, and adjusted if appropriate, at the end of each reporting period. The credit loss rate remained the same during the reporting period as the business and customer base of the Group remained stable and there were no significant fluctuation on the historical credit loss incurred. In addition, there is no significant change on the economic indicators based on the assessment of the forward-looking information. Other than the provision provided for the specific balances which are more than 30 days past due based on evaluation on the expected loss rate and the gross carrying amount of the remaining balances, the directors of the Company are of the opinion that the ECL in respect of these balances is considered immaterial.

28. CONTRACT ASSETS AND OTHER ASSETS

	Notes	2018 RMB'000	2017 RMB'000
Contract assets:			
Sales of properties and construction services	(1)	**13,850**	35,727
Other assets:			
Costs for obtaining contracts	(2)	**45,463**	67,474
		59,313	103,201

Notes:

(1) Contract assets related to property development and sales consist of unbilled amounts resulting from sales of properties when revenue recognised over time exceeds the amounts billed to the property purchasers and the provision of construction services. The decrease in contract assets in 2018 was the result of the decrease in the ongoing sale of the property and the provision of construction services during this year.

(2) Management expects the incremental costs, primarily sales commission and stamp duty paid/payable as a result of obtaining the property sales contracts, are recoverable. The Group has capitalised the amounts and amortised them when the related revenue is recognised. The amount of amortisation was RMB48,817,000 for the year 2018 (2017: nil).

28. CONTRACT ASSETS AND OTHER ASSETS *(Continued)*

The expected timing of recovery or settlement for contract assets and other assets as at 31 December 2018 and 2017 are as follows:

	2018	2017
	RMB'000	RMB'000
Within one year	**45,463**	75,827
More than one year	**13,850**	27,374
	59,313	103,201

29. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2018

	Fair value	
	Assets	**Liabilities**
	RMB'000	**RMB'000**
Derivatives not qualifying for hedge accounting		
Exchange rate derivatives		
Currency swaptions	**439**	**–**
Interest rate derivatives		
Interest rate swaptions	**3,029**	**10,051**
Qualifying for hedge accounting		
Cash flow hedge derivatives		
Currency swaps	**7,141**	**2,464**
Forward currency contracts	**39,504**	**13,890**
Interest rate swaps	**–**	**14,345**
Fair value hedge derivatives		
Currency swaps	**4,551**	**8,766**
	51,196	**39,465**
	54,664	**49,516**

29. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

As at 31 December 2017

	Fair value Assets RMB'000	Liabilities RMB'000
Derivatives not qualifying for hedge accounting		
Interest rate derivatives		
Interest rate swaptions	–	4,153
Qualifying for hedge accounting		
Cash flow hedge derivatives		
Currency swaps	7,872	14,619
Forward currency contracts	20,240	37,585
Interest rate swaps	–	17,913
Fair value hedge derivatives		
Currency swaps	7,069	3,839
	35,181	73,956
	35,181	78,109

Cash flow hedges

The Group operates resorts all over the world and is exposed to the risk of fluctuations in foreign exchange rates. Forward currency contracts and currency swaps are designated as hedging instruments in respect of the transaction currency risk arising from the future cash flows denominated in a currency other than the functional currency of the entities within the Group. The balances of the forward currency contracts and currency swaps vary with the levels of expected foreign currency transactions and changes in foreign exchange forward rates. The terms of the above hedging instruments match the expected highly probable forecast transactions.

Interest rate swaps whereby the Group receives interest at variable rates and pays interest at fixed rates are designated as hedging instruments in respect of forecast future interest expenses on interest-floating borrowings to which the Group has firm commitments. The balances of the interest rate swaps vary with the terms and principal amounts of the interest-floating borrowings and changes in variable rates which are generally based on the Europe Interbank Offered Rate. The terms of the above hedging instruments match the terms of the commitments.

The cash flow hedges were assessed to be highly effective and net gains of RMB60,874,000 for the year ended 31 December 2018 (2017: net loss of RMB20,454,000) were included in the hedging reserve as follows:

	2018 RMB'000	2017 RMB'000
Effective portion of changes in fair value of hedging instruments arising during the year	**34,116**	(39,599)
Reclassification adjustments for gains included in the consolidated statements of profit or loss	**26,758**	19,145
Total	**60,874**	(20,454)

29. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Cash flow hedges *(Continued)*

In addition, the Group has entered into interest rate swaption contracts to manage its interest rate exposures on borrowings. These interest rate swaption contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging interest rate derivatives were charged to the consolidated statement of profit or loss.

Fair value hedge

Currency swaps are designated as hedging instruments in respect of the currency risk on intragroup financing denominated in a currency other than the functional currency of the borrowing entities within the Group. The hedge of the currency swaps was assessed to be effective.

30. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Notes	2018 RMB'000	2017 RMB'000
Cash and current deposits		1,880,309	1,312,313
Time deposits		34,050	97,072
Other cash equivalents		248,430	220,788
		2,162,789	1,630,173
Less: Pledged bank balances	(1)	172,472	49,393
Time deposits with original maturity of more than three months		165	164
Restricted pre-sale proceeds	(2)	115,154	590,893
Restricted cash		287,791	640,450
Cash and cash equivalents		1,874,998	989,723

Notes:

(1) It mainly comprises the following:

	2018 RMB'000	2017 RMB'000
Bank balances as various deposits	172,472	49,393

(2) In accordance with relevant regulations issued by the PRC State-Owned Land and Resource Bureau, certain subsidiaries involved in property development of the Group are required to place in designated bank accounts certain amounts of pre-sale proceeds of properties as guarantee deposits for the construction of related properties. The deposits can only be used for purchases of construction materials and payments of construction fees for the relevant property projects when approval from the PRC State-Owned Land and Resource Bureau is obtained.

Cash and cash equivalents and restricted cash of the Group denominated in RMB amounted to RMB735,238,000 as at 31 December 2018 (31 December 2017: RMB1,002,892,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

30. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(Continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The cash and cash equivalents and restricted cash are deposited with creditworthy banks with no recent history of default.

31. INTEREST-BEARING BANK BORROWINGS

	Notes	2018 RMB'000	2017 RMB'000
Bank loans:			
Secured	(a)	**4,846,695**	5,550,846
Unsecured		**579,796**	60,707
Total		**5,426,491**	5,611,553
Repayable:			
Within one year		**752,377**	712,283
In the second year		**480,001**	701,251
In the third to fifth years, inclusive		**2,931,799**	3,080,906
Over five years		**1,262,314**	1,117,113
		5,426,491	5,611,553
Portion classified as current liabilities		**752,377**	712,283
Non-current portion		**4,674,114**	4,899,270

Notes:

(a) Certain of the Group's bank loans are secured by the pledges of assets with carrying values at the end of each reporting period as follows:

	2018 RMB'000	2017 RMB'000
Pledge of assets:		
Prepaid land lease payments	**832,932**	854,794
Properties under development	**282,647**	2,394,576
Property, plant and equipment	**4,427,004**	4,233,909
Completed properties for sales	**210,236**	–
Investment designated at fair value through comprehensive income	**268,946**	–
Total	**6,021,765**	7,483,279

Apart from the above, certain interest-bearing bank borrowings were secured by investments in subsidiaries as at 31 December 2018.

(b) Certain of the Group's bank loans bear interest at rates ranging from 2.75% to 7.00% per annum in the year ended 31 December 2018 (2017: from 2.75% to 6.34%).

32. CONTRACT LIABILITIES

	2018 RMB'000	2017 RMB'000
Contract liabilities	**4,434,605**	6,573,325

The Group receives payments from customers based on the billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts from property sales and resort operation.

The following table shows the amounts of the revenue recognised in each reporting period related to carried forward contract liabilities.

	2018 RMB'000	2017 RMB'000
Revenue recognised during the year that was included in the contract liabilities balance at the beginning of the year	**3,572,950**	654,679

The following table includes the transaction price allocated to the remaining unsatisfied performance obligations related to property sales and resort operation as at the end of each reporting period.

	2018 RMB'000	2017 RMB'000
Expected to be recognised within one year	**4,682,117**	5,742,518
Expected to be recognised after one year	**–**	1,400,321
Total	**4,682,117**	7,142,839

33. TRADE PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	**1,870,767**	1,244,064

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

	2018 RMB'000	2017 RMB'000
Within 90 days	**1,556,497**	1,241,388
91 to 180 days	**21,866**	–
181 to 365 days	**281,481**	106
1 to 2 years	**8,353**	2,570
2 to 3 years	**2,570**	–
	1,870,767	1,244,064

Trade payables are non-interest-bearing.

34. ACCRUED LIABILITIES AND OTHER PAYABLES

	Notes	2018 RMB'000	2017 RMB'000
Advances from customers	(i)	**2,507,399**	2,206,477
Payables related to:			
Purchases of property, plant and equipment		**717,940**	966,516
Deposits received		**94,429**	80,080
Payroll		**512,633**	434,313
Tax liabilities (other than income tax)		**178,696**	148,112
Interest payables		**4,660**	4,593
Provisions for litigation and others	(ii)	**228,035**	405,061
Put options granted to non-controlling shareholders of a subsidiary	(iii)	**191,962**	27,003
Others		**307,101**	185,504
		4,742,855	4,457,659

Notes:

(i) The balance mainly represents the proceeds from the customers in advance arose from certain contracts which can be cancelled without any condition before the service and goods are delivered by the Group.

(ii) The balance mainly includes the provisions for litigation which cover commercial claims, employee claims, and disputes with government agencies and the provisions for the site restructuring and closures of the resorts.

