北大资源
PKU RESOURCES

Peking University Resources (Holdings) Company Limited
北大資源（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00618)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

The Board of Directors (the "Board") of Peking University Resources (Holdings) Company Limited (the "Company") is pleased to announce the consolidated results and financial position of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018 together with the comparative figures.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2018

	Notes	**2018** ***RMB'000***	2017 *RMB'000*
REVENUE	4	**24,911,870**	16,246,608
Cost of sales		**(21,694,519)**	(14,339,123)
Gross profit		**3,217,351**	1,907,485
Other income and gains	4	**193,922**	341,588
Selling and distribution expenses		**(438,201)**	(441,064)
Administrative expenses		**(530,012)**	(362,267)
Other expenses and losses		**(207,165)**	(15,424)
Finance costs	5	**(160,687)**	(89,379)
Share of losses of associates		**(3,522)**	(2,649)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)
Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
PROFIT BEFORE TAX	6	**2,071,686**	1,338,290
Income tax expense	7	**(1,275,040)**	(832,710)
PROFIT FOR THE YEAR		**796,646**	505,580
Attributable to:			
Owners of the parent		**716,310**	333,451
Non-controlling interests		**80,336**	172,129
		796,646	505,580
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**RMB11.16 cents**	RMB5.56 cents
Diluted		**RMB11.16 cents**	RMB5.20 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**796,646**	505,580
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of non-Mainland China entities' investments	**(127,209)**	168,684
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**(127,209)**	168,684
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**103,942**	(134,836)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**103,942**	(134,836)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(23,267)**	33,848
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**773,379**	539,428
Attributable to:		
Owners of the parent	**692,258**	368,332
Non-controlling interests	**81,121**	171,096
	773,379	539,428

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	**2018** **RMB'000**	2017 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**89,907**	109,172
Investment properties		**750,851**	715,343
Prepaid land lease payments		**11,217**	11,609
Goodwill		**–**	–
Other intangible assets		**7,849**	1,076
Investments in associates		**6,648**	7,093
Deferred tax assets		**231,574**	–
Other non-current assets		**50,000**	–
Total non-current assets		**1,148,046**	844,293
CURRENT ASSETS			
Properties under development		**23,278,793**	29,844,496
Properties held for sale		**7,960,058**	5,723,850
Inventories		**532,635**	525,197
Trade and bills receivables	9	**1,193,440**	1,233,939
Prepayments, other receivables and other assets		**2,269,555**	1,983,981
Prepaid tax		**487,085**	645,908
Other current assets		**314,450**	–
Restricted cash		**1,574,545**	2,468,704
Cash and cash equivalents		**3,902,631**	3,835,855
Total current assets		**41,513,192**	46,261,930
CURRENT LIABILITIES			
Trade and bills payables	10	**4,294,818**	3,728,007
Other payables and accruals		**18,500,596**	20,045,881
Interest-bearing bank and other borrowings		**10,140,002**	18,127,086
Tax payable		**1,375,860**	694,363
Provision		**116,308**	–
Total current liabilities		**34,427,584**	42,595,337
NET CURRENT ASSETS		**7,085,608**	3,666,593

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2018

	2018	2017
	RMB'000	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**8,233,654**	4,510,886
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**5,091,990**	2,123,071
Deferred tax liabilities	**136,974**	162,304
Total non-current liabilities	**5,228,964**	2,285,375
Net assets	**3,004,690**	2,225,511
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**545,335**	545,335
Reserves	**2,123,171**	1,430,913
	2,668,506	1,976,248
Non-controlling interests	**336,184**	249,263
Total equity	**3,004,690**	2,225,511

1. CORPORATE AND GROUP INFORMATION

Peking University Resources (Holdings) Company Limited (the "Company") is a limited liability company incorporated in Bermuda. The head office and principal place of business of the Company are located at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.

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

- distribution of information products
- property development
- property investment

As at 31 December 2018, the Company was owned as to approximately 60.01% by Founder Information (Hong Kong) Limited, which was in turn owned effectively as to approximately 81.64% by 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"). In the opinion of the directors, the ultimate holding company is 北大資產經營有限公司 (Peking University Asset Management Company Limited*), which is established in the People's Republic of China (the "PRC").

* *For identification purposes only*

2.1 BASIS OF PREPARATION

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to HKFRS 4 and *Annual Improvements 2014–2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

The Group has performed an assessment on the impact of the adoption of HKFRS 9, and it has an immaterial effect on the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement
The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses.

