GLAUCUS RESEARCH GROUP
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"Any man can make a mistake, but only an idiot persists in his error" - **Cicero**

COMPANY: Fullshare Holdings Ltd. | HK: 0607
INDUSTRY: Property Development

On April 25, 2017, Glaucus published our investment opinion (the "Report") on Fullshare Holdings Ltd. (HK: 0607) ("Fullshare" or the "Company"), a 2013 reverse merger, which we believe is one of the largest stock manipulation schemes trading on any exchange anywhere in the world. On May 2, Fullshare issued a Clarification Announcement (the "Response").

Fullshare's Response is totally inadequate and fails to present any meaningful rebuttal to the black and white intraday trading data indicating that its stock is manipulated in the final hour of trading. Such manipulation is a blight on the Hong Kong stock exchange and undermines the integrity of the financial markets. It is also self-defeating, as anything which rises due to manipulation must inevitably crash.

We continue to believe that the Fullshare's stock is manipulated and that its chairman and his family have engaged in a number of undisclosed related party transactions with the Company. As a result, we continue to value Fullshare, after a 20% corruption discount, at HKD 0.55 per share (on an adjusted multiple of price to recurring earnings) or HKD 0.77 (on an adjusted P/B multiple). We also believe that it is reasonable to expect even further downside pressure on the Company's shares.

1) Intraday Trading Patterns Indicate Stock Manipulation

In our Report, we presented independent intraday trading data which suggests that the inexplicable appreciation of Fullshare's stock price is due to unusual gains posted in the final hour of trading. If an investor bought and held Fullshare's stock from November 14, 2016, through April 21, 2017, it would have generated a **loss of -34%.** But if an investor bought Fullshare's stock at the beginning of the last trading hour and sold at the close of the trading day (and reinvested the proceeds the next day in the same manner), **Fullshare's stock would have returned an inexplicable 76% over that same period!** The difference between the returns in trading Fullshare's stock with a last-hour trading strategy and a buy-and-hold strategy was **110%** over this period. This staggering difference is highly unusual when compared to other Hong Kong stocks, and in our opinion, strong evidence of manipulation.

Fullshare's only response to this damning evidence was to argue that we cherry-picked the period for our analysis by including trading data from the days around the issuance of a large amount of Fullshare's stock in connection with the Company's November 30, 2016, acquisition of China High Speed Transmission Equipment Group Co. Ltd. (HK: 0658) ("CHS"). Fullshare complained in its Response that because it issued shares at a discount to the market price, the trading data around the time of the issuance distorted our analysis.

But this is nonsense. Even if we exclude the period around Fullshare's issuance of stock to purchase CHS, the intraday trading data still shows strong evidence of manipulation.

Bloomberg maintains intraday trading data for Hong Kong securities for the past 140 trading days. Evidence of manipulation can be found in intraday trading patterns, particularly the appreciation of a company's stock in the last hour of trading. Gains throughout the trading day, over time, should be uniform. Yet market commentators such as the Wall Street Journal and the Financial Times have pointed out that other Hong Kong stocks which were likely stock manipulations, such as Hanergy and Tech Pro (which Glaucus exposed in a report published July 2016), posted unusual gains in the last hour or minutes of the trading day.

In order to exclude the effects of the CHS transaction, we compared the returns generated from two different trading strategies over the period from **December 5, 2016, through April 24, 2017.**[1] First, we calculated the returns if an investor simply purchased the shares on day 1 of the period and sold them at the end of the period. We refer to this as the **buy-and-hold strategy**.

We compared this to the returns of a **last-hour trading strategy**. With the **last-hour trading strategy**, we modeled the **compounded returns** if, each day, an investor bought the subject stock at 3:00 pm (Hong Kong time), sold the stock an hour later at the close of the market, and then reinvested the proceeds in the same manner the following day.

As is evident in the table below, for Hong Kong's top 15 traded stocks (measured by highest average dollars traded over the last six months), there is little difference in an investor's returns between a buy-and-hold strategy versus a last-hour trading strategy in this same period. From **December 5, 2016 through April 24, 2017**, the median return for an investor who bought and held Hong Kong's most actively traded stocks was 5.4%. A last-hour trading strategy for those same stocks would have generated a median return of 5.0%.

Top Traded Names in HKEX

Ticker	Buy and Hold Strategy	Compounded Last Hour Trading Strategy	Δ in Buy and Hold versus Compounded Last Hour Trading Strategy
883 HK Equity	-12.2%	6.8%	19.0%
857 HK Equity	-0.7%	15.1%	15.9%
388 HK Equity	-6.3%	4.2%	10.5%
1928 HK Equity	-3.3%	5.1%	8.4%
941 HK Equity	-2.1%	5.0%	7.2%
939 HK Equity	8.2%	10.5%	2.3%
5 HK Equity	3.0%	3.3%	0.3%
2628 HK Equity	5.7%	5.5%	-0.2%
2318 HK Equity	1.3%	0.9%	-0.4%
1398 HK Equity	5.5%	2.3%	-3.2%
27 HK Equity	15.4%	12.2%	-3.3%
3988 HK Equity	5.4%	1.7%	-3.7%
1299 HK Equity	9.8%	3.7%	-6.1%
175 HK Equity	48.7%	32.2%	-16.5%
700 HK Equity	25.3%	4.4%	-20.9%
Sample Median	**5.4%**	**5.0%**	**-0.2%**

Source: Bloomberg Historical Intraday Trading Data
Note: Trading Data for the Period from Dec. 5, 2016, through April 24, 2017.

For the top 15 stocks trading on the Hong Kong Stock Exchange by dollar volume, there was little difference in the median returns over this period between a buy-and-hold strategy and a last-hour trading strategy. This is what we would expect for non-manipulated stocks.

But the results were much different for Fullshare. Over the same period, a buy-and-hold strategy of Fullshare's stock would have resulted in a **loss of -20%! By comparison, a compounded last-hour trading strategy for Fullshare generated returns of 59%!** The difference between the returns for a last-hour trading strategy and a buy-and-hold strategy was a staggering **79%**. In our opinion, this is black and white evidence of manipulation.