(iii) Pursuant to the put option agreements signed in February 2015 between Fosun Luxembourg, a subsidiary of the Company, and certain non-controlling shareholders of CMH, the non-controlling shareholders of CMH, except Fidelidade – Companhia de Seguros, S.A. ("Fidelidade"), a fellow subsidiary of the Controlling Shareholder, had certain embedded put rights that were exercisable commencing on the departure of the relevant employee shareholder or on the fourth or fifth anniversary of the agreement date, which, if exercised, would require Fosun Luxembourg to acquire the non-controlling interests at a price based on certain multiples of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) of CMH after the adjustment of certain items. The put options will expire from 18 February 2020 to 19 July 2022. In accordance with IFRS 10, the Company recorded the non-controlling shareholders' portion of profit or loss in its consolidated statement of profit or loss, and the put option amount was classified as a financial liability at the end of the year and the changes in the amount of the option were recognised in equity (other reserve).

35. FINANCE LEASE PAYABLES

Total future minimum lease payments under finance leases and their present values are as follows:

Repayable:

	2018 RMB'000	2017 RMB'000
Within one year	**9,910**	9,855
In the second year	**9,910**	9,854
In the third to fifth years, inclusive	**30,790**	29,555
More than five years	**47,371**	58,431
Total minimum finance lease payments	**97,981**	107,695
Less: Future finance charges	**17,962**	21,394
	80,019	86,301
Portion classified as current	**6,647**	6,312
Non-current portion	**73,372**	79,989

36. CONVERTIBLE REDEEMABLE PREFERRED SHARES

To finance the acquisition of Club Med SAS Group, in February 2015, CMH (formerly known as Holding Gaillon II), an indirectly owned subsidiary of the Company, issued 51,578,995 Class B preference shares (the "Preferred Shares B") with a par value of EUR4 per share for cash. Among them, Fosun Luxembourg, together with another subsidiary of the Group subscribed 36,377,244 Preferred Shares B which were eliminated on group level. And the rest of 15,001,751 Preferred Shares B were subscribed by a related party of the Group and other various third party holders at a total amount of EUR60,007,004 (equivalent to RMB415,585,000). In February and May 2018, Fosun Luxembourg acquired 11,176,968 Preferred Shares B from non-controlling shareholders at a total consideration of EUR57,006,754 (equivalent to RMB436,692,000).

The Preferred Shares B hold voting rights, have no maturity date and entitle the holders to a preferred, cumulative and exclusive compound dividend rate of 8.25% on the principals. In case of the liquidation, Preferred Shares B are redeemable at subscription price plus the preferred dividend and the redemption of the Preferred Shares B is in priority to ordinary shares and other equity instruments. Preferred Shares B are treated pari passu with the holders of the convertible bonds with the details set out in note 37. In case of an exit (except an initial public offering ("IPO") of CMH), allocation of exit price will be in priority to Convertible Bonds and Preferred Shares B which are treated pari passu. Only in case of an exit through an IPO of CMH, Preferred Shares B could be converted into ordinary shares.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option ("Market Interest"). The residual amount is assigned as the equity component and is included in shareholders' equity. Since the rate of return is close to the Market Interest, the entire issue was recognised as a liability with no equity component.

36. CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

The Preferred Shares B were classified as financial liabilities.

	2018 RMB'000	2017 RMB'000
At beginning of year	**588,387**	509,001
Redemption	**(436,692)**	–
Interest expense (note 8)	**23,418**	44,550
Exchange realignment	**(11,977)**	34,836
At the end of year	**163,136**	588,387

37. CONVERTIBLE BONDS

To finance the acquisition of Club Med SAS Group, in February and March 2015, CMH issued a total of 102,415,337 convertible bonds (the "Convertible Bonds") with a par value of EUR4 per bond. Among them, Fosun Luxembourg subscribed 72,056,820 Convertible Bonds which were eliminated on group level. The rest of 30,358,517 Convertible Bonds were subscribed by a related party of the Group and other various third party holders at a total amount of EUR121,434,000 (equivalent to RMB841,004,000). In February and May 2018, Fosun Luxembourg acquired 22,618,437 Convertible Bonds from non-controlling shareholders at a total consideration of EUR116,320,021 (equivalent to RMB882,991,000).

The Convertible Bond can be converted into Preferred Share B and the conversion can be requested at the option of the bondholders at any time until the maturity date of 18 February 2025. The Convertible Bonds bear interest at a compound rate of 8.25% per annum until the Convertible Bonds mature. The holders could early redeem the Convertible Bonds only in the case of liquidation and before any other dividends and any redemption of net equity.

The fair value of the liability component was estimated at the issuance date using an Market Interest. The residual amount is assigned as the equity component and is included in shareholders' equity. Since the rate of return is close to the Market Interest, the entire issue was recognised as a liability with no equity component.

	2018 RMB'000	2017 RMB'000
At beginning of year	**1,188,672**	1,028,856
Redemption	**(882,991)**	–
Interest expense (note 8)	**45,545**	87,834
Exchange realignment	**(20,857)**	71,982
At the end of year	**330,369**	1,188,672

38. DEFERRED INCOME

Deferred income represents government grants received related to assets.

	2018 RMB'000	2017 RMB'000
Government grants for fixed asset construction	**120,720**	121,591

The movements of government grants are as follows:

	2018 RMB'000	2017 RMB'000
At beginning of year	**121,591**	148,577
Addition	**6,381**	9,385
Recognised as income during the year	**(7,771)**	(8,370)
Disposal*	**–**	(36,123)
Exchange realignment	**519**	8,122
At the end of the year	**120,720**	121,591

* The disposal of the deferred income is due to the disposal of the property, plant and equipment for which government grant was received.

39. OTHER LONG TERM PAYABLES

	Notes	2018 RMB'000	2017 RMB'000
Accrued rental expenses	(i)	**193,585**	209,277
Defined benefit plans	(ii)	**378,177**	264,352
Others		**17,884**	–
		589,646	473,629

Notes:

(i) Accrued rental expenses relate to long-term rental contracts with rent-free periods.

(ii) Under defined-benefit plans, the Group has an obligation to provide benefits to employees either on their retirement or when they leave the Group. The Group's defined benefit plans are unfunded and are covered by provisions recorded in the financial statements.

The Group's obligations under defined benefit plans are measured using the projected unit credit method. This method involves the use of long-term actuarial assumptions concerning demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries and discount rates). These variables are reviewed each year.

The discount rate is determined by reference to the market yields at the reporting date on high quality corporate bonds.

The principal actuarial assumptions used for the major defined benefit plan of the Group as at the end of each reporting period are as follows:

	2018 RMB'000	2017 RMB'000
Discount rate	**1.56%**	1.50%
Expected rate of salary increase	**2.90%**	2.90%

39. OTHER LONG TERM PAYABLES *(Continued)*

Notes: (Continued)

(ii) Defined benefit plans: (Continued)

A quantitative sensitivity analysis for significant assumptions for the major defined benefit plan of the Group as at year end is shown below:

	2018 RMB'000	2017 RMB'000
Discount rate changed to	2.06%	2.00%
Adjustment to liability	(15,294)	(7,116)
Discount rate changed to	1.06%	1.00%
Adjustment to liability	16,715	7,654
Expected rate of salary increase changed to	3.40%	3.40%
Adjustment to liability	16,448	7,896
Expected rate of salary increase changed to	2.40%	2.40%
Adjustment to liability	(15,216)	(7,412)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of each year. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

The total expenses recognised in the consolidated statement of profit or loss in respect of the plan are as follows:

	2018 RMB'000	2017 RMB'000
Current service cost	15,380	22,346
Interest expense	4,242	3,691
Net benefit expenses	19,622	26,037

The movements in the present value of the defined benefit obligations are set out below:

	2018 RMB'000	2017 RMB'000
At beginning of year	264,352	239,027
Current service cost	15,380	22,346
Interest expense	4,242	3,691
Benefits paid	(13,279)	(17,988)
Loss from actuarial changes in other comprehensive income	106,078	6,364
Exchange realignment	1,404	10,912
At the end of year	378,177	264,352

The defined benefit plan is unfunded, and there are no expected contributions in the next 12 months.

The average duration of the defined benefit obligations as at 31 December 2018 was 10 years (31 December 2017: 8 years).

40. SHARE CAPITAL

Shares

	Notes	Numbers of shares	Nominal value of USD0.001 each USD	Nominal value of EUR0.001 each EUR	Nominal value of EUR0.0001 each EUR	Nominal value RMB
Authorised:						
At 1 January 2017	(i)	1,000,000,000	1,000,000	–	–	6,652,870
Authorisation	(ii)	1,000,000,000	–	1,000,000	–	7,676,000
Cancellation	(ii)	(1,000,000,000)	(1,000,000)	–	–	(6,652,870)
Subdivision of shares	(iv)	9,000,000,000	–	(1,000,000)	1,000,000	–
At 31 December 2017 and 31 December 2018		**10,000,000,000**	**–**	**–**	**1,000,000**	**7,676,000**
Issued:						
At 1 January 2017	(i)	1,000	1	–	–	7
Issue of shares	(ii)	1,000	–	1	–	8
Repurchase and cancellation	(ii)	(1,000)	(1)	–	–	(7)
Issue of shares	(iii)	1,000	–	1	–	8
Subdivision of shares	(iv)	18,000	–	(2)	2	–
Issue of shares	(v)	999,980,000	–	–	–	–
At 31 December 2017 and 1 January 2018		**1,000,000,000**	**–**	**–**	**2**	**16**
Issue of shares	(vi)	**2**	**–**	**–**	**–**	**–**
Issue of restricted shares under share ownership plan	(vii)	**9,683,501**	**–**	**–**	**968**	**7,409**
Cancellation of restricted shares	(vii)	**(762,640)**	**–**	**–**	**(76)**	**(583)**
Issue of shares from initial public offering	(viii)	**214,200,000**	**–**	**–**	**21,420**	**167,294**
At 31 December 2018		**1,223,120,863**	**–**	**–**	**22,314**	**174,136**

Notes:

(i) On 30 September 2016, the Company was incorporated in the Cayman Islands with authorised share capital of USD1,000,000.00 divided into 1,000,000,000 shares at a par value of USD0.001 each. On the same date, 1,000 shares were issued and fully paid by Fosun International Limited.