A reconciliation of the measurement categories of the Group's financial assets and liabilities under HKAS 39 and HKFRS 9 as at 1 January 2018 is as follows:

	Original measurement category under HKAS 39	**New measurement category under HKFRS 9**	**Carrying amount**
Trade receivables *(note 9)*	Loans and receivables	Financial assets at amortised cost	1,080,241
Bills receivable* *(note 9)*	Loans and receivables	Financial assets at fair value through other comprehensive income	153,698
Other receivables	Loans and receivables	Financial assets at amortised cost	599,356
Pledged deposits	Loans and receivables	Financial assets at amortised cost	2,468,704
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	3,835,855
Trade and bills payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	3,728,007
Other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	3,996,053
Interest-bearing borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	20,250,157

* The Group's bills receivable are managed with a business model under which bills receivable are held to collect contractual cash flows or endorsed to suppliers prior to their expiry date. Accordingly, these bills receivable are reclassified as financial assets at fair value through other comprehensive income upon adoption of HKFRS 9.

The new carrying amounts of the Group's financial assets and liabilities under HKFRS 9 and equal to their respective original carrying amounts under HKAS 39 as at 1 January 2018.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

Impairment
The Group has remeasured the impairment allowances of financial assets as at 31 December 2017 using the expected credit losses under HKFRS 9, which approximates to the impairment allowances under HKAS 39. Accordingly, no transition adjustment to the financial assets and equity at 1 January 2018 was recognised.

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 4. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

Under the modified retrospective method of adoption, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations. The Group has performed an assessment on the impact of the adoption of HKFRS 15, and it has an immaterial effect on the opening balance of accumulated losses as at 1 January 2018.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Note	**Increase/ (decrease)** *RMB'000*
Assets		
Properties under development	(ii)	933,008
Total current assets		933,008
Liabilities		
Other payables and accruals	(ii)	(933,008)
Total current liabilities		(933,008)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) (continued)

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 December 2018:

		Amounts prepared under		
		HKFRS 15	**Previous HKFRS**	**Increase/ (decrease)**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	(iii)	24,911,870	23,534,794	1,377,076
Cost of sales	(iii)	(21,694,519)	(20,446,999)	1,247,520
Gross profit		3,217,351	3,087,795	129,556
Other income and gains	(iii)	193,922	459,946	(266,024)
Profit before tax		2,071,686	2,208,154	(136,468)
Income tax expense	(iii)	(1,275,040)	(1,304,000)	(28,960)
Profit for the year		796,646	904,154	(107,508)
Attributable to:				
Owners of the parent		716,310	772,832	(56,522)
Non-controlling interests	(iii)	80,336	131,322	(50,986)
		796,646	904,154	(107,508)
Earnings per share attributable to ordinary equity holders of the parent				
Basic and diluted		11.16 cents	12.05 cents	(0.89 cents)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) (continued)

		Amounts prepared under		
			Previous	Increase/
		HKFRS 15	HKFRS	(decrease)
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Inventories	(i)	532,635	554,575	(21,940)
Properties under development	(iii)	23,278,793	22,791,245	487,548
Prepayments, other receivables and other assets	(i)	2,269,555	2,247,615	21,940
Deferred tax assets	(iii)	231,574	202,614	28,960
Total assets		42,661,238	42,144,730	516,508
Other payables and accruals	(iii)	18,500,596	17,867,580	624,016
Total liabilities		39,656,548	39,032,532	624,016
Net assets		3,004,690	3,112,198	(107,508)
Reserves	(iii)	2,123,171	2,179,693	(56,522)
Non-controlling interests	(iii)	336,184	387,170	(50,986)
Total equity		3,004,690	3,112,198	(107,508)

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

(i) Sale of goods

Some contracts for the distribution of information products provide customers with a right of return. Before adopting HKFRS 15, the Group recognised revenue from the distribution of information products measured at the fair value of the consideration received or receivable, net of returns. If revenue could not be reliably measured, the Group deferred the recognition of revenue until the uncertainty was resolved. Under HKFRS 15, rights of return give rise to variable consideration which is determined using the expected value method or the most likely amount method.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) (continued)

(i) Sale of goods (continued)

Rights of return

For a contract that provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns based on the average historical return rate. Before the adoption of HKFRS 15, the amount of revenue related to the expected returns was deferred and recognised as deferred revenue which was included in other payables and accruals in the statement of financial position with a corresponding adjustment to cost of sales. The initial carrying amount of goods expected to be returned was included in inventories.

Upon adoption of HKFRS 15, the Group recognised right-of-return assets which are included in prepayments, other receivables and other assets and are measured at the former carrying amounts of the goods to be returned less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. In addition, refund liabilities were recognised based on the amounts that the Group expects to return to the customers using the expected value method.

(ii) Property development

In prior years, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities included in other payables and accruals.

Upon adoption of HKFRS 15, the criteria for recognising revenue over time are not met. The Group continued to recognise revenue from the sale of properties at a point in time, when the property buyer 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) (continued)

(iii) Consideration received from customers in advance

Generally, the Group receives short-term advances from its customers. However, from time to time, the Group also receives long-term advances from customers. Prior to the adoption of HKFRS 15, the Group presented these advances as receipt in advance included in other payables and accruals in the statement of financial position. No interest was accrued on the long-term advances received under the previous accounting policy.