[1] According to Fullshare's FY 2016 annual results announcement, the share exchange with CHS was completed on November 30, 2016. Fullshare's stock experienced increased trading volume (900+ million shares traded) in the three days following that issuance. We use December 5, 2016, as the date to start our revised analysis because trading volumes returned to more normalized levels on that day.

Top Traded Names in HKEX vs. Fullshare

Ticker	Buy and Hold Strategy	Compounded Last Hour Trading Strategy	Δ in Buy and Hold versus Compounded Last Hour Trading Strategy
Sample Median	**5.4%**	**5.0%**	**-0.2%**
Fullshare - 607 HK	**-19.7%**	**58.8%**	**78.5%**
	Difference	**12x**	

Source: Bloomberg Historical Intraday Trading Data
Note: Trading Data for the Period from Dec. 5, 2016, through April 24, 2017.

A comparison of the intraday returns for the top 30 Hong Kong listed companies in the HSCIPC index[2] shows a similar anomaly in the trading of Fullshare's stock during the period between December 5, 2016 through April 24, 2017.

Top Traded Sample Real Estate/Property HKEX Stocks

Ticker	Buy and Hold Strategy	Compounded Last Hour Trading Strategy	Δ in Buy and Hold versus Compounded Last Hour Trading Strategy
10 HK Equity	15.2%	43.4%	28.3%
2202 HK Equity	-9.2%	10.7%	19.9%
390 HK Equity	-4.3%	9.2%	13.5%
1186 HK Equity	-2.2%	6.1%	8.3%
83 HK Equity	11.2%	19.3%	8.1%
688 HK Equity	1.6%	3.2%	1.7%
1113 HK Equity	5.0%	6.0%	1.0%
3311 HK Equity	8.5%	7.5%	-0.9%
1 HK Equity	1.1%	-1.5%	-2.7%
17 HK Equity	10.9%	8.2%	-2.7%
12 HK Equity	14.8%	10.5%	-4.3%
101 HK Equity	15.7%	10.5%	-5.2%
16 HK Equity	13.1%	7.5%	-5.6%
1800 HK Equity	15.7%	9.4%	-6.3%
1109 HK Equity	13.9%	6.8%	-7.1%
1813 HK Equity	31.3%	22.6%	-8.7%
813 HK Equity	24.0%	14.4%	-9.6%
3323 HK Equity	29.6%	18.8%	-10.9%
914 HK Equity	22.0%	10.3%	-11.7%
4 HK Equity	18.7%	6.4%	-12.3%
1313 HK Equity	28.7%	12.5%	-16.2%
960 HK Equity	30.7%	8.7%	-22.0%
2777 HK Equity	32.0%	6.4%	-25.6%
20 HK Equity	35.8%	8.7%	-27.1%
3333 HK Equity	65.3%	25.5%	-39.9%
3383 HK Equity	60.0%	16.0%	-44.0%
2009 HK Equity	38.4%	-6.9%	-45.3%
2007 HK Equity	74.0%	24.5%	-49.6%
1918 HK Equity	74.4%	-1.5%	-75.8%
Sample Median	**15.7%**	**9.2%**	**-7.1%**
Fullshare - 607 HK	**-19.7%**	**58.8%**	**78.5%**
	Difference	**6x**	

Source: Bloomberg Historical Intraday Trading Data
Note: Trading Data for the Period from Dec. 5, 2016, through April 24, 2017.

[2] Measured by average daily dollar amount traded over the last six months.

Intraday trading data for the top 30 traded HSCIPC stocks[3] show that in the majority of cases, the returns from a last-hour trading strategy do not significantly exceed the returns from a buy-and-hold strategy during the revised period. Indeed, the median difference was **-7.1%**, indicating that in the majority of examples, investors were worse off if they traded only the last hour of each trading day. **Yet for Fullshare, a last-hour trading strategy generated 79% greater returns compared to simply buying and holding over the same period**.

The data is crystal clear. Even if we omit the trading days around Fullshare's issuance of new shares to acquire CHS, Fullshare's share price appreciation in the last hour of trading suggests Fullshare's stock is being manipulated.

a. Manipulation of Zall's Stock Artificially Inflates Fullshare's Reported Income

In our Report, we presented independent intraday trading data which suggested that the inexplicable appreciation of Zall's stock price was also due to unusual gains posted in the final hour of trading.

Fullshare meekly claims in its Response that it was not responsible for manipulating Zall's shares. But this is irrelevant, because the benefits to Fullshare were enormous.

An analysis of the intraday trading pattern of Zall's stock shows strong evidence of manipulation. If an investor bought and held Zall's stock from December 5, 2016 through April 24, 2017, it would have generated a **loss of -4%.** But if the same investor bought Zall's shares at the start of the last hour and sold at the close of the trading day (and reinvested the proceeds the next day in the same manner), **Zall's stock would have returned a staggering 42% over that same period**.

Top Traded Names in HKEX vs. Fullshare and Investment Businesses

Ticker	Buy and Hold Strategy	Compounded Last Hour Trading Strategy	Δ in Buy and Hold versus Compounded Last Hour Trading Strategy
Sample Median	5.4%	5.0%	-0.2%
Fullshare - 607 HK	-19.7%	58.8%	78.5%
	Difference	12x	
Zall - 2098 HK	-4.0%	41.8%	45.8%
	Difference	8x	

Source: Bloomberg Historical Intraday Trading Data
Note: Trading Data for the Period from Dec. 5, 2016, through April 24, 2017.

Even since the publication of our Report, intraday trading evidence suggests that Zall's stock price continues to be manipulated up in the last hour of trading.