(ii) In May 2017, the authorised share capital of the Company was changed from USD1,000,000 to EUR1,000,000 by way of repurchasing and cancelling the 1,000 ordinary shares with a par value of USD0.001 each; and then allotting and issuing 1,000 shares with a par value of EUR0.001 each to the Controlling Shareholder at a consideration of EUR540,191,026 (equivalent to RMB4,146,506,000). The consideration is settled by the 100% equity investment in Fosun Luxemburg amounted to EUR161,517,224 (equivalent to RMB1,239,806,000) and the receivables of Fosun International Limited from Fosun Luxemburg amounted to EUR378,673,802 (equivalent to RMB2,906,700,000). The consideration exceeding the nominal amount of the issued share capital amounted to RMB4,146,506,000 was recorded in share premium of the Company.

(iii) On 29 December 2017, 1,000 Shares of EUR0.001 each were allotted and issued to the Controlling Shareholder at a consideration of RMB2,670,000,000. The consideration amount exceeding the nominal amount of the shares issued amounting to RMB2,670,000,000 was recorded in share premium of the Company. The consideration was not received and recorded in the amount due from the holding company in the statement of financial position of the Company.

40. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

Notes: (Continued)

(iv) On 29 December 2017, the authorised shares of the Company were subdivided from 1,000,000,000 shares at a par value of EUR0.001 each to 10,000,000,000 shares at a par value of EUR0.0001 each. The issued 2,000 shares were subdivided into 20,000 shares at a par value of EUR0.0001 each.

(v) On 29 December 2017, 999,980,000 shares were allotted and issued to the Controlling Shareholder at nil consideration. Upon completion, the Controlling Shareholder held 1,000,000,000 shares of the Company.

(vi) On 25 April 2018, 2 shares at a par value of EUR0.0001 each were allotted and issued to the Controlling Shareholder at a consideration of HKD19,319,788 (equivalent to RMB15,441,000) and EUR173,499,642 (equivalent to RMB1,330,985,000) for each share respectively. The consideration was settled by the receivables of the Controlling Shareholder from the Company. The total consideration exceeding the nominal amount of the issued share capital amounting to RMB1,346,426,000 was recorded in share premium of the Company.

(vii) On 18 June 2018, 9,038,501 shares were granted and allotted to eligible participants at a consideration of HKD8.05 per share under the share ownership plan. During 2018, the Company cancelled 762,640 restricted shares due to resignation of the employees. The shares granted constituted equity-settled share based payments and further details are set out in note 42.

On 4 July 2018, 645,000 shares were granted and allotted to eligible participants at a consideration of EUR 2.00 per share under the share ownership plan which did not constitute equity-settled share based payments.

(viii) On 14 December 2018, the Company completed an issue of 214,200,000 initial public offering shares. Amount of RMB167,000 was credited as issued and fully paid share capital, and the remaining amount of RMB2,829,983,000 was credited to share premium.

41. RESERVES

The Group's reserves and the movements therein during 2018 are presented in the consolidated statements of changes in the equity of the financial statements.

Merger reserve

The Company was incorporated in September 2016 and acquired relevant subsidiaries now comprising the Group in the year of 2017 from the Controlling Shareholder. The merger reserve of the Group mainly represents the reserve arose pursuant to the reorganisation of the Group completed in 2017. Details of the movements in the merger reserve are set out in the consolidated statements of changes in equity.

Capital and other reserve

(i) The Group has granted put options to certain non-controlling shareholders of CMH. The put options provide the holders the option to require the Group to purchase the shares held by the non-controlling shareholders at a determinable price. Details are set out in note 34(iii). As at 31 December 2018, although the put options remained unexercised, the Group derecognised the non-controlling interests as if they were acquired at that date, and recognised as financial liabilities, which are measured on the basis of the estimated present value of the consideration to be transferred upon the exercise of the put options. The difference between the amounts of the non-controlling interests and the financial liabilities was recognised to capital and other reserves.

(ii) During the year of 2018, the Group acquired additional interests in its subsidiaries. The difference between the consideration and the proportionate shares of net assets acquired was recorded in capital.

(iii) The remaining amount of capital and other reserve mainly consists of fair value adjustments of hedging instruments in cash flow hedges, actuarial reserve relating to employee benefits in the defined benefit plans, and reserves relating to the share-based payments.

41. RESERVES *(Continued)*

Statutory surplus reserve (the "SSR")

In accordance with the Company Law of the PRC and the respective articles of association of the subsidiaries established in Mainland China (the "PRC subsidiaries"), each PRC subsidiary is required to allocate 10% of its net profit (after offsetting accumulated losses from prior years) to the statutory surplus reserve, as determined in accordance with the applicable PRC accounting standards and regulations, to the SSR until this reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the SSR can be capitalised as paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

42. SHARE-BASED PAYMENTS

Share option scheme

The Company operates a share option scheme (the "Option Scheme") for the purpose of providing the eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage the eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholder(s) as a whole. The eligible participants include directors, full time employees of the Company or any of its subsidiaries and any person who the board of directors considers to be able to enhance the operations or the value of the Group. The Option Scheme was approved by the shareholders of Fosun International Limited and became effective on 23 February 2018. Unless otherwise cancelled or amended, the Option Scheme will remain in force for 10 years from the date of adoption.

The maximum number of share options currently permitted to be granted under the Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company as at the date of adoption. The maximum number of shares issuable under share options to each eligible participant in the Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at grant date. Any further grant of share options in excess of this limit is subject to the approval of the shareholders of Fosun International Limited in a general meeting. And the number of shares of which options may be granted under the Option Scheme shall be increased by the same number of options lapsed and/or cancelled.

The offer of a grant of share options may be accepted within 5 business days from the date of offer, upon payment of a nominal consideration of RMB1 (or any other amount as determined by the board of directors) in total by the grantee. The exercise period of the share options granted is determinable by the grantee, and commences after a vesting period of one to eight years and is subject to the listing of the shares on an internationally recognised stock exchange (the "Listing"), and shall not exceed a period of 10 years from the date of grant of the share options (the "Option Period").

The exercise price of share options is determinable by the directors, but may not be less than the new issue price (if any) either after the Company has resolved to seek a Listing or during the period commencing six months before the lodgement of an application with the relevant stock exchange for the Listing up to the date of Listing. In such event, the Board shall have the discretion to adjust the exercise price of options granted during such period to not lower than the new issue price (if any).

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

42. SHARE-BASED PAYMENTS *(Continued)*

Share option scheme *(Continued)*

The following share options were outstanding under the Option Scheme during each reporting period:

	Weighted average exercise price HKD per share	Number of options '000
At 31 December 2017 and 1 January 2018	–	–
Granted during the year	10.58	45,645
Forfeited during the year	8.43	(1,089)
At 31 December 2018		**44,556**

No share options were exercised during the year ended 31 December 2018.

The exercise prices and exercise periods of the share options outstanding as at 31 December 2018 are as follows:

Number of options '000	Exercise price HKD per share	Exercise period
2,685	8.43	28 December 2018 to 28 December 2027
4,000	8.43	22 February 2019 to 22 February 2028
3,454	15.60	18 November 2019 to 18 November 2028
2,685	8.43	28 December 2019 to 28 December 2027
4,000	8.43	22 February 2020 to 22 February 2028
3,454	15.60	18 November 2020 to 18 November 2028
2,685	8.43	28 December 2020 to 28 December 2027
4,000	8.43	22 February 2021 to 22 February 2028
3,454	15.60	18 November 2021 to 18 November 2028
2,685	8.43	28 December 2021 to 28 December 2027
4,000	8.43	22 February 2022 to 22 February 2028
3,454	15.60	18 November 2022 to 18 November 2028
1,000	8.43	22 February 2023 to 22 February 2028
1,000	8.43	22 February 2024 to 22 February 2028
1,000	8.43	22 February 2025 to 22 February 2028
1,000	8.43	22 February 2026 to 22 February 2028
44,556		

The fair value of the share options granted during the year ended 31 December 2018 was RMB184,620,000 (RMB3.47 to RMB4.59 each), based on different vesting periods, of which the Group recognised a share option expense of RMB56,707,000 during the year ended 31 December 2018.

42. SHARE-BASED PAYMENTS *(Continued)*

Share option scheme *(Continued)*

The fair value of equity-settled share options granted during the year ended 31 December 2018 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Year ended 31 December 2018
Dividend yield (%)	–
Expected volatility (%)	24.89%
Historical volatility (%)	24.89%
Risk-free interest rate (%)	2.78%
Weighted average share price (RMB per share)	11.15

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

As at 31 December 2018, the Company had 44,556,000 share options outstanding under the Option Scheme, which represented approximately 3.6% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 44,556,000 additional ordinary shares of the Company and additional share capital and share premium of HKD474,667,000 (before issue expenses).

2017 share ownership plan

The Company operates the 2017 share ownership plan (the "Share Ownership Plan") for the purpose to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives in the form of share ownership in the Company to selected employees, directors, and consultants and to promote the success of the Company's business by offering these individuals an opportunity to acquire a proprietary interest in the success of the Company or to increase this interest, by permitting them to acquire shares of the Company. The Share Ownership Plan was approved by the board of directors of the Company and became effective on 29 December 2017. Unless otherwise cancelled or amended, the Share Ownership Plan will remain in force for 10 years from the date of adoption.