Upon the adoption of HKFRS 15, for short-term advances, the Group used the practical expedient. As such, the Group did not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or property and when the Group transfers that promised good or property to the customer will be one year or less.

Meanwhile, the Group pre-sells some properties at least one year before the delivery of properties. The Group concluded that there is a significant financing component for those property purchase contracts where the customer elects to pay in advance considering the length of time between the customer's payment and the delivery of property to the customer and the prevailing interest rates in the market. The transaction price for such contracts is discounted to take into consideration the significant financing component. Upon adoption of HKFRS 15, the Group recognised contract liabilities for the interest on the advances received from customers with a significant financing component and capitalised such interest component in properties under development. In addition, reclassifications have been made from receipt in advance to contract liabilities, both of which are included in other payables and accruals, for the outstanding balance of advances from customers.

(iv) Sales commission

Under HKFRS 15, incremental costs of obtaining a contracts (i.e., costs that would not have been incurred if the contract had not been obtained) are recognised as contract assets if they are recoverable and subsequently amortised on a systematic basis consistent with the pattern of transfer of the services to which the asset is related when the related revenue is recognised. Recovery can be direct (i.e., through reimbursement under the contract) or indirect (i.e., through the margin inherent in the contract).

Upon the adoption of HKFRS 15, stamp duty, sales commissions and other costs that are directly related to sales achieved during a time period would represent incremental costs that would require capitalisation and amortised in one year or less when the related revenue is recognised. The Group has assessed the impact of the adoption of HKFRS 15, and it has an immaterial effect on contract assets.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

3. 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 distribution of information products segment sells information products;

(b) the property development segment sells properties; and

(c) the property investment segment leases and subleases properties.

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 profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude restricted cash, cash and cash equivalents, prepaid tax, deferred tax assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2018

	Distribution of information products *RMB'000*	Property development *RMB'000*	Property investment *RMB'000*	Total *RMB'000*
Segment revenue *(note 4)*				
Sales to external customers	7,751,741	17,129,887	30,242	24,911,870
Other revenue	4,644	138,670	24,310	167,624
	7,756,385	17,268,557	54,552	25,079,494
Segment results	55,803	2,205,101	50,521	2,311,425
Reconciliation:				
Interest income				26,298
Corporate and unallocated expenses				(105,350)
Finance costs				(160,687)
Profit before tax				2,071,686
Segment assets	3,949,062	33,871,442	618,450	38,438,954
Reconciliation:				
Elimination of intersegment receivables				(1,973,551)
Corporate and other unallocated assets				6,195,835
Total assets				42,661,238
Segment liabilities	1,849,377	22,765,097	270,799	24,885,273
Reconciliation:				
Elimination of intersegment payables				(1,973,551)
Corporate and other unallocated liabilities				16,744,826
Total liabilities				39,656,548
Other segment information:				
Share of losses of associates	3,522	–	–	3,522
Investments in associates	3,648	3,000	–	6,648
Fair value gains on investment properties, net	–	–	24,310	24,310
Impairment of trade receivables, net	6,394	46,645	–	53,039
Impairment of prepayments, other receivables and other assets	1,609	24,314	–	25,923
Reversal of provision against inventories	(1,389)	–	–	(1,389)
Impairment of properties under development, net	–	315,352	–	315,352
Impairment of properties held for sale, net	–	557,888	–	557,888
Depreciation and amortisation	2,748	15,950	350	19,048
Capital expenditure*	2,412	8,261	–	10,673
Claim provision	–	116,308	–	116,308

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

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2017

	Distribution of information products *RMB'000*	Property development *RMB'000*	Property investment *RMB'000*	Total *RMB'000*
Segment revenue				
Sales to external customers	7,610,511	8,615,323	20,774	16,246,608
Other revenue	7,175	61,297	244,506	312,978
	7,617,686	8,676,620	265,280	16,559,586
Segment results	73,216	1,143,933	260,021	1,477,170
Reconciliation:				
Interest income				28,610
Corporate and unallocated expenses				(78,111)
Finance costs				(89,379)
Profit before tax				1,338,290
Segment assets	4,922,635	36,573,735	592,293	42,088,663
Reconciliation:				
Elimination of intersegment receivables				(1,287,000)
Corporate and other unallocated assets				6,304,560
Total assets				47,106,223
Segment liabilities	2,204,142	16,083,352	258,930	18,546,424
Reconciliation:				
Elimination of intersegment payables				(1,287,000)
Corporate and other unallocated liabilities				27,621,288
Total liabilities				44,880,712
Other segment information:				
Share of losses of an associate	2,649	–	–	2,649
Investment in an associate	7,093	–	–	7,093
Fair value gains on investment properties	–	–	244,506	244,506
Impairment of trade receivables	4,547	–	–	4,547
Provision against inventories	5,336	–	–	5,336
Impairment of properties under development, net	–	113,593	–	113,593
Impairment of properties held for sale, net	–	74,950	–	74,950
Depreciation and amortisation	2,268	18,403	268	20,939
Capital expenditure*	3,238	8,486	184	11,908