Trading Patterns Since Publication of Glaucus Report in Zall's Stock

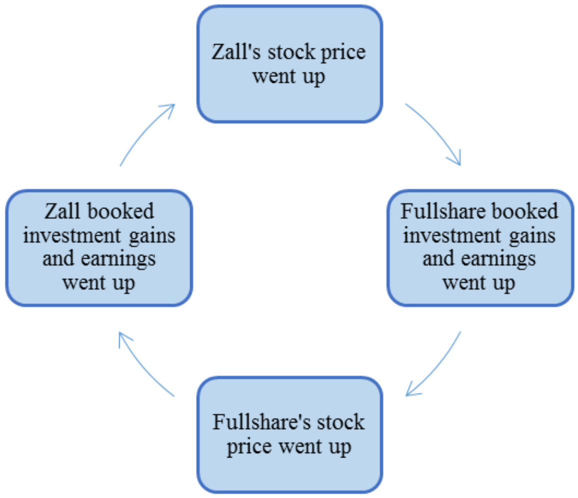
	Apr 25, 2017 - May 2, 2017
Buy and Hold Strategy	-4.6%
Last Hour Trading (compounded)	2.7%
Difference	7.3%

Source: Bloomberg Historical Intraday Trading Data
Note: Trading Data for the Period from April 25, 2016, through May 2, 2017

Such an unusual pattern of stock price appreciation in the final hour of trading not only suggests that Zall's stock is being manipulated, but that the appreciation of Zall's stock artificially inflates Fullshare's reported income. Fullshare is a primary beneficiary of Zall's manipulated stock. The significant cross-holdings between Fullshare and Zall allow each company to generate massive non-cash gains, and since such gains are a significant portion of each company's

[3] Excluding Fullshare.

reported net income, it creates a cycle of artificial stock price appreciation. Conversely, without such gains, we believe that each company's respective profits and stock prices would plummet.



Source: GRG

In FY 2016, unrealized gains from Fullshare's investment in Zall represented 108%[4] of Fullshare's net income.

Fullshare's Gains from Appreciation of Zall's Shares

RMB'000	2014	2015	2016
Fair value change gain on Zall shares	-	620,676	3,276,615
Net income	(1,064,743)	1,219,922	3,033,005
Gains from Zall shares as % of net income	-	***51%***	***108%***

Source: Fullshare 2015 and 2016 Annual Reports

Similarly, Zall has booked non-cash gains from the price appreciation of Fullshare's stock. In 2016, Zall booked over RMB 1.1 billion in unrealized non-cash gains from its 680 million share investment in Fullshare's stock, accounting for 54% of Zall's total net income last year.

Zall's Gains from Appreciation of Fullshare's Shares

RMB'000	2014	2015	2016
Fair value change gain on Fullshare shares	-	348,358	1,120,304
Net income	1,610,724	2,046,988	2,056,571
Gains from Fullshare shares as % of net income	-	***17%***	***54%***

Source: Zall 2015 and 2016 Annual Reports

We rely only on publicly available information and thus lack the subpoena power of a regulator to determine who exactly is pulling the trigger on the suspicious trades that are occurring in the final hour with respect to Fullshare's and Zall's respective stocks. But the intraday trading data could not be clearer, and in our opinion, certainly indicates that both stocks are being manipulated in the final hour of trading.

In our opinion, such manipulation is a blight on the stock exchange and undermines the integrity of the financial markets. It is also self-defeating, as anything which rises due to manipulation must inevitably crash.

[4] Fullshare's Response refutes our 108% calculation, claiming that the net effect of the fair value change in Zall's shares contributed 90.21% to FY2016 net profits. We think that Fullshare's calculation is mistaken, and since the Company fails to provide any details as to how it reached its conclusion, we will continue to use our calculation.

2) Valuation

Fullshare also attempts to engage in misleading sleight of hand with respect to its absurd valuation. In our Report, we pointed out that although Fullshare is supposedly a commercial and residential property developer, this business is tiny compared to its market capitalization. In FY 2016, Fullshare generated a paltry RMB 132 million in EBIT from continuing operations, meaning it currently trades at **431x recurring operating profits**.[5] This is obviously a ludicrous valuation and supports our argument that Fullshare's stock has nowhere to go but down. Even if we ignore all evidence of corruption or embezzlement, Fullshare's operating business is so insignificant that if we value Fullshare at the median multiple for HSCIPC companies (either on an adjusted P/E or adjusted P/B ratio), we would expect Fullshare's stock price to decrease by 70-80%.

Fullshare offers a number of arguments to justify its valuation, but these only demonstrate Fullshare's desperation to prop up its stock price and its amateurish understanding of financial analysis.

a. P/E Ratio

First, Fullshare attempts to claim that its price-to-earnings ratio is only 13x, and thus the Company is not overvalued. Obviously, everyone is entitled to their own opinion, but only a financial illiterate would think this is a good argument.

Professional investors and financial analysts do not typically give credit for non-recurring, non-cash, one-time gains, especially if they occur outside of the core business. If we adjust Fullshare's income statement to remove such gains, the Company's earnings from its continuing operations was only **RMB 303 million in FY 2016**, not RMB 3.1 billion as Fullshare claims in its Response. Meaning that Fullshare currently trades at a ludicrous 160.4x trailing TTM earnings from continuing operations!

Fullshare's Earnings from Continuing Operations

RMB'000 except per share value	Reported 2016	Glaucus Adjusted 2016
Revenue	4,311,423	4,311,423
Less: COGS	(3,439,428)	(3,439,428)
Gross profit	**871,995**	**871,995**
Selling expenses	(228,803)	(228,803)
Administrative expenses	(511,452)	(511,452)
Operating profits	**131,740**	**131,740**
Non-operating & one time gain:		
Change in fair value of financial assets at fair value through profit or loss	3,361,459	Non recurring
Gain on disposals of subsidiaries	98,502	Non recurring
Gain on bargain purchase in acquisition of subsidiaries	3,752	Non recurring
Share of profits and losses of:		
Joint ventures	(7)	(7)
Associates	5,501	5,501
Other income and gains	238,490	238,490
Finance costs	(89,996)	(89,996)
Profit (loss) before tax	**3,749,441**	**285,728**
Taxes	(716,436)	(54,596)
% tax rate	19%	19%
Net income	**3,033,005**	**231,132**
less non-controlling interests	**(72,191)**	**(72,191)**
Profit attributable to owners of the parent	**3,105,196**	**303,323**
Shares outstanding on December 31, 2016	19,729,061	19,729,061
EPS	**0.1574**	**0.0154**
EPS (HKD)		**0.0180**

[5] All ratios and percentages in this section are calculated using the closing price of Fullshare's stock on Friday April 21, 2017.