The maximum aggregate number of restricted shares that may be issued under the Share Ownership Plan shall not exceed 15,000,000 shares. The restricted shares can only be transferred freely after completion of a listing on any stock exchange. The Company has an obligation to repurchase the restricted shares when the participants exit the plan before completion of a listing on any stock exchange.

42. SHARE-BASED PAYMENTS *(Continued)*

2017 share ownership plan *(Continued)*

On 1 January 2018, pursuant to the Share Ownership Plan, 9,098,501 restricted shares of the Company were granted to eligible participants at a grant price of HKD8.05 per share, which represented approximately 0.9% of the Company's Shares in issue as at that date. The following restricted shares were outstanding under the Share Ownership Plan during the year:

	Weighted average subscription price	**Number of shares**
	HKD per share	'000
At 31 December 2017 and 1 January 2018	–	–
Granted during the year	8.05	9,039
Forfeited during the year	8.05	(763)
Unblocked during the year	8.05	(8,276)
At 31 December 2018		–

All of the participants have accepted the granted restricted shares by signing off the offer letters. All restricted shares have met the condition to be transferred freely during the year ended 31 December 2018.

The fair value of restricted shares granted during the year ended 31 December 2018 was estimated as at the date of grant, using the market approach and income approach.

The aggregate fair value of the restricted shares granted amounted to approximately RMB90,385,000, the total considerations received for the issuance of the restricted shares amounting up to HKD66,622,000 (equivalent to RMB56,169,000). The Group has recognised expense of RMB27,070,000 for the year ended 31 December 2018.

2018 free share ownership plan

The Company operates the 2018 free share ownership plan (the "Free Share Ownership Plan") for the purpose to provide the directors of the Company and other employees of the Group with the opportunity to receive proprietary interests in the shares of the Company and to encourage the eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Free Share Ownership Plan was approved by the board of directors of the Company and became effective on 29 June 2018. Unless otherwise cancelled or amended, the Free Share Ownership Plan will remain in force for 10 years from the date of adoption.

The maximum aggregate number of shares that may be issued for free under the Free Share Ownership Plan shall not exceed 5% of the number of ordinary shares in issue on 29 June 2018.

42. SHARE-BASED PAYMENTS *(Continued)*

2018 free share ownership plan *(Continued)*

On 4 July 2018, pursuant to the Free Share Ownership Plan, share units for 3,505,537 ordinary shares of the Company which represented approximately 0.3% of the Company's ordinary shares in issue as at that date were granted to eligible participants with vesting periods from one to four years. The following free shares were outstanding under the Free Share Ownership Plan during the year:

	Weighted average subscription price HKD per share	**Number of shares** '000
At 31 December 2017 and 1 January 2018	–	–
Granted during the year	–	3,506
Forfeited during the year	–	–
Unblocked during the year	–	(838)
At 31 December 2018		**2,668**

The unblock dates of the free shares are summarised as follows:

Number of shares '000	**Unblock dates**
838	4 July 2018
667	29 June 2019
667	29 June 2020
667	29 June 2021
667	29 June 2022
3,506	

The aggregate fair value of the free shares granted amounted to approximately RMB55,162,000, all of which will be charged to profit or loss and the capital reserve as costs of share-based compensation from the date of grant to the date on which the unlocking conditions are fulfilled. The Group has recognised expense of RMB20,447,000 for the year ended 31 December 2018.

At the 31 December 2018, the 3,505,537 ordinary shares granted in the form of share units have not been registered as share capital of the Company yet. The Company had 2,667,778 blocked free shares outstanding under the plan, which represented approximately 0.2% of the Company's shares in issue as at 31 December 2018.

43. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

CMH was established in France on 9 September 2014 by Fosun Luxemburg and other non-controlling shareholders for the acquisition of Club Med SAS Group. Non-controlling interests are set out below:

	2018	2017
Percentage of equity interests held by non-controlling interests:		
CMH*	–	18.29%

* The percentages of non-controlling interests as at 31 December 2018 and 2017 represented the interests held by Fidelidade, a subsidiary of the Controlling Shareholder. In May 2018, the Group further acquired the non-controlling interests of 18.29% of CMH held by Fidelidade.

The percentages of non-controlling interests as at 31 December 2018 and 2017 disclosed above exclude those held by non-controlling shareholders i.e., 13.55% interests as at 31 December 2018 (31 December 2017:15.02%) which were entitled to the put options granted by Fosun Luxemburg. For these non-controlling interests which are entitled to put rights, in accordance with IFRS 10, the Group recorded the non-controlling shareholders' portion of profit or loss in its consolidated statement of profit or loss. As at 31 December 2017 and 2018, although the put options remained unexercised, the Group derecognised the non-controlling interests as if they were acquired at that date, and recognised as financial liabilities, which are measured on the basis of the estimated present value of the consideration to be transferred upon the exercise of the put options (note 34(iii)). The difference between the amounts of the non-controlling interests and the financial liabilities was recognised to capital and other reserves (note 41(i)).

	2018 **RMB'000**	2017 RMB'000
Profit/(loss) for the year allocated to non-controlling interests:		
CMH	**52,400**	(108,337)
Dividends paid to non-controlling interests		
CMH	–	–
Accumulated balances of non-controlling interests:		
CMH	–	(352,155)

43. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

The following tables illustrate the summarised financial information of CMH. The amounts disclosed are before any inter-company eliminations:

	2018 RMB'000	2017 RMB'000
Revenue	**12,017,013**	11,758,411
Total expense	**(12,312,406)**	(12,073,802)
Loss for the year	**(295,393)**	(315,391)
Total comprehensive loss for the year	**(513,918)**	(844,825)
Current assets	**3,107,649**	3,015,916
Non-current assets	**10,451,764**	10,442,442
Current liabilities	**(5,799,106)**	(5,564,488)
Non-current liabilities	**(9,942,388)**	(9,561,835)
Net cash flows from operating activities	**961,467**	862,707
Net cash flows used in investing activities	**(598,328)**	(70,950)
Net cash flows used in financing activities	**(395,389)**	(705,813)
Net (decrease)/increase in cash and cash equivalents	**(32,250)**	85,944

44. DISPOSAL OF SUBSIDIARIES

There was no disposal of subsidiaries during 2018.

In October 2017, the Group completed the disposal of its 84% equity interests in a subsidiary Compagnie des Villages de Vacances de l'Isle de France – COVIFRA ("Covifra") for a consideration of EUR26,608,000 (equivalent to RMB208,500,000).

The total net assets disposed of in respect of the disposal of the subsidiary during the years were as follows:

	2018 RMB'000	2017 RMB'000
Property, plant and equipment (note 14)	–	223,046
Cash and cash equivalents	–	52,642
Prepayments, other receivables, and other assets	–	35,003
Interest-bearing bank borrowings	–	(216,234)
Accrued liabilities and other payables	–	(45,587)
Deferred tax liabilities (note 24)	–	(21,486)
Total net assets disposed of	–	27,384
Non-controlling interests	–	(11,433)
		15,951
Net gain on disposal of a subsidiary (note 6)	–	192,549
	–	208,500
Satisfied by:		
Cash	–	208,500

An analysis of the cash flows in respect of the disposal of Covifra is as follows:

	2018 RMB'000	2017 RMB'000
Cash consideration	–	208,500
Cash and cash equivalents disposed of	–	(52,642)
Net inflow of cash and cash equivalents included in cash flows from investing activities	–	155,858

45. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings RMB'000	Significant financing components included in contract liabilities RMB'000	Finance lease payable RMB'000	Convertible bond RMB'000	Convertible redeemable preferred shares RMB'000	Due to related companies RMB'000	Interest payable included in accrued liabilities and other payables RMB'000
At 31 December 2017 and 1 January 2018	5,611,553	138,184	86,301	1,188,672	588,387	3,348,278	4,593
Changes from financing cash flows	(199,122)	–	–	(73,001)	(36,074)	(1,299,829)	–
Changes from operating cash flows	–	(164,917)	–	–	–	35,614	–
Interest paid	–	–	–	–	–	–	(339,820)
Exchange realignment	14,060	–	(9,930)	(20,857)	(11,977)	11,135	–
Interest expense	–	77,153	3,648	45,545	23,418	360	286,781
Interest capitalised	–	97,240	–	–	–	–	53,106
Redemption without cash paid	–	–	–	(809,990)	(400,618)	1,226,216	–
Transfer to share capital and share premium	–	–	–	–	–	(1,346,426)	–
At 31 December 2018	5,426,491	147,660	80,019	330,369	163,136	1,975,348	4,660

45. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

Changes in liabilities arising from financing activities *(Continued)*

	Interest-bearing bank borrowings RMB'000	Significant financing components included in contract liabilities RMB'000	Finance lease payable RMB'000	Convertible bond RMB'000	Convertible redeemable preferred shares RMB'000	Due to related companies RMB'000	Interest payable included in accrued liabilities and other payables RMB'000
At 1 January 2017	4,919,031	4,168	24,339	1,028,856	509,001	4,099,503	2,665
Changes from financing cash flows	613,072	–	–	–	–	501,959	–
Changes from operating cash flows	–	–	–	–	–	12,078	–
Interest paid	–	–	–	–	–	–	(370,314)
New finance lease	–	–	60,627	–	–	–	–
Exchange realignment	295,684	–	(371)	71,982	34,836	198,173	–
Interest expense	–	35,380	1,706	87,834	44,550	15,267	248,355
Interest capitalised	–	98,636	–	–	–	–	123,887
Conversion of balance due to the related companies to the equity of the Company	–	–	–	–	–	(4,146,506)	–
Deemed contribution from subsidiaries of the Controlling Shareholder	–	–	–	–	–	2,667,804	–
Decrease arising from disposal of subsidiaries	(216,234)	–	–	–	–	–	–
At 31 December 2017	5,611,553	138,184	86,301	1,188,672	588,387	3,348,278	4,593

46. OPERATING LEASE ARRANGEMENTS

As lessee

The Group occupies offices and sales agencies under non-cancellable leases. Some office equipment and village telephone and video equipment are also leased.