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

3. OPERATING SEGMENT INFORMATION (continued)

Geographic information

(a) Revenue from external customers

	Distribution of information products *RMB'000*	Property development *RMB'000*	Property investment *RMB'000*	Total *RMB'000*
For the year ended 31 December 2018				
Mainland China	**7,653,400**	**17,129,887**	**28,233**	**24,811,520**
Hong Kong	**98,341**	**–**	**2,009**	**100,350**
	7,751,741	**17,129,887**	**30,242**	**24,911,870**
For the year ended 31 December 2017				
Mainland China	7,557,441	8,615,323	20,774	16,193,538
Hong Kong	53,070	–	–	53,070
	7,610,511	8,615,323	20,774	16,246,608

The Group's revenue derived from customers in Mainland China amounted to RMB24,811,520,000 (2017: RMB16,193,538,000) during the year.

(b) Non-current assets

	2018 ***RMB'000***	2017 *RMB'000*
Mainland China	**862,824**	837,200
Hong Kong	**3,648**	7,093
	866,472	844,293

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

During the year, there was no revenue from sales to an external customer which accounted for 10% or more of the Group's total revenue (2017: Nil).

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods and properties sold, after allowances for returns and trade discounts; and the gross rental income received and receivable from investment properties and subleasing fee income, net of business tax, during the year.

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods	**7,751,741**	7,610,511
Sale of properties	**17,129,887**	8,615,323
	24,881,628	16,225,834
Revenue from other sources		
Gross rental income	**30,242**	20,774
	24,911,870	16,246,608

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2018
	RMB'000
Sale of goods	**135,319**
Sale of properties	**10,241,061**
	10,376,380

Information about the Group's performance obligations in relation to revenue from contracts with customers is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of goods and payment is generally due in three to six months from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return which give rise to variable consideration subject to constraint.

4. REVENUE, OTHER INCOME AND GAINS (continued)

Sale of properties

The performance obligation is satisfied when the construction of the relevant property has been completed and the property has been delivered to the customer pursuant to the sales agreements. Certain payment in advance from customers is normally required and the remaining balance is settled no later than the delivery date of the property or in some circumstances, settled within an agreed period upon the delivery of the property as determined on a case-by-case basis.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	2018
	RMB'000
Within one year	**13,170,705**
In the second year	**4,418,639**
In the third year	**25,373**
	17,614,717

The remaining performance obligations expected to be recognised in more than one year relate to sale of properties that are to be satisfied within three years. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

An analysis of other income and gains is as follows:

	2018	2017
	RMB'000	*RMB'000*
Other income		
Bank interest income	**24,129**	28,526
Management and consultancy service fee income	**91,218**	37,651
Other interest income	**2,169**	84
Government grants*	**1,243**	15,147
Others	**22,637**	15,674
	141,396	97,082
Gains		
Fair value gains on investment properties, net	**24,310**	244,506
Gains on disposal of properties under development	**28,216**	–
	52,526	244,506
	193,922	341,588

* Various government grants have been received for investments in certain regions in Mainland China in which the Company's subsidiaries operate. There are no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	RMB'000	*RMB'000*
Interest on bank loans and other loans	**1,528,134**	1,358,865
Interest on loans from related companies#	**211,381**	407,270
Interest expense arising from revenue contracts	**1,071,865**	–
Interest on discounted bills	**12,906**	10,310
Total interest expense	**2,824,286**	1,776,445
Less: Interest capitalised	**(2,663,599)**	(1,687,066)
	160,687	89,379

\# The related companies included Peking Founder and certain of its subsidiaries and associates, namely PKU Founder Group Finance Co., Ltd., Founder Group (Hong Kong) Limited and 方正國際商業保理有限公司 ("Founder International Factoring Co., Ltd.*), as well as 北大資源集團有限公司 (Peking University Resources Group Co., Ltd.*) ("PKU Resources"), a fellow subsidiary of Peking Founder.