Source: Company Filings, Bloomberg, Glaucus Calculation
Note: 1. Fullshare issued more than 3.5 billion shares in the last quarter of 2016. These dilutive issuances are included in our EPS calculation.
2. 2016 Average Exchange Rate: RMB 1 = HK$ 1.17

The vast majority of such non-cash, one-time gains are from the appreciation of Zall's stock price. In FY 2016, gains from the appreciation of Zall's stock accounted for a staggering 108% of Fullshare's net income. Not only should such gains typically be eliminated when valuing a publicly listed company, but in this case, given the evidence that they are derived from manipulation, such one-time, non-recurring, non-cash gains should certainly be ignored.

Perhaps if Fullshare had any sell-side analyst coverage, they would realize how to properly calculate their price-to-earnings ratio.

b. Ignoring the Takeover of CHS

Fullshare also accuses us of ignoring its investment in CHS, but this is **completely false**. Fullshare acquired 74% of Hong Kong listed CHS in December 2016, meaning that going forward, CHS and its subsidiaries will be fully consolidated into Fullshare's financial statements.

In our valuation, we **gave full credit** to Fullshare's 74% investment in CHS. The problem for Fullshare is that CHS's current market capitalization only adds HKD 0.47 per share to Fullshare's value. Accordingly, even including the value of CHS, if Fullshare traded at the median multiple of earnings for other HSCIPC companies, Fullshare's stock would be worth only HKD 0.68 per share, implying an 76% downside in the Company's stock.[6]

Glaucus Valuation - P/E

Fullshare Share Price (HK$)	2.88
Adjusted Fullshare EPS (HK$)	0.018
Adjusted Fullshare P/E Ratio	*160.4 x*
Median P/E Ratio of HSCIPC	*11.8 x*
Implied Fullshare Share Price Using HSCIPC P/E Ratio	***0.21***
CHS Market Cap (HK$ mm)	12,592
Fullshare ownership %	74%
CHS value attribute to Fullshare (HK$ mm)	*9,307*
Fullshare outstanding shares (mm)	*19,729*
CHS value per Fullshare share (HK$)	*0.47*
Implied Fullshare Share Price Using HSCIPC P/E Ratio Plus CHS Value	***0.68***
% Downside	***-76%***

Source: Company Filings, Bloomberg, Glaucus Calculation
**2016 Average Exchange Rate: RMB 1 = HK$ 1.17*

It is a major red flag that Fullshare, with a market capitalization of HKD 56.4 billion, is trying to justify its valuation by pointing to its 74% stake in a much smaller business like CHS (which has a market capitalization of only HKD 12.6 billion). Fullshare's investment in CHS is only worth HKD 0.47 per share and does not even come close to justifying Fullshare's ludicrous share price.

Any reasonable investor looking to invest in CHS will purchase CHS's shares, and not some wildly overvalued conglomerate like Fullshare which fails to generate meaningful cash flows from any operating business.

[6] Glaucus calculations are based on the price of Fullshare's stock at the close of trading on Friday April 21, 2017, of HKD 2.88 per share.

c. Diversification: What Diversification?

Fullshare's final argument to justify its valuation is also amateurish. Fullshare claims that it is a "generally accepted market principle that a fast-growth company enjoys a high P/E ratio… The fact is that the Company has achieved rapid and impressive growth with diversified businesses after the reverse takeover completed in December 2013."[7] Fullshare then tries to show its **growth by pointing to the increase in its market capitalization!**

But this is exactly our point. Fullshare pretends to be a high growth business, but the only thing which has meaningfully grown since the reverse merger is its market capitalization, and this, in our opinion, is due to market manipulation. Fullshare has also acquired assets (usually by issuing its inflated stock), but such assets have failed thus far to generate meaningful cash flows.

Since the reverse merger, Fullshare's market capitalization has grown at a 541% CAGR from HKD 287 million to a high of HKD 76 billion in 3 years! **Despite a 264x increase in market capitalization since the reverse merger, Fullshare's cash flows from its recurring operations (before working capital adjustments) has increased only 28%!**[8] Fullshare's financials show exactly the opposite of what the Company claims – that in reality, its underlying business has not really grown at all.

Fullshare claims expertise in other business areas, but if so, what are they? We calculate that 108% of Fullshare's net income came from its investment in Zall, meaning that its other businesses are immaterial to the Company's bottom line. Fullshare's annual report is littered with throwaway lines about its healthcare and its tourism business but if Fullshare was good at any other businesses, its cash flow statement would show it. But it doesn't, because they are not.

Accordingly, including the full value of CHS, if Fullshare traded at the median multiple of earnings for other HSCIPC companies, Fullshare's stock would be worth only HKD 0.68 per share, implying an 76% downside in the Company's stock. Measured on a price to book ratio, Fullshare's shares appear similarly overvalued. We calculate that on an adjusted P/B basis (again giving full credit for its investment in CHS), if Fullshare simply traded at the HSCIPC P/B median, it would be valued at HKD 0.97 per share, a 66% downside from its current price.[9]

But of course, we think that Fullshare should trade far below an index median, given the evidence presented in our Report of ubiquitous undisclosed related party dealings and the unusual intraday trading pattern of its stock. Applying a 20% corruption discount yields a Glaucus valuation of HKD 0.55 per share (on an adjusted P/E multiple) or HKD 0.77 (on an adjusted P/B multiple).

GRG Valuation

HK$	P/E	P/B
Fullshare Share Price	2.88	2.88
GRG Valuation	0.68	0.97
Corruption Discount	*20%*	*20%*
GRG Value Per Share	**0.55**	**0.77**
% Downside	***-81%***	***-73%***

Source: Company Filings, Bloomberg, Glaucus Calculation
Note: Both valuation methodologies give full credit to Fullshare's interest in CHS.

[7] Fullshare Response, p. 5.
[8] Based on the FY 2016 cash flow statement.
[9] For a full description of our adjustments, please refer to our original Report.