Under the Group's asset financing policy, certain villages as well as other assets are also leased under non-cancellable operating leases. It presents the minimum future lease payments due under these non-cancellable operating leases. The amounts have been translated at the exchange rate prevailing at the end each reporting period.

46. OPERATING LEASE ARRANGEMENTS *(Continued)*

As lessee *(Continued)*

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

	2018 RMB'000	2017 RMB'000
Within one year	1,268,939	1,291,271
In the second to fifth years, inclusive	4,802,167	5,012,876
Over five years	7,782,008	4,548,884
	13,853,114	10,853,031

47. COMMITMENTS

In addition to the operating lease commitments detailed in note 46 above, the Group had the following capital commitments at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
Contracted, but not provided	802,201	1,422,980

48. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the end of the reporting period:

	Note	2018 RMB'000	2017 RMB'000
Guarantees given related to			
– qualified buyers' mortgage loans	(i)	396,300	298,410
– interest-bearing loans of a related company		21,935	21,004
– others		7,847	7,802
		426,082	327,216

Note:

(i) The Group provided guarantees in favour of their customers in respect of mortgage loans provided by banks to these customers for their purchases of the Group's developed properties where the underlying real estate certificates can only be provided to the banks in a time-delayed manner due to administrative procedures in the People's Republic of China. These guarantees provided by the Group will be released when the customers pledge their real estate certificates as security to the banks for the mortgage loans granted by the banks.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the outstanding principal together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the guarantees.

49. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Name of related parties	Nature of transactions	2018 RMB'000	2017 RMB'000
Service income			
Hoshino Resort Tomamu Corporation (Notes 3, 4 & 10)	Resort services provided to the related company	84,205	6,920
Kuyi International Travel Agency (Shanghai) Co., Ltd (Notes 2 & 4)	Consulting services provided to the related company	9,852	–
Shanghai Guangxin Technology Development Co., Ltd (Notes 1 & 4)	Tourism services provided to the related company	753	–
Shanghai Fosun High Technology Group Co., Ltd. (Notes 1 & 4)	Tourism services provided to the related company	578	90
Pramerica Fosun Life Insurance Co., Ltd (Notes 2 & 4)	Travel agency services provided to the related company	523	–
Other related parties (Notes 1 & 4)	Other related services services provided to the related company	2,536	–
Total service income		98,447	7,010
Purchase of goods			
Zhejiang Fosun Yi Cosmetic Co., Ltd. (Notes 1 & 5)	Purchase of goods	849	483
Shanghai Yunji Information and Technology Co., Ltd. (Notes 1, 5 & 10)	Purchase of goods	144	370
Fosun Foundation (Shanghai) (Notes 1, 5 & 10)	Purchase of goods	32	–
Total purchase of goods		1,025	853
Interest income			
Shanghai Fosun High Technology Group Finance Co., Ltd. (Notes 1 & 9)	Interest income	1,087	1,911
Interest expense			
Fidelidade (Notes 1, 7 & 10)	Interest expense	30,190	91,004
Kuyi International Travel Agency (Shanghai) Co., Ltd. (Notes 2 & 7)	Interest expense	360	370

49. RELATED PARTY TRANSACTIONS *(Continued)*

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: *(Continued)*

Name of related parties	Nature of transactions	2018 RMB'000	2017 RMB'000
Interest expense (Continued)			
Fosun Property Holdings Limited Co., Ltd. (Notes 1 & 7)	Interest expense	–	2,292
Fosun Industrial Holdings Limited Co., Ltd. (Notes 1 & 7)	Interest expense	–	12,605
Total interest expense		30,550	106,271
Other expenses			
Shanghai Zendai Bund International Finance Services Centre Real Estate Co., Ltd. (Notes 2, 6 & 10)	Rental services provided by the related company	7,709	3,304
Shanghai Golte Property Management Co., Ltd. (Notes 1, 6 & 10)	Property management services provided by the related company	3,943	8,870
Fidelidade (Notes 1, 6 & 10)	Insurance services provided by the related company	908	858
Shanghai Xinshihua Investment Management Co., Ltd. Beijing Branch (Notes 1, 6 & 10)	Rental services provided by the related company	868	920
Shanghai Fosun Startup Investment Co., Ltd. (Notes 1, 6 & 10)	Rental services provided by the related company	538	570
Fosun International Limited (Notes 6 & 10)	Rental services provided by the related company	236	–
Shanghai Xingfu Management Consulting Co., Ltd. (Notes 1, 6 & 10)	Technical services provided by the related company	230	–
Shanghai Ziku Information Technology Co., Ltd. (Notes 1, 6 & 10)	Technical services provided by the related company	186	–
Shanghai Zhuqun Information & Technology Service Co., Ltd. (Notes 1, 6 & 10)	Talent services provided by the related company	110	202
Shanghai Fosun High Technology (Group) Co., Ltd. (Notes 1 & 6)	Talent services provided by the related company	–	3,678
Yong'an Property Insurance Co., Ltd. (Notes 3 & 6)	Insurance services provided by the related company	–	228

49. RELATED PARTY TRANSACTIONS *(Continued)*

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: *(Continued)*

Name of related parties	Nature of transactions	2018 RMB'000	2017 RMB'000
Other expenses (Continued)			
Beijing China Insurance Broker Co., Ltd. (Notes 1 & 6)	Consulting services provided by the related company	–	215
Other related parties (Notes 1 & 6)	Other services provided by the related company	244	322
Total other expenses		14,972	19,167
Loans to related companies			
Shanghai Fosun High Technology Group Finance Co., Ltd. (Notes 1 & 9)	Maximum daily outstanding balance of deposits	–	81,268
Kuyi International Travel Agency (Shanghai) Co., Ltd. (Notes 2 & 7)	Loans provided to the related company	20,400	25,500
Guarantees of bank loans			
Holiday Hotel AG (Notes 3 & 8)	Bank loans guaranteed to the related company	21,935	21,004
Shanghai Fosun High Technology (Group) Co., Ltd. (Notes 1 & 8)	Bank loans guaranteed by the related company	–	3,081,540
Total guarantees		21,935	3,102,544

Notes:

(1) These are entities under the common control of the ultimate controlling shareholder, Mr. Guo Guangchang.

(2) These are joint ventures of the Group or joint ventures of Fosun International Limited.

(3) These are associates of the Group or Fosun International Limited.

(4) The directors consider that the revenue for services provided to the related parties were determined based on prices available to third party customers.

(5) The directors consider that the purchases were undertaken on commercial terms similar to those offered by unrelated suppliers in the ordinary course of business of the relevant companies.

(6) The directors consider that the service charge for the service provided by the related parties was determined based on prices available to third party customers.

(7) The directors consider that the applicable interest rates were determined in accordance with the prevailing market borrowing rates.

(8) The bank loans were guaranteed by the related companies free of charge.

(9) Shanghai Fosun High Technology Group Finance Co., Ltd., a subsidiary of Fosun International Limited, provides deposit services to subsidiaries of the Group. The applicable interest rates were determined in accordance with the prevailing market rates and the transactions were carried out in accordance with normal commercial terms.

(10) The related party transactions in respect of service income and other expenses above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Group confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of these transactions.

49. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other significant transactions with related parties:

(i) In April 2018, the Group acquired 18.68% equity interests in Vigor Kobo Co., Ltd. ("Vigor") from a subsidiary of the Controlling Shareholder at a consideration of HKD19,319,787 which was mutually agreed by both parties based on the quoted market price of Vigor. Vigor was accounted for as an associate of the Group at 30 June 2018.

(ii) In May 2018, the Group acquired additional equity interests of 18.29% of CMH from Fidelidade, a fellow subsidiary of the Controlling Shareholder at a consideration of EUR159,406,497 which was mutually agreed by both parties by reference to the acquisition price agreed with the third party non-controlling shareholders.

(iii) In June 2018, the Group acquired 5.37% equity interest in Thomas Cook Group PLC from the Controlling Shareholder at a consideration of GBP89,562,597 which was determined based on the quoted market price of TCG.

(c) Commitments with related parties

As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases with its associates, Holiday Hotel, SPFT – Carthago and Valmorel Bois de la Croix, amounted to RMB357,553,000 (31 December 2017: RMB886,572,000).

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

	2018 RMB'000	2017 RMB'000
Short term employee benefits	34,982	21,855
Post-employment benefits	2,676	1,922
Equity-settled share based payment expense	54,494	–
Total compensation paid to key management personnel	92,152	23,777

Further details of directors' and chief executive's emoluments are included in note 9 to the financial statements.

50. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the Group's financial instruments as at the end of each reporting period are as follows:

2018

FINANCIAL ASSETS

	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income			
	Other financial assets* RMB'000	Hedging instruments designated in fair value hedges RMB'000	Held for trading RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Hedging instruments designated in cash flow hedges RMB'000	Total RMB'000
Financial assets measured at fair value through profit or loss	363,845	–	–	–	–	–	363,845
Equity investments measured measured at fair value through other comprehensive income	–	–	–	309,438	–	–	309,438
Derivative financial instruments	–	4,551	3,468	–	–	46,645	54,664
Restricted cash	–	–	–	–	287,791	–	287,791
Cash and cash equivalents	–	–	–	–	1,874,998	–	1,874,998
Trade receivables	–	–	–	–	772,353	–	772,353
Financial assets included in prepayments, other receivable and other assets	–	–	–	–	459,951	–	459,951
Due from related companies	–	–	–	–	1,953,749	–	1,953,749
	363,845	4,551	3,468	309,438	5,348,842	46,645	6,076,789

* Other financial assets measured at fair value through profit or loss include investments whose contractual cash flows are not solely payments of principal and interest or not designated as investments at fair value through other comprehensive income by the Group.

50. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of the Group's financial instruments as at the end of each reporting period are as follows *(Continued)*:

2018 *(Continued)*

FINANCIAL LIABILITIES

	Financial liabilities at fair value through profit or loss				
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Hedging instruments designated in cash flow hedges RMB'000	Total RMB'000
Derivative financial instruments	–	18,817	–	30,699	49,516
Interest-bearing bank borrowings	–	–	5,426,491	–	5,426,491
Convertible redeemable preferred shares	–	–	163,136	–	163,136
Convertible bonds	–	–	330,369	–	330,369
Trade payables	–	–	1,870,767	–	1,870,767
Financial liabilities included in accrued liabilities and other payables	191,962	–	1,124,131	–	1,316,093
Due to related companies	–	–	1,975,348	–	1,975,348
Financial lease payables	–	–	80,019	–	80,019
	191,962	18,817	10,970,261	30,699	11,211,739

50. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of the Group's financial instruments as at the end of each reporting period are as follows *(Continued)*:

2017

FINANCIAL ASSETS

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income			
	Other financial assets* RMB'000	Hedging instruments designated in fair value hedges RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Hedging instruments designated in cash flow hedges RMB'000	Total RMB'000
Financial assets measured at fair value through profit or loss						
– current	130,000	–	–	–	–	130,000
– non-current	18,499	–	–	–	–	18,499
Equity investments measured measured at fair value through other comprehensive income	–	–	190,064	–	–	190,064
Derivative financial instruments	–	7,069	–	–	28,112	35,181
Restricted cash	–	–	–	640,450	–	640,450
Cash and cash equivalents	–	–	–	989,723	–	989,723
Trade receivable	–	–	–	989,937	–	989,937
Financial assets included in prepayments, other receivable and other assets	–	–	–	392,552	–	392,552
Due from related companies	–	–	–	5,089,605	–	5,089,605
	148,499	7,069	190,064	8,102,267	28,112	8,476,011

* Other financial assets measured at fair value through profit or loss include investments whose contractual cash flows are not solely payments of principal and interest or not designated as investments at fair value through other comprehensive income by the Group.

50. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of the Group's financial instruments as at the end of each reporting period are as follows *(Continued)*:

2017 *(Continued)*

FINANCIAL LIABILITIES

	Financial liabilities at fair value through profit or loss				
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Hedging instruments designated in cash flow hedges RMB'000	Total RMB'000
Derivative financial instruments	–	7,992	–	70,117	78,109
Interest-bearing bank borrowings	–	–	5,611,553	–	5,611,553
Convertible redeemable preferred shares	–	–	588,387	–	588,387
Convertible bonds	–	–	1,188,672	–	1,188,672
Trade payables	–	–	1,244,064	–	1,244,064
Financial liabilities included in accrued liabilities and other payables	27,003	–	1,236,693	–	1,263,696
Due to related companies	–	–	3,348,278	–	3,348,278
Financial lease payables	–	–	86,301	–	86,301
	27,003	7,992	13,303,948	70,117	13,409,060

51. 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:

	As at 31 December 2018		As at 31 December 2017	
	Carrying amounts RMB'000	Fair values RMB'000	Carrying amounts RMB'000	Fair values RMB'000
Financial assets				
Financial assets designated at fair value through profit or loss	363,845	363,845	148,499	148,499
Equity investments designated at fair value through other comprehensive income	309,438	309,438	190,064	190,064
Due from related companies (non-current portion)	20,400	19,056	59,885	58,647
Financial assets included in prepayments, other receivables and other assets (non-current portion)	281,341	271,297	281,741	301,520
Derivative financial instruments	54,664	54,664	35,181	35,181
	1,029,688	1,018,300	715,370	733,911

	As at 31 December 2018		As at 31 December 2017	
	Carrying amounts RMB'000	Fair values RMB'000	Carrying amounts RMB'000	Fair values RMB'000
Financial liabilities				
Interest-bearing bank borrowings (non-current portion)	4,674,114	4,663,942	4,899,270	4,806,670
Convertible redeemable preferred shares	163,136	171,031	588,387	610,545
Convertible bonds	330,369	346,358	1,188,672	1,234,802
Put options granted to non-controlling shareholders of a subsidiary included in accrued liabilities and other payables	191,962	191,962	27,003	27,003
Finance lease payables	80,019	80,019	86,301	86,301
Derivative financial instruments	49,516	49,516	78,109	78,109
	5,489,116	5,502,828	6,867,742	6,843,430

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, the current portion of financial assets included in prepayments, other receivables and other assets and amounts due from related companies, trade payables, financial liabilities included in accrued liabilities and other payables other than put options granted to non-controlling shareholders of a subsidiary, the finance lease payables, the amount due to related companies, the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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 the non-current portion of amount due from related companies and interest-bearing bank borrowings, convertible redeemable preferred shares, convertible bonds and the non-current portion of finance lease payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the non-current portion of interest-bearing bank borrowings as at 2018 was assessed to be insignificant.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit ratings. Derivative financial instruments include forward currency contracts, foreign currency swaps and swaptions, interest rate swaps and swaptions. As at 31 December 2018, the fair values of the forward currency contracts, foreign currency swaps and swaptions, interest rate swaps and swaptions were measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs include the credit quality of counterparties and interest rate curves. The carrying amounts of the forward currency contracts, foreign currency swaps and swaptions, interest rate swaps and swaptions are the same as their fair values.

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments and unlisted wealth management products issued by an asset management company that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instruments are included in level 2. If one or more of the significant inputs are not based on observable market data, the instruments are included in level 3.

For Level 3 financial assets, the Group adopts the valuation techniques to determine the fair value. Valuation techniques include the market comparison approach, income approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as discount rate and long term growth rate. The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial assets in Level 3.

Significant unobservable valuation input for the put options granted to non-controlling shareholders of a subsidiary included in accrued liabilities and other payables of RMB191,692,000 (31 December 2017: RMB27,003,000) is EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) of CMH for 2018. The increase in EBITDA of CMH will lead to increase in the liability of put options granted to non-controlling shareholders of a subsidiary included in accrued liabilities and other payables.

Below is a summary of significant unobservable inputs to the valuation of equity investments designated at fair value in Level 3 together with a quantitative sensitivity analysis as at 31 December 2018:

	2018	2017
Pre-tax discount rate	**14.9%**	14.2%
Long-term growth rate	**1%**	1%

	2018 **RMB'000**	2017 RMB'000
Pre-tax discount rate increase by 1%	**(11,771)**	(22,627)
Pre-tax discount rate decrease by 1%	**15,695**	33,550
Long-term growth rate increase by 0.5%	**4,316**	10,923
Long-term growth rate decrease by 0.5%	**(3,139)**	(8,583)

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

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

ASSETS MEASURED AT FAIR VALUE:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial assets measured at fair value through profit or loss	**–**	**341,692**	**22,153**	**363,845**
Equity investments measured at fair value through other comprehensive income	**268,946**	**–**	**40,492**	**309,438**
Derivative financial instruments	**–**	**54,664**	**–**	**54,664**
	268,946	**396,356**	**62,645**	**727,947**

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets measured at fair value through profit or loss	80,000	50,000	18,499	148,499
Equity investments measured at fair value through other comprehensive income	–	–	190,064	190,064
Derivative financial instruments	–	35,181	–	35,181
	80,000	85,181	208,563	373,744

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets (non-current portion)	–	271,297	–	271,297
Due from related companies (non-current portion)	–	19,056	–	19,056
	–	290,353	–	290,353

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets (non-current portion)	–	301,520	–	301,520
Due from related companies (non-current portion)	–	58,647	–	58,647
	–	360,167	–	360,167

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

LIABILITIES MEASURED AT FAIR VALUE:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Put options granted to non-controlling shareholders of a subsidiary included in accrued liabilities and other payables	–	–	191,962	191,962
Derivative financial instruments	–	49,516	–	49,516
	–	49,516	191,962	241,478

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Put options granted to non-controlling shareholders of a subsidiary included in accrued liabilities and other payables	–	–	27,003	27,003
Derivative financial instruments	–	78,109	–	78,109
	–	78,109	27,003	105,112

LIABILITIES FOR WHICH FAIR VALUES ARE DISCLOSED:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings (non-current portion)	–	4,663,942	–	4,663,942
Convertible redeemable preferred shares	–	171,031	–	171,031
Convertible bonds	–	346,358	–	346,358
Finance lease payables	–	80,019	–	80,019
	–	5,261,350	–	5,261,350

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

LIABILITIES FOR WHICH FAIR VALUES ARE DISCLOSED: *(Continued)*

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings (non-current portion)	–	4,806,670	–	4,806,670
Convertible redeemable preferred shares	–	610,545	–	610,545
Convertible bonds	–	1,234,802	–	1,234,802
Finance lease payables	–	86,301	–	86,301
	–	6,738,318	–	6,738,318

The movements in fair value measurements which in Level 3 during each reporting period are as follows:

ASSETS MEASURED AT FAIR VALUE:

	2018 RMB'000	2017 RMB'000
At beginning of year	208,563	241,994
Addition	687	–
Disposal	(2,041)	–
Change in fair value	(145,033)	(49,271)
Exchange gains	469	15,840
At the end of year	62,645	208,563

LIABILITIES MEASURED AT FAIR VALUE:

	2018 RMB'000	2017 RMB'000
At beginning of year	27,003	21,443
Addition	164,959	5,560
At the end of year	191,962	27,003

During each year, 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.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings, convertible redeemable preferred shares, convertible bonds, finance lease payables, amounts due from/to related companies, financial assets included in prepayments, other receivables and other assets, financial assets measured at fair value, cash and cash equivalents, and restricted cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps, foreign currency forward contracts and foreign currency swaps and swaptions. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.3 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group also carried out hedging activities by entering into interest rate swaps on certain variable rate debts, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2018, after taking into account the effect of the interest rate swaps, approximately 34% (31 December 2017: 33%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate after hedging, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

AFTER HEDGING

	Increase/(decrease) in basis points	**Increase/(decrease) profit before tax** RMB'000
For the year ended 31 December 2018	**25**	**(8,114)**
	(25)	**8,114**
For the year ended 31 December 2017	25	(6,958)
	(25)	6,958

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies. The major subsidiaries exposed to the above currency risks use EUR or CNY as their functional currencies. As more detailed disclosed in note 29, the Group also uses foreign currency forward contracts and foreign currency swaps to hedge the currency risk.