* *For identification purposes only*

6. PROFIT BEFORE TAX

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

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold	**7,538,782**	7,380,708
Cost of properties sold	**13,283,886**	6,764,536
Provision/(reversal of provision) against inventories	**(1,389)**	5,336
Impairment of properties under development,net	**315,352**	113,593
Impairment of properties held for sale, net	**557,888**	74,950
Cost of sales	**21,694,519**	14,339,123
Auditor's remuneration	**3,500**	3,467
Depreciation	**16,271**	20,018
Less: Depreciation capitalised in properties under development	**(812)**	(5,514)

6. PROFIT BEFORE TAX (continued)

	2018	2017
	RMB'000	*RMB'000*
Less: Depreciation capitalised in properties under development	**(812)**	(5,514)
	15,459	14,504
Amortisation of prepaid land lease payments	**392**	536
Amortisation of other intangible assets	**2,385**	385
Loss on disposal of items of property, plant and equipment*	**42**	54
Impairment of financial assets, net:		
Impairment of trade receivables, net*	**53,039**	4,547
Impairment of financial assets included in prepayments, other receivables and other assets*	**25,923**	–
	78,962	4,547
Write-back of trade payables	**–**	(41)
Write-back of other payables	**–**	(6,614)
Claim Provision*	**116,308**	–
Minimum lease payments under operating leases	**40,343**	33,418
Foreign exchange losses, net*	**11,853**	10,823
Employee benefit expense (including the directors' remuneration):		
Wages and salaries	**322,346**	271,180
Pension scheme contributions**	**17,696**	13,559
	340,042	284,739

* These items are included in "Other expenses and losses" in the consolidated statement of profit or loss.

** At 31 December 2018, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2017: Nil).

7. INCOME TAX

	2018 *RMB'000*	2017 *RMB'000*
Current – Hong Kong		
Charge for the year	**551**	210
Current – Mainland China		
Charge for the year	**848,498**	390,571
Underprovision in prior years	**–**	446
PRC LAT	**683,312**	407,032
Deferred	**(257,321)**	34,451
Total tax charge for the year	**1,275,040**	832,710

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for the first HK$2,000,000 of assessable profits for Founder Century (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company, which is assessed at the rate of 8.25% as it elects the two-tiered profits tax rates in 2018.

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2017: 25%) on the taxable profits of the Group's PRC subsidiaries.

PRC LAT

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994 and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including borrowing costs and all property development expenditures.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of RMB716,310,000 (2017: RMB333,451,000), and the weighted average number of ordinary shares of 6,416,155,647 (2017: 5,992,938,063) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2018.

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

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**716,310**	333,451

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	**6,416,155,647**	5,992,938,063
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds classified as equity	**–**	423,217,584
	6,416,155,647	6,416,155,647

9. TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**1,158,581**	1,097,940
Bills receivable	**105,597**	153,698
	1,264,178	1,251,638
Impairment	**(70,738)**	(17,699)
	1,193,440	1,233,939

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade and bills receivables are settled in accordance with the terms of the respective contracts. The credit period is generally three to six months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables. Trade and bills receivables are non-interest bearing.

9. TRADE AND BILLS RECEIVABLES (continued)

An ageing analysis of the trade receivables and bills receivables, based on the invoice date and/or bills receipt date and net of loss allowance, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 6 months	**1,117,683**	1,166,990
7 to 12 months	**19,920**	12,386
13 to 24 months	**38,394**	54,563
Over 24 months	**17,443**	–
	1,193,440	1,233,939

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018	2017
	RMB'000	*RMB'000*
At beginning of year	**17,699**	13,152
Impairment losses, net	**53,039**	4,547
At end of year	**70,738**	17,699

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

		Past due			
	Current	**Less than 1 year**	**1 to 2 years**	**Over 2 years**	**Total**
Expected credit loss rate	0.33%	2.80%	15.10%	87.49%	6.11%
Gross carrying amount *(RMB'000)*	973,354	68,226	50,699	66,302	1,158,581
Expected credit losses *(RMB'000)*	3,166	1,913	7,654	58,005	70,738

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment for trade receivables, which was measured based on incurred credit loss under HKAS 39, as at 31 December 2017, was a provision for individually impaired trade receivables of RMB17,699,000 with a carrying amount before provision of RMB106,616,000. The individually impaired trade receivables as at 31 December 2017 relate to customers that were in financial difficulties.

9. TRADE AND BILLS RECEIVABLES (continued)

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017
	RMB'000
Neither past due nor impaired	1,098,681
Past due but not impaired:	
Less than 1 month past due	22,320
1 to 3 months past due	17,154
Over 3 months past due	6,867
	1,145,022

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

Included in the Group's trade and bills receivables are amounts due from fellow subsidiaries of approximately RMB60,997,000 (2017: RMB73,567,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

Transferred Financial assets that are not derecognised in their entirety

At 31 December 2018, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB16,133,000 (2017: RMB31,040,000) to certain of its suppliers in order to settle the trade payables due to these suppliers (the "Endorsement"). In the opinion of the directors of the Company, the Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group does not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers had recourse was RMB16,133,000 as at 31 December 2018 (2017: RMB31,040,000).