3) Secret Dispositions of Valuable Assets to Undisclosed Related Parties

In our Report, we presented five instances in which evidence indicates that Fullshare has sold assets or subsidiaries to entities which we believe are secretly owned by or connected to the chairman or his family. Fullshare's Response contains blanket denials of any undisclosed related party transactions, but fails to provide any meaningful details or explanations to explain the voluminous undisclosed connections between Fullshare and its counterparties.

a. Highest Profit-Margin Subsidiary Secretly Sold to Chairman's Brothers

In June 2016, Fullshare sold Fullshare Green Building and its subsidiaries (together, the "Green Energy Group") to a supposedly independent third party, Jiasheng Construction Group Co Ltd ("JCC"), for a total consideration of RMB 240 million. Fullshare said that JCC was an independent third party. In our Report, we highlighted SAIC filings which reveal that Fullshare's chairman's brothers owned 29% of JCC at the time and evidence that Fullshare sold the Green Energy Group at a massively discounted price. Rather than being an independent third party, we believe that JCC is actually an undisclosed related party.

In its Response, Fullshare claims that JCC was not a connected party because the chairman's brothers owned less than 30% of JCC at the time of the transaction. But this ignores the many other overlapping connections between Fullshare and JCC that we highlighted in our Report. JCC has deep historical ties to Fullshare's chairman and his family. Fullshare's chairman and his two brothers, Ji Changbin and Ji Changrong, were employees of JCC as far back as 1999. The chairman was a shareholder of JCC as far back as 2003.[10] As of June 30, 2016, Fullshare Private even guaranteed RMB 450 million of JCC's loan from two Chinese banks. Yet Fullshare never disclosed any such connections to shareholders.

Fullshare's response is all form over substance. The Company claims that simply because the chairman's brothers owned less than 30% of JCC at the time of sale (SAIC records indicate they owned 29.2%), that the market should not be suspicious of the transaction. Of course, this may be different if the Company had disclosed that the chairman's brothers were shareholders of JCC, or disclosed any of the voluminous connections between JCC and the Company. But Fullshare only admitted to these details after Glaucus exposed them, and is now trying to **hide behind technicalities** in the hopes that shareholders will ignore the obvious evidence indicating that this was an undisclosed related party disposition.

Second, Fullshare claims that Fullshare Green Building was not the only material subsidiary in its highest-margin segment. But this contradicts the Company's previous disclosures. In the Company's FY 2015 annual report, Fullshare disclosed that Fullshare Green Building, also known as Fullshare Lujian, was the only material subsidiary involved in its Green Building Service segment. Although Fullshare admitted that seven other subsidiaries were involved in this segment, it **stated in black and white** that the other subsidiaries were immaterial. Fullshare is only trying to change its story now because it realizes it has been caught.

[10] He later disposed of his shares of JCC.

Details of the principal subsidiaries held by the Company as at the end of reporting period is as follows:

Name of Subsidiary	Place of incorporation/ registration and operation	Paid up issued/ ordinary share capital RMB'000	Percentage of equity attributable to the Company indirectly 2015	2014 (Restated)	Principal activities
Jiangsu Fullshare#	The PRC	400,000	N/A	100%	Property development
Chongqing Tongjing Changhao Property Limited* (重慶同景昌浩置業有限公司)#	The PRC	240,000	90%	90%	Property development
Nanjing Tianyun#	The PRC	865,000	80%	80% (note iii)	Property development
Nanjing Fullshare Technology#	The PRC	560,000	100%	100%	Property development
Jiangsu Anjiali#	The PRC	350,000	100%	N/A	Property development
Fullshare Lujian#	The PRC	200,000	100%	100%	Green building service
Rich Unicorn@	BVI	604,611	100%	N/A	Investment

Source: 2015 Annual Report, p.174

General information of subsidiaries *(continued)*

At the end of the reporting period, the Company has other subsidiaries that are immaterial to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Place of incorporation/ establishment	Number of subsidiaries 2015	2014 (Restated)
Investment holdings	The PRC	8	9
	Hong Kong	7	4
	BVI	9	3
	Singapore	2	–
	Australia	1	–
Healthcare	Singapore	1	–
Green building services	The PRC	7	6

Source: 2015 Annual Report, p.175

As any investor can see from the excerpts above, Fullshare stated in no uncertain terms in its FY 2015 annual report that Fullshare Green Building (also known as Fullshare Lujian) was the only material subsidiary in the Green Building Services segment, its highest-profit margin segment that year. Now, it is frantically trying to distance itself from this statement after we pointed out that Fullshare Green Building appears to have been sold to an undisclosed related party.

Finally, **Fullshare never addressed any of the evidence presented in our Report which showed that the Green Energy Group was sold to JCC at a substantial discount to its market value**.

In 2014, prior to its acquisition by Fullshare for RMB 228 million, the Green Energy Group lost RMB 11 million. A year later, the Green Energy Group generated RMB 40.8 million in profits but was sold by Fullshare for only RMB 240 million.

	When Fullshare bought	When Fullshare sold
RMB'000	2014	2015
Profit (loss) before taxation and extraordinary items	(11,380)	40,787
Consideration	228,000	240,000

Source: 1. http://www.hkexnews.hk/listedco/listconews/SEHK/2014/1120/LTN20141120724.pdf
2. http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0512/LTN20150512790.pdf
3. http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0622/LTN20160622668.pdf

Fullshare essentially sold the Green Energy Group for the same consideration for which Fullshare acquired it, despite the fact that the Green Energy Group had transformed from a money-losing operation to a significantly profitable segment.

In our Report, we also highlighted the publicly available SAIC filings for Fullshare Green Building (the primary subsidiary in the Green Energy Group), which confirmed that it was worth substantially more when it was sold to Fullshare's chairman's brothers than when it was acquired by the Company. SAIC filings showed that compared to the year before, in 2015, Fullshare Green Building's **revenues increased 9.4x! Profits increased a staggering 89.1x in the year before it was sold**, suggesting Fullshare Green Building was worth substantially more at the time it was sold to the chairman's brothers than it was when the Company acquired it.