In addition, the Group has currency exposures from its intragroup borrowings. The Group used foreign currency swap contracts to reduce the exposure to EUR arising from the borrowings.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Foreign currency risk *(Continued)*

The following table demonstrates the sensitivity at the end of each year to a reasonably possible change in the exchange rates of major currencies, with all other variables held constant, of the Group's profit before tax.

	Increase/(decrease) in foreign currency rate %	Increase/(decrease) in profit before tax RMB'000
As at 31 December 2018		
If EUR weakens against USD	**5**	**(9,428)**
If EUR strengthens against USD	**(5)**	**9,428**
If EUR weakens against RMB	**5**	**94,941**
If EUR strengthens against RMB	**(5)**	**(94,941)**
If EUR weakens against MAD*	**5**	**(15,485)**
If EUR strengthens against MAD*	**(5)**	**15,485**
If RMB weakens against USD	**5**	**(6,863)**
If RMB strengthens against USD	**(5)**	**6,863**
As at 31 December 2017		
If EUR weakens against USD	5	(1,427)
If EUR strengthens against USD	(5)	1,427
If EUR weakens against RMB	5	136,935
If EUR strengthens against RMB	(5)	(136,935)
If EUR weakens against MAD*	5	(16,527)
If EUR strengthens against MAD*	(5)	16,527
If RMB weakens against USD	5	(6,665)
If RMB strengthens against USD	(5)	6,665

* Moroccan Dirham

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

MAXIMUM EXPOSURE AND YEAR-END STAGING

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Credit risk *(Continued)*

MAXIMUM EXPOSURE AND YEAR-END STAGING *(Continued)*

31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Contract assets and other assets	–	–	–	59,313	59,313
Trade receivables*	–	–	–	772,353	772,353
Financial assets included in prepayments, other receivables and other assets					
– Normal**	459,951	–	–	–	459,951
Restricted cash					
– Not yet past due	287,791	–	–	–	287,791
Cash and cash equivalents					
– Not yet past due	1,874,998	–	–	–	1,874,998
Due from related companies					
– Not yet past due	1,953,749	–	–	–	1,953,749
	4,576,489	–	–	831,666	5,408,155

31 December 2017

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Contract assets and other assets	–	–	–	103,201	103,201
Trade receivables*	–	–	–	989,937	989,937
Financial assets included in prepayments, other receivables and other assets					
– Normal**	392,552	–	–	–	392,552
Restricted cash					
– Not yet past due	640,450	–	–	–	640,450
Cash and cash equivalents					
– Not yet past due	989,723	–	–	–	989,723
Due from related companies					
– Not yet past due	5,089,605	–	–	–	5,089,605
	7,112,330	–	–	1,093,138	8,205,468

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 27 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings, amounts due to related companies, convertible bonds and convertible redeemable preferred shares. As at 31 December 2018, 35% of the Group's debts would mature in less than one year based on the carrying value of borrowings reflected in the financial statements (31 December 2017: 38%).

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

31 December 2018

	On demand RMB'000	**Less than 1 year RMB'000**	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Interest-bearing bank borrowings	**210,975**	**541,402**	**3,982,502**	**1,269,908**	**6,004,787**
Convertible bonds	**–**	**–**	**–**	**536,790**	**536,790**
Convertible redeemable preferred shares	**–**	**–**	**–**	**265,257**	**265,257**
Trade payables	**–**	**1,870,767**	**–**	**–**	**1,870,767**
Financial liabilities included in accrued liabilities and other payables	**1,316,093**	**–**	**–**	**–**	**1,316,093**
Due to related companies	**1,975,348**	**–**	**–**	**–**	**1,975,348**
Finance lease payables	**–**	**6,647**	**35,980**	**37,392**	**80,019**
Derivative financial instruments	**–**	**49,516**	**–**	**–**	**49,516**
	3,502,416	**2,468,332**	**4,018,482**	**2,109,347**	**12,098,577**

31 December 2017

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	79,491	632,792	3,510,895	2,061,096	6,284,274
Convertible bonds	–	–	–	2,093,352	2,093,352
Convertible redeemable preferred shares	–	–	–	1,034,436	1,034,436
Trade payables	–	1,244,064	–	–	1,244,064
Financial liabilities included in accrued liabilities and other payables	1,263,696	–	–	–	1,263,696
Due to related companies	3,348,278	–	–	–	3,348,278
Finance lease payables	–	9,855	39,409	58,431	107,695
Derivative financial instruments	–	78,109	–	–	78,109
	4,691,465	1,964,820	3,550,304	5,247,315	15,453,904

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Capital management

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

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by the total assets. Net debt includes interest-bearing bank borrowings, finance lease payables, convertible bonds and convertible redeemable preferred shares, less cash and cash equivalents. The gearing ratios as at the end of each reporting period were as follows:

	2018 RMB'000	2017 RMB'000
Interest-bearing bank borrowings	5,426,491	5,611,553
Finance lease payables	80,019	86,301
Convertible bonds	330,369	1,188,672
Convertible redeemable preferred shares	163,136	588,387
Less: Cash and cash equivalents	(1,874,998)	(989,723)
Net debt	4,125,017	6,485,190
Total assets	29,532,341	29,329,830
Gearing ratio	14%	22%

53. EVENTS AFTER THE REPORTING PERIOD

On 4 January 2019, the Company issued and allotted 10,332,600 shares at HKD15.60 per share due to the partial exercise of the over-allotment option.

54. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with current year's presentation.

55. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Prepayments, other receivables and other assets	6,869	–
Investments in subsidiaries	17,966	–
Financial assets at fair value through profit or loss	341,692	–
Total non-current assets	366,527	–
CURRENT ASSETS		
Prepayments, other receivables and other assets	18,446	–
Due from related companies	10,155,001	6,884,477
Cash and cash equivalents	741,755	227
Total current assets	10,915,202	6,884,704
CURRENT LIABILITIES		
Interest-bearing bank borrowings	90,319	–
Accrued liabilities and other payables	63,189	6
Due to related companies	422	–
Total current liabilities	153,930	6
NET CURRENT ASSETS	10,761,272	6,884,698
TOTAL ASSETS LESS CURRENT LIABILITIES	11,127,799	6,884,698
Net assets	11,127,799	6,884,698
EQUITY		
Share capital	174	–
Reserves	11,127,625	6,884,698
Total equity	11,127,799	6,884,698

Qian Jiannong
Director

Wang Wenping
Director

55. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Continued)

Note:

A summary of the Company's reserves is as follows:

	Issued capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2017	–	–	–	(2)	418	416
Issue of shares	–	6,816,506	–	–	–	6,816,506
Loss for the year	–	–	–	–	(469)	(469)
Exchange differences on translation of foreign operations	–	–	–	68,245	–	68,245
At 31 December 2017 and 1 January 2018	**–**	**6,816,506**	**–**	**68,243**	**(51)**	**6,884,698**
Issue of shares	**–**	**1,346,426**	**–**	**–**	**–**	**1,346,426**
Loss for the year	**–**	**–**	**–**	**–**	**(188,963)**	**(188,963)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**85,226**	**–**	**85,226**
Net issue of restricted shares under the share ownership plan	**7**	**93,101**	**(27,070)**	**–**	**–**	**66,038**
Equity-settled share-based payment	**–**	**–**	**104,224**	**–**	**–**	**104,224**
Issue of shares from initial public offering	**167**	**2,829,983**	**–**	**–**	**–**	**2,830,150**
At 31 December 2018	**174**	**11,086,016**	**77,154**	**153,469**	**(189,014)**	**11,127,799**

The other reserve represents the fair value of share-based payment instruments granted which are yet to be exercised.

56. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 March 2019.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Qian Jiannong *(Chairman)*
Henri Giscard d'Estaing
Wang Wenping

NON-EXECUTIVE DIRECTOR

Wang Can

INDEPENDENT NON-EXECUTIVE DIRECTORS

Allan Zeman
Guo Yongqing
Katherine Rong Xin

AUDIT COMMITTEE

Guo Yongqing *(Chairman)*
Wang Can
Katherine Rong Xin

REMUNERATION COMMITTEE

Katherine Rong Xin *(Chairman)*
Guo Yongqing
Wang Wenping

NOMINATION COMMITTEE

Qian Jiannong *(Chairman)*
Allan Zeman
Katherine Rong Xin

STRATEGY COMMITTEE

Qian Jiannong (Chairman)
Henri Giscard d'Estaing
Allan Zeman

COMPANY SECRETARY

Leung Wan Yi

AUTHORISED REPRESENTATIVES

Wang Wenping
Leung Wan Yi

AUDITORS

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LEGAL ADVISERS

As to Hong Kong law

Paul Hastings
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1 Garden Road
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As to Cayman Islands law

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Grand Cayman KY1-1002
Cayman Islands

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27/F Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Le Crédit Lyonnais
China Development Bank, Sanya Sub-Branch

REGISTERED OFFICE

Harneys Fiduciary (Cayman) Limited
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P.O. Box 10240
Grand Cayman KY1-1002 Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10204
Grand Cayman, KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor Hopewell Centre
183 Queen's Road East Wanchai
Hong Kong

STOCK CODE

01992

WEBSITE

http://www.fosunholiday.com

ABBREVIATIONS

Aquarium	the Lost Chambers Aquarium in Atlantis Sanya
Articles or Articles of Association	the amended and restated articles of association of our Company conditionally adopted on 19 November 2018 which became effective upon the Listing Date, as amended from time to time
associate(s)	has the meaning ascribed thereto under the Listing Rules
Atlantis Sanya	our tourism destination on the Haitang Bay National Coast of Sanya, Hainan province, PRC
Audit Committee	the audit committee of the Board
Average Daily Bed Rate	the business volume divided by the total number of beds sold
Bed Nights Sold	A sales quantity indicator refers to the number of customers who use of a bed and all facilities for one day combines with the duration of their stay
Board or Board of Directors	our board of Directors
Capacity of Resort	the total number of beds available for sale over a period or year, i.e., the number of beds, multiplied by the number of days on which resorts are open
CG Code	the Corporate Governance Code set out in Appendix 14 of the Listing Rules
"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
close associate(s)	has the meaning ascribed thereto under the Listing Rules
Club Med	Club Med SAS (formerly known as Club Méditerranée SA), a simplified joint-stock company (*société par actions simplifiée*) incorporated in France on 12 November 1957 and a non-wholly owned subsidiary of our Company
Club Med Holding	Club Med Holding (formerly known as Holding Gaillon II), a simplified joint-stock company (*société par actions simplifiée*) incorporated in France on 9 September 2014 and a non-wholly owned subsidiary of our Company
Club Med Invest	Club Med Invest (formerly known as Gaillon Invest II), a simplified joint-stock company (*société par actions simplifiée*) incorporated in France on 9 September 2014 and a non-wholly owned subsidiary of our Company
Company or our Company	Fosun Tourism Group (formerly known as Fosun Tourism and Culture Group (Cayman) Company Limited), an exempted company with limited liability incorporated in the Cayman Islands on 30 September 2016

connected person(s)	has the meaning ascribed thereto under the Listing Rules
connected transaction(s)	has the meaning ascribed thereto under the Listing Rules
Controlling Shareholder(s)	has the meaning ascribed thereto under the Listing Rules and,unless the context otherwise requires, refers to Fosun International, FHL, FIHL, and Mr. Guo Guangchang
Director(s)	the director(s) of the Company
EBITDA	earnings before interest, taxes, depreciation and amortization
EMEA	Europe, Middle East, and Africa, which, for our purposes, also includes Turkey
EUR or Euro or €	Euro, the lawful currency of the European Union
Fidelidade	Fidelidade-Companhia de Seguros, S.A., a company incorporated in Portugal and a non-wholly owned subsidiary of Fosun International
FHL	Fosun Holdings Limited, a company incorporated in Hong Kong with limited liability, which is wholly owned by FIHL, and one of our Controlling Shareholders
FIHL	Fosun International Holdings Ltd., a company incorporated in the British Virgin Islands with limited liability, and one of our Controlling Shareholders
FOLIDAY	our global ecosystem consisting of our commercially-interconnected businesses that offer a wide spectrum of tourism- and leisure-related services
Folli Follie	Folli Follie Commercial Manufacturing and Technical Société Anonyme, a company incorporated in Greece, the shares of which are listed on the Athens Stock Exchange (stock code: FFGRP) in which Fosun International Group holds 16.37% of equity interest as of the end of the Reporting Period
Foryou Club	our membership system in China that manages and operates services and activities for members and customers under the FOLIDAY ecosystem
Fosun Albion	Shanghai Fosun Albion Tourism Development Co., Ltd. a limited liability company established in the PRC on 11 May 2016 and a wholly-owned subsidiary of our Company
Fosun Industrial	Fosun Industrial Holdings Limited a company incorporated in Hong Kong and a wholly-owned subsidiary of Fosun International
Fosun International	Fosun International Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code:0656), and one of our Controlling Shareholders
Fosun International Group	Fosun International and its subsidiaries from time to time

Fosun Pharma	Shanghai Fosun Pharmaceutical (Group) Co., Ltd., a company whose A shares are listed on the Shanghai Stock Exchange with stock code 600196, and whose H shares are listed on the Stock Exchange with stock code 02196 and a non wholly-owned subsidiary of Fosun International
Fosun Property	Fosun Property Holdings Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Fosun International
Frost & Sullivan Report	an independent market research report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an independent third party
GBP or £	the lawful currency of the United Kingdom
GFA	gross floor area
Global Offering	the Hong Kong Public Offering and the International Offering (including the Preferential Offering)
Great Members	members of Club Med's Great Member loyalty program
Group, our Group, we, or us	our Company and our subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
Hainan Atlantis	Hainan Atlantis Business and Tourism Development Co. Ltd, a limited liability company established in the PRC on 15 May 2013 and a wholly-owned subsidiary of our Company
Happy Digital	Club Med's digitalization initiatives, through which we use digital solutions to improve our guests' and employees' experience while making the technology user-friendly and seamless
HK$ or HKD or Hong Kong dollars	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
Hoshino Tomamu	Hoshino Resort Tomamu Corporation, a company incorporated in Japan, a wholly-owned subsidiary of Yuyuan and a non-wholly owned subsidiary of Fosun International, and also a connected person of our Company
IFRS	International Financial Reporting Standards
independent third party(ies)	an individual or a company which, to the best of our Directors' knowledge, information, and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
IPO Proceeds	the total net proceeds of HK$3,269.9 million from the Company's global offering on 14 December 2018, after deducting part of underwriting commissions and listing expenses
Kerzner	Kerzner International Limited, a company incorporated in The Commonwealth of the Bahamas, and its subsidiaries

Kuyi	Kuyi International Travel Agency (Shanghai) Co., Ltd., a limited liability company established in the PRC on 2 September 2015 and Kuyi is a joint venture of the group. As of the Latest Practicable Date, Kuyi is 51% owned by our Group and 49% owned by Thomas Cook Services Limited, a subsidiary of Thomas Cook
Listing	the listing of the Shares on the Main Board
Listing Date	14 December 2018, on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
Macau	the Macau Special Administrative Region of the PRC
Main Board	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
Mattel	Mattel Ventures International II Limited, a company incorporated in Hong Kong and an independent third party
Memorandum	the amended and restated memorandum of association of our Company conditionally adopted on 19 November 2018 which became effective upon the Listing Date, as amended from time to time
MICE	meetings, incentives, conferences and exhibitions
Miniversity	the brand for learning and playing club for children
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
Nomination Committee	the nomination committee of the Board
Occupancy Rate by Bed	the ratio expressed as a percentage between the total number of beds sold and the total number of beds available for sale over a period or year
Occupancy Rate by Room	the total number of rooms sold divided by the total number of rooms available for sale
Pre-IPO Free Share Award Plan	the pre-IPO free share award plan adopted by the Board on 29 June 2018
Pre-IPO Share Option Scheme	the pre-IPO share option scheme adopted by our Company on 29 December 2017 and approved by the shareholders of Fosun International on 23 February 2018
Pre-IPO Share Ownership Plan	the pre-IPO share ownership plan adopted by the Board on 29 December 2017
Prospectus	the prospectus of the Company dated 30 November 2018

Relevant Period	14 December 2018 to 31 December 2018
Remaining Fosun International Group	Fosun International Group after completion of the Global Offering and the spin-off of the Group
Remuneration Committee	the remuneration committee of the Board
Reporting Period	1 January 2018 to 31 December 2018
RMB or Renminbi	the lawful currency of the PRC
SFO or Securities and Futures Ordinance	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
Share(s)	ordinary share(s) in the share capital of our Company
Shareholder(s)	holder(s) of the Shares
Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategy Committee	the strategy committee of the Board
substantial shareholder	has the meaning ascribed thereto under the Listing Rules
Tang Residence	the saleable residential vacation units in Atlantis Sanya
THD	total hotel days (customers + employees living on site, including during village off-seasons)
Thomas Cook	Thomas Cook Group plc, a company incorporated in England and Wales, the shares of which are listed on the London Stock Exchange (stock code: TCG)
Trident	the measurement unit used by Club Med to indicate the level of each Club Med resort, which is similar to "star" used for traditional hotel ratings
U.S. or United States	the United States of America, its territories, possessions, and all areas subject to its jurisdiction
Vigor	Vigor Kobo Co., Ltd., a company based in Taiwan in which our Company indirectly held approximately 18.68% equity interest as at the end of the Reporting Period, the shares of which are registered as emerging stock on the Taipei Exchange (formerly known as the GreTai Securities Market) (stock code: 2733)
Waterpark	the Aquaventure Waterpark in Atlantis Sanya
Yuyuan	Shanghai Yuyuan Tourist Mart Co., Ltd., a company established in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600655), and a non-wholly owned subsidiary of Fosun International

FOLIDAY
复星旅文