Transferred financial assets that are derecognised in their entirety

At 31 December 2018, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB126,491,000 (2017: RMB204,277,000). The Derecognised Bills had a maturity within six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2018, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

10. TRADE AND BILLS PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**4,091,999**	3,493,493
Bills payable	**202,819**	234,514
	4,294,818	3,728,007

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

	2018	2017
	RMB'000	*RMB'000*
Within 6 months	**4,171,701**	3,631,682
Over 6 months	**123,117**	96,325
	4,294,818	3,728,007

The trade payables are non-interest-bearing and are normally settled on terms of 45 to 90 days.

Included in the Group's trade and bills payables are amounts due to fellow subsidiaries of approximately RMB7,378,000 (2017: RMB24,490,000), which are repayable on credit terms similar to those offered by other similar suppliers of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2018, the global economy maintained a modest growth despite weaker overall momentum and significant volatility in the financial market. On the 40th anniversary of reform and opening up, the PRC economy adhered to the main theme of "making progress while maintaining stability" in a complex domestic and international environment. Under the leadership of the Communist Party of China, the country achieved stable and steady economic growth in general and pushed forward restructuring as well as transformation and upgrade, which contributed to the year-on-year GDP growth of 6.6%.

On the whole, "city-specific measures and category-based regulations" are the keynotes of China's real estate policies. With local governments implementing stable and slightly tight regulations, the market is expected to return to a rational and stable state and the industry will enter a new development cycle. Although facing a tight credit environment and rising financing cost, the property market was on a steady track. Sales area of commodity housing went up 1.3% year-on-year to approximately 1.72 billion sq.m. and sales amount increased by 12.2% year-on-year to approximately RMB15.0 trillion. The real estate sector remained the pillar of the national economy.

OVERALL PERFORMANCE

The Group reported a profit for the year ended 31 December 2018 of approximately RMB796.6 million (year ended 31 December 2017: RMB505.6 million). The Group's revenue for the current financial year has increased significantly by 53.3% to approximately RMB24,911.9 million (year ended 31 December 2017: RMB16,246.6 million) mainly as a result of expansion of property development business ("Property Development Business") of the Group. The Group's gross profit has increased by 68.7% to approximately RMB3,217.4 million (year ended 31 December 2017: RMB1,907.5 million) mainly due to increase in revenue of the Group and increase in gross profit margin of Property Development Business.

The improvement in the Group's results for the year was mainly due to the net results of:

a. an increase in revenue by 53.3% to RMB24,911.9 million (year ended 31 December 2017: RMB16,246.6 million) attributable to expansion of Property Development Business;

b. an increase in gross profit margin from last financial year's 11.7% to current financial year's 12.9% attributable to the increase in average selling price of certain property development projects and completion of sales of properties of certain property development projects with higher profit margin;

c. a decrease in other income and gains by 43.2% to RMB193.9 million (year ended 31 December 2017: RMB341.6 million) attributable to net decrease in fair value gains on investment properties;

d. an increase in total selling and distribution expenses and administrative expenses by 20.5% to RMB968.2 million (year ended 31 December 2017: RMB803.3 million) attributable to expansion of Property Development Business;

e. an increase in other expenses and losses by RMB191.7 million to RMB207.2 million (year ended 31 December 2017: RMB15.4 million) attributable to (i) claim penalty on late delivery of completed properties; and (ii) increase in impairment of trade and other receivables;

f. an increase in finance cost by 79.8% to approximately RMB160.7 million (year ended 31 December 2017: RMB89.4 million) attributable to increase in interest rate and average bank and other borrowings of Property Development Business; and

g. an increase in income tax expenses by 53.1% to approximately RMB1,275.0 million (year ended 31 December 2017: RMB832.7 million) as a results of increase in profit of certain subsidiaries for the year.

Basic and diluted earnings per share attributable to equity holders of the Company for the year ended 31 December 2018 were RMB11.16 cents (year ended 31 December 2017: RMB5.56 cents) and RMB11.16 cents (year ended 31 December 2017: RMB5.20 cents) respectively.

OPERATING REVIEW

Real Estate Business

Property Development

The turnover of the Property Development Business for the current financial year was approximately RMB17,129.9 million (year ended 31 December 2017: RMB8,615.3 million). The segment results recorded a profit of approximately RMB2,205.1 million (year ended 31 December 2017: RMB1,143.9 million). The improvement in segment results was due to the increase in average selling price of certain property development projects and completion of sales of properties of certain property development projects with higher profit margin.