Fullshare Green Building Financials/ Multiple

RMB'000	**FS Acquired**	**FS Sold**	**Difference**
Revenue	37,242	349,324	***9.4x***
Profit before taxes	465	41,464	***89.1x***
Consideration	200,000	240,000	***1.2x***
Consideration/Revenue	***5.4x***	***0.7x***	

Source: Fullshare Green Building SAIC filings, Fullshare Public Filings
Note: Used Fullshare Green Building 2014 SAIC financials as FS Acquired and 2015 SAIC financials as FS Sold.

In its Response, Fullshare simply stated that the consideration at the disposal of Fullshare was determined by the net asset value of Fullshare Green Building and its declared dividend. Fullshare's Response is simply nonsense. The Company wants investors to believe that if an entity's profits increase by 89.1x, its value does not increase. Anyone foolish enough to believe that is welcome to invest in Fullshare.

b. Property Development Subsidiaries Likewise Sold to Undisclosed Related Parties

On November 27, 2015, Fullshare sold 100% of the equity of two property development subsidiaries, Jurong Dingsheng Property Development Company Limited ("Jurong Dingsheng") and Jurong Dasheng Property Development Company Limited ("Jurong Dasheng") (**collectively, the "Jurong Twins"**), to Nanjing Dongzhou Property Development Limited ("Nanjing Dongzhou") for RMB 524 million. Fullshare claimed that the buyer was an independent third party.

In our Report, we highlighted that prior to the transaction, the parent companies of this supposedly independent third party buyer received a number of substantial loans from entities connected to Fullshare's chairman.

First, SAIC filings reveal that in August 2015, a few months before the transaction, Nanjing Dongzhou's sole shareholder at the time, Nanjng Yuanqing, pledged 100% of Nanjing Dongzhou's equity to Nanjing Jiasheng Property Development ("JPD"), an entity owned in part by Fullshare's chairman, for a loan of RMB 152.6 million.

In its Response, Fullshare claims that its chairman was only a 7.97% shareholder of JPD and was not a director or senior manager of JPD and that therefore, he did not control JPD. Fullshare also claims that the loan was unrelated and irrelevant to the subject transaction.

Fullshare is basically insisting that it is simply a coincidence that JPD, of which its chairman was a shareholder, loaned RMB 152.6 million to Nanjing Dongzhou's parent company mere months before Nanjing Dongzhou purchased the Jurong Twins from the Company. But in our opinion, the timing of the loan is too close to be a coincidence.

Second, On November 23, 2015, just four days before the completion of the transaction, an entity called Nanjing Chuang Su Investment ("Nanjing Sue") acquired Nanjing Yuanqing, the parent company of the buyer, Nanjing Dongzhou.

In our Report, we opined that Nanjing Sue is an undisclosed related party, connected to and likely controlled by Fullshare's chairman. First, SAIC filings reveal that as of June 2013, Nanjing Sue rented office space from the chairman's Fullshare Private for RMB 50,000 per year. The lease was for five years, meaning that Nanjing Sue was still operating out of the chairman's property when it secretly acquired a controlling interest in the Jurong Twins.

SAIC filings also show that Nanjing Sue's board supervisor is an individual named Xing Jiuhong, who is the board supervisor of Nanjing Xinmeng Asset Management, an investment holding company which is 99.9% owned by Fullshare's chairman.

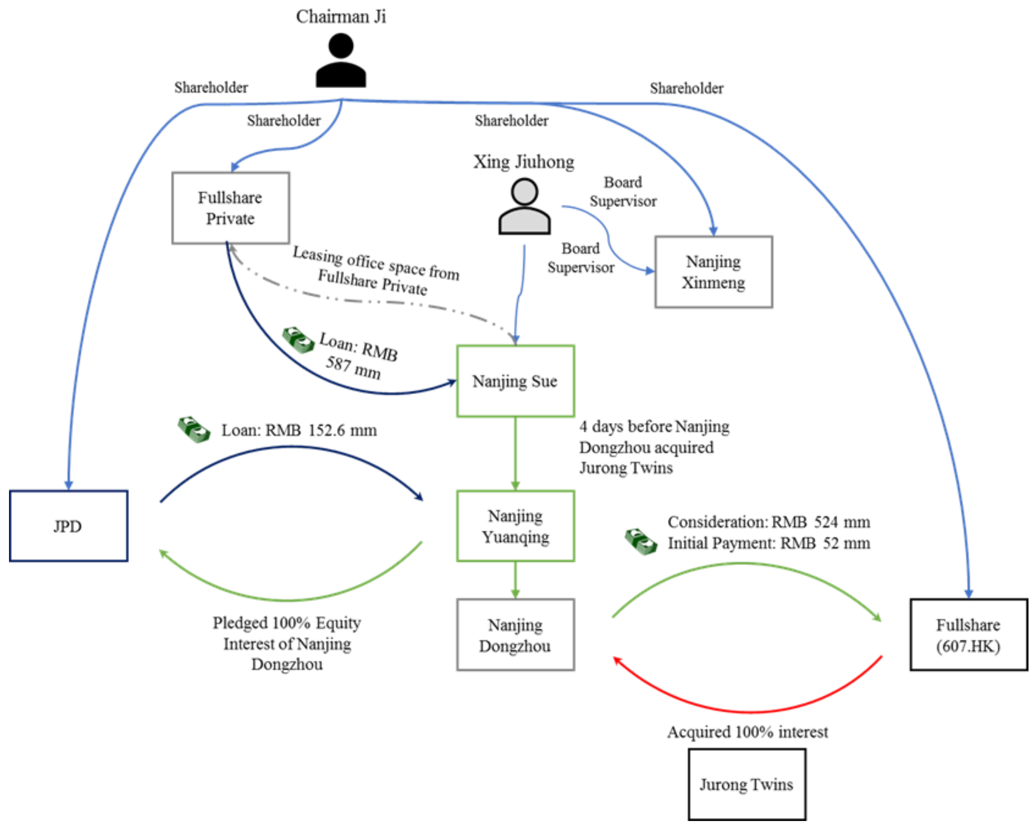
Finally, according to a bond prospectus filed by chairman's private conglomerate, Nanjing Sue borrowed around RMB 937 million from Fullshare Private in 2014, and borrowed RMB 588 million from it in 2015.

Given that Nanjing Sue leases offices from Fullshare Private, borrows hundreds of millions of Chinese yuan from Fullshare's chairman, and shares a board supervisor with another of his entities, we believe that Nanjing Sue is related to, and most likely controlled by, Fullshare's chairman. Accordingly, we infer that the chairman was the undisclosed beneficiary of the sale of the Jurong Twins.

Fullshare denies that Nanjing Sue was or is a connected party. It stated that Nanjing Sue's lease from Fullshare Private was a normal commercial agreement, that overlapping supervisors did not make the companies related under Hong Kong rules, and that Nanjing Sue's borrowings from Fullshare Private were irrelevant.[11]

Essentially, Fullshare admits that our evidence is accurate but disputes our conclusion. Yet Fullshare ignores the collective weight of the overlapping connections between Nanjing Sue and the Company. Perhaps one or two such connections could be ignored. But the number of connections are far too many, and the timing of the loans is far too suspicious, to convince us that this was anything but an undisclosed related party disposition.

Disposal of Jurong Twins to Undisclosed Related Party



[11] Fullshare Response, p. 8.

c. Chairman's Brother Secretly Financed Another Disposition

On June 25, 2015, Fullshare sold Jiangsu Fullshare Property Limited ("Jiangsu Fullshare") to Nanjing Shanbao Investment Management Limited ("Nanjing Shanbao") for RMB 467 million. Fullshare recorded a RMB 79 million non-cash gain on the disposal. Fullshare claimed that the buyer, Nanjing Shanbao, was an independent third party.

However, on February 6, 2015, five months before the acquisition, SAIC filings reveal that Nanjing Shanbao borrowed RMB 378 million from Nanjing Jiangong Group Co., Ltd ("Nanjing Jiangong"), which is more than 50% owned by Fullshare's chairman's brother. SAIC filings make it clear that the chairman's brother secretly loaned 81% of the money that the buyer needed to acquire Jiangsu Fullshare from the Company.

In its Response, Fullshare claims that the "loan to Nanjing Shanbao advanced by Nanjing Jiangong of RMB 378 million… is for **other business transaction(s) between Nanjing Shanbao and Nanjing Jiangong which is completely unrelated to the disposal of Jiangu Fullshare**."[12]

Fullshare denies that the loan was related to the acquisition, insisting that the timing is just a coincidence. But Fullshare gives no details as to why Nanjing Jiangong was loaning such funds to Nanjing Shanbao, other than to claim it was for "other business." What other business? In our opinion, the absence of any details or justification for the loan in Fullshare's Response suggests that the Company cannot find any reasonable explanation for why its chairman's brother would be loaning money to a buyer mere months before the recipient purchased Jiangsu Fullshare from the Company. Why should investors have any faith that the loan was merely a coincidence when Fullshare cannot provide any other justification or explanation for the loan?

It is also worth noting that Fullshare never disclosed any transactions between the buyer and the chairman's brother until Glaucus exposed them to the public. If such connections were so innocent, why wouldn't Fullshare disclose them at the time of the disposition? Given that the Company failed to disclose this secret related party involvement, and that the chairman's brother appears to have put up the money for the purchase, we continue to infer that the chairman and his family were the ultimate beneficiaries of the transaction.

d. Singapore Sling

In December 2016, Fullshare sold its 51% equity interest in a Singapore joint venture, Fudaksu Pte. Ltd. and its subsidiaries (the "Fudaksu JV"), to Chinafair Investment Limited ("Chinafair"), for cash consideration of RMB 120 million. As usual, Fullshare claimed that the buyer was an independent third party.

In our Report, we pointed out substantial evidence suggesting otherwise. Publicly available SAIC filings reveal that Yang Wen-Ta, a director of Chinafair, is also the shareholder, director, and general manager of Fullshare Nanjing Leisure Agricultural Development Company Limited ("Fullshare Leisure Agricultural"). In addition, another Chinafair director Mao Zhengping is currently Fullshare Leisure Agricultural's legal representative and chairman.

On an employment search website, Zhaopin.com, Fullshare Leisure Agricultural advertises for available positions and states that it is a subsidiary of Fullshare Private.

In its Response, Fullshare does not address this evidence in any meaningful way. Instead, it simply asserts that Chinafair is not a connected party under the listing rules.

But surely, Fullshare Leisure Agricultural is a connected party. It shares the Fullshare's name, and claims on an employment website that it is a subsidiary of Fullshare Private. Given that two of Chinafair's three directors occupy the positions of director, shareholder, general manager, legal representative and chairman of Fullshare Leisure Agricultural, we think such significant overlap indicates that Chinafair is a connected party to the chairman and the Company.