In 2018, the Group pursued further expansion with a focus on two areas. On 13 April 2018, Chongqing Peking University Resources Investment Co., Ltd.* (重慶北大資源投資有限公司) and Chongqing Yingfeng Property Co., Ltd.* (重慶盈豐地產有限公司), indirect wholly-owned subsidiaries of the Company, won the bid for the land use rights to the land offered for sale in Chongqing at a total consideration of RMB1.28 billion (equivalent to approximately HK$1.597 billion). The land has a site area of 155 mu (approximately 103,300 sq.m.) and a gross floor area of 154,900 sq.m. On 9 August 2018, Peking University Resources Group Investment Company Limited* (北大資源集團投資有限公司), the indirect wholly-owned subsidiary of the Company, won the bid for the state-owned construction land offered for sale in Kunshan at a total consideration of RMB1.065 billion (equivalent to approximately HK$1.224 billion). The land has a site area of 94 mu (approximately 62,900 sq.m.) and a gross floor area of 157,300 sq.m..

In 2018, the Group started construction of 3 projects with 24 projects under construction in aggregate and a total of 25 projects on sale. As at 31 December 2018, the area of the Group's properties held for sales, properties under development and areas pending construction were approximately 0.78 million sq.m., 3.92 million sq.m. and 2.44 million sq.m., respectively, totaling 7.14 million sq.m..

In view of the current changes in the industry and trend of economic development, the Group focused on regional property development business, adopted a prudent and sound investment strategy and expanded the reserve of asset-light projects including entrusted development and construction projects. Throughout 2018, the Group acquired two entrusted development and construction projects located in Xining, Qinghai and Guiyang, Guizhou respectively. Using these projects as the starting point, the Group will accumulate resources to enhance its strengths and seek to expand into regional core cities and suburbs with great potential for development, large population and solid industry foundation, thereby driving the development of the asset-light operating model.

Contracted Sales

As at 31 December 2018, the Group realised a contracted sales of approximately RMB16.82 billion and sold an accumulated area of approximately 1.648 million sq.m., with an average selling price of approximately RMB10,206.31 per sq.m.

Property Investment

The property investment business of the Group recorded a turnover of approximately RMB30.2 million (year ended 31 December 2017: RMB20.8 million) and segment profit of approximately RMB50.5 million (year ended 31 December 2017: RMB260.0 million) during the current financial year. The increase in segment revenue was mainly attributed to the increase in rentable floor area due to transfer from properties under development during prior year and the increase in average unit value of properties as a result of the improvement on infrastructure during the year. The significant decrease in segment results was mainly due to decrease in fair value gains on investment properties attributable to those leasable commercial properties, including Wuhan International Building in Wuhan.

Distribution Business

Distribution of Information Products

The Distribution Business recorded a turnover of approximately RMB7,751.7 million representing a slight increase of 1.9% as compared to last financial year (year ended 31 December 2017: RMB7,610.5 million). The segment results recorded a profit of RMB55.8 million (year ended 31 December 2017: RMB73.2 million). The decline in segment results was due to decline in gross profit margin as a result of increase in market competition for the year.

The Distribution Business is mainly focused on the distribution of information products such as servers, printers, switches, networking products, storage devices, workstations, optical screen products, video conference host, conference controller, codec, UPS power supply and notebook computer of a number of internationally famed and branded information product manufacturers such as HP, H3C, CommScope, Brocade, Microsoft, Corning, Avaya and DELL. The increase in turnover during the current financial year is mainly attributable to the launch of new products of existing and new products lines during the current financial year.

As the business environment in China is becoming more competitive with the unfavorable factors arising from the macro control policies, the management of the Group will continuously refine its product structure to avoid product overlapping and minimise market risk. The Group will focus on the distribution of information products with better trading terms and exploring the more profitable value-added service business.

PROSPECTS

Real Estate Business

Looking forward to 2019, the Board anticipates the slow growth of the world economy to continue in the complex and challenging external environment. In the meantime, there will be changes and uncertainty in the overall stable economy. China is and will be exposed to strategically important opportunities for a long period of time, and the government is expected to persist in the keynote of "making progress while maintaining stability" for the steady development of the country's macroeconomy over the long run. The real estate industry is an important pillar supporting the national economy and is likely to remain stable. Emphasizing on city-specific measures and policy optimization, property regulation policies will remain consistent and stable, thereby expediting the establishment of a long-term mechanism for the steady and healthy development of the real estate sector. The market will probably see stable supply and price and the government will continue to increase land supply and optimize the supply structure, hence creating a rational land market. In a stable credit environment, economic downturn will loosen credit conditions and lower financing costs, which will improve the financing environment for businesses. Besides, new opportunities will arise for the health and geriatric industry and integration between industry and city, and the real estate industry will be at a stage of steady development.

The Group will keep abreast with the direction of national policy and the development trend of the real estate industry to adjust its operating strategies in a flexible manner. In 2019, the Group will increase the proportion of light-asset projects, enrich the strategy of "One Body, Two Wings and Three Cores" in practice and promote industry and city integration with a focus on technology and big healthcare, so as to fuel the transformation and upgrade of city and industry.