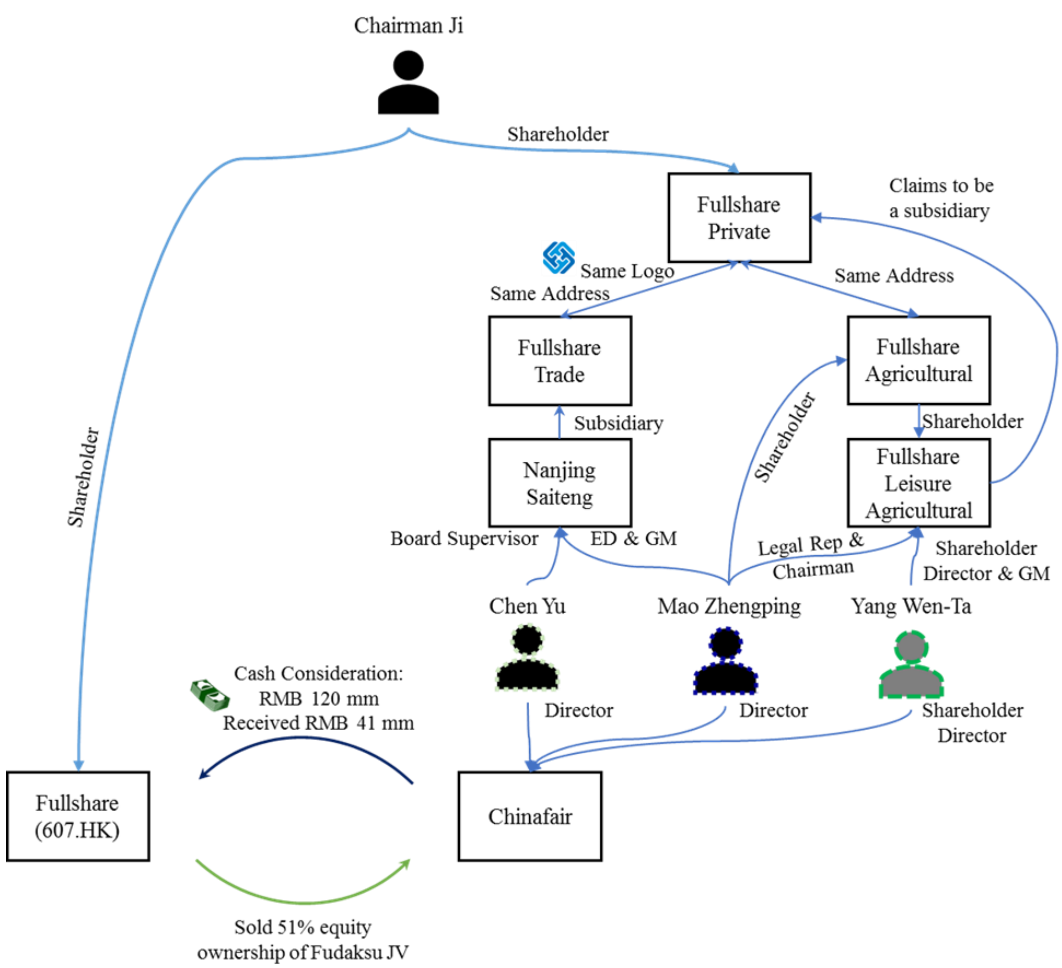
[12] Fullshare Response, p. 9.

There is also overlap between Chinafair and Nanjing Saiteng. Chinafair's two directors serve as the board supervisor, executive director and general manager of Nanjing Saiteng. According to the website of Fullshare Trade, which is the procurement and trade department of Fullshare Private, Nanjing Saiteng is its subsidiary.

Fullshare denies that Nanjing Saiteng is a subsidiary of Fullshare Trade, saying that the information on the website is "outdated." But again, other than a blanket denial, no context or evidence is given to explain why Fullshare Trade would claim on its website that Nanjing Saiteng is its subsidiary.

Every investor must make up their own mind, but in our opinion, the connections are too voluminous and significant to suggest any conclusion other than that Chinafair is a connected party and that this was yet another undisclosed related party transaction.

Connections Between Fullshare and Chinafair



4) Undisclosed Related Party Acquisitions

In our Report, we also presented evidence of instances in which Fullshare acquired businesses or assets from parties secretly connected to or controlled by its chairman or his family. Like undisclosed related party dispositions, we believe that these undisclosed related party acquisitions signify a complete disregard for shareholders and call into question the value of the acquired assets.

a. Tianyun Hustle

On October 15, 2014, Fullshare bought 80% of the equity of Nanjing Tianyun Real Estate Development Company Limited ("Nanjing Tianyun") from Nanjing Tonglu Asset Management Limited ("Tonglu") for RMB 500 million. In the acquisition announcement, Fullshare stated that the sellers were independent third parties.

In our Report, we highlighted evidence from SAIC filings indicating that Tonglu was a newly-formed shell entity secretly connected to the chairman's family. According to SAIC filings, Tonglu was incorporated on July 15, 2014, just three months before it sold Nanjing Tianyun to Fullshare. On July 28, 2014, just days after incorporation, SAIC filings show that Tonglu acquired 95% of Nanjing Tianyun from Nanjing Jiangong, which is more than 50% owned by Fullshare chairman's brother, Ji Changbin.

In its Response, the Company claims that Nanjing Tianyun was transferred to chairman Ji's brother's Nanjing Jiangong to secure an unrelated loan, and when the loan was repaid, it was transferred back. The Company denies that the sellers were connected in any way to the Company. But this is far from a viable explanation for the suspicious pre-transaction timeline.

Usually parties must pledge collateral for a loan, not transfer subsidiaries. So the notion that Nanjing Jiangong owned Nanjing Tianyun because it lent money to its original purchasers is not credible. As usual, Fullshare denies wrongdoing but provides almost no further details to support their explanations.

The facts are plain. The chairman's brother owned Nanjing Tianyun before transferring it to Tonglu a short time before Tonglu (a newly formed entity) sold the asset to Fullshare. Investors must decide for themselves, but in our opinion, it is obvious that Nanjing Tianyun was transferred to the Company via a shell entity so as to conceal the family's prior ownership. Accordingly, we believe that this was another undisclosed related party transaction and as a result, we doubt the legitimacy of the large "gain on purchase" that the Company recognized on the acquisition.

b. Zhonghe Hustle

On September 27, 2016, Fullshare bought 35% of Nanjing Jiansheng Real Estate Development Co Ltd ("Nanjing Jiansheng") from Nanjing Zhonghe Shiye Investment Development Company Limited ("Nanjing Zhonghe") for RMB 17.5 million. As per usual, Fullshare claimed that the seller, Nanjing Zhonghe, was an independent third party.

However, publicly available SAIC filing reveals that Ji Changrong, brother of Fullshare's chairman, was the shareholder and sole legal representative of Nanjing Zhonghe until July 2015, when he transferred his shares to the entity Nanjing Sue, which was the parent entity of the seller at the time of the transaction with Fullshare.

Fullshare denies that Nanjing Sue is a related party, but we suspect otherwise. As discussed above, Nanjing Sue leases office space and borrows hundreds of millions of Chinese yuan from the chairman's Fullshare Private. Nanjing Sue also shares a board supervisor with another entity owned by the chairman. In our opinion, such connections indicate that Nanjing Sue is an undisclosed connected party.

Ultimately, in our Report, we presented evidence that Fullshare's stock is manipulated and that its chairman and his family have engaged in a number of undisclosed related party transactions with the Company. Such behavior by the Company's inner circle is so reprehensible and untrustworthy that we believe that Fullshare is simply uninvestible.

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