Distribution Business

The Distribution Business will continuously refine its product structure to avoid product overlapping and minimize market risk. The Group will focus on the distribution of information products with better trading terms and explore more profitable value-added service business. Moreover, the management will also place stronger emphasis on operating cash flow, stringent control on working capital such as trade receivables and payables and inventory and cost management. The Group will continue to look for alliance with other international information products suppliers and investment opportunities.

EMPLOYEE

The Group has developed its human resources policies and procedures based on performance and contributions of employees. The Group ensures that the remuneration level of its employees are competitive and employees are rewarded on a performance basis within the general framework of the Group's salary and bonus systems. The Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance. The Group adopts share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group's operations. The Group had not granted any share options to its eligible directors and employees during the current financial year. The Group has 1,458 employees as at 31 December 2018 (31 December 2017: 1,435).

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

During the current financial year, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Mainland China. As at 31 December 2018, the Group had approximately RMB15,232.0 million interest-bearing bank and other borrowings (31 December 2017: RMB20,250.2 million), of which approximately RMB395.0 million (31 December 2017: RMB569.5 million) were floating interest bearing and RMB14,837.0 million (31 December 2017: RMB19,680.7 million) were fixed interest bearing. The borrowings, which were subject to little seasonality, consisted of mainly bank loans, trust receipt loans and loans from certain subsidiaries and associates of Peking Founder, and borrowings from financial institutions. Peking Founder is the substantial shareholders of the Company. Interest-bearing bank and other borrowings are denominated in Renminbi ("RMB"), of which RMB10,140.0 million (31 December 2017: RMB18,127.1 million) were repayable within one year and RMB5,092.0 million (31 December 2017: RMB2,123.1 million) were repayable within two to five years. The Group's banking facilities were secured by corporate guarantee given by the Company, Peking Founder and PKU Resources, and certain properties under development, properties held for sale, the Group's stakes and assignment of return arising from the Group's certain properties under development and properties held for sale. The decrease in bank and other borrowings was mainly attributed to the repayment of bank loans for Property Development Business during the current financial year.

As at 31 December 2018, the Group recorded total assets of approximately RMB42,661.2 million (31 December 2017: RMB47,106.2 million) which were financed by liabilities of approximately RMB39,656.5 million (31 December 2017: RMB44,880.7 million), non-controlling interests of approximately RMB336.2 million (31 December 2017: RMB249.3 million) and equity attributable to owners of the parent of approximately RMB2,668.5 million (31 December 2017: RMB1,976.2 million). The increase in equity was attributable to profit for the current financial year. The Group's net asset value per share as at 31 December 2018 was RMB0.47 (31 December 2017: RMB0.35). The increase in net asset value per share was attributable to the profit for the current financial year.

The Group had total cash and cash equivalents and restricted cash of approximately RMB5,477.2 million as at 31 December 2018 (31 December 2017: RMB6,304.6 million). As at 31 December 2018, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total equity, was 5.1 (31 December 2017: 9.1) while the Group's current ratio was 1.21 (31 December 2017: 1.09).

As at 31 December 2018, the capital commitments for contracted, but not provided for, properties under development were approximately RMB14,348.8 million (31 December 2017: RMB8,487.2 million).

Treasury policies

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are held mainly in Hong Kong dollars ("HKD"), RMB and U.S. dollars. Surplus cash is generally placed in short term deposits denominated in HKD, RMB and U.S. dollars.

Exposure to fluctuations in exchange rates and related hedges

The Group operates mainly in Mainland China and Hong Kong. For the operations in Mainland China, most of its revenues and expense are measured in RMB. For the operations in Hong Kong, most of the transactions are denominated in HKD and U.S. dollars. The values of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of foreign currencies into RMB is subject to the rules and regulations of the foreign exchange controls promulgated by the Chinese government. The Group has minimal exposure to exchange rate fluctuation. No financial instrument was used for hedging purposes.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2018.

Future Plans for Material Investments or Capital Assets

The Group did not have any concrete future plans for material investments or capital assets as at 31 December 2018 (31 December 2017: Nil). However, the Group always seeks for new investment opportunities in the Real Estate Business and Distribution Business to broaden the revenue and profit potential of the Group and enhance shareholders' value in long term.

Charges on assets

As at 31 December 2018, properties under development of approximately RMB7,214.0 million (31 December 2017: RMB13,729.4 million), properties held for sale of approximately RMB1,430.7 million (31 December 2017: RMB606.1 million), bank deposits of approximately RMB94.8 million (31 December 2017: RMB112.7 million), certain equity interests of certain subsidiaries and the assignment of returns arising from certain properties under development and properties held for sale of the Group were pledged to banks to secure general banking facilities granted, as deposits for construction of the relevant properties and as guarantees deposits for certain mortgage loans granted by banks to purchasers of the Group's properties.

Contingent liabilities

As at 31 December 2018, the Group had contingent liabilities relating to guarantees mainly in respect of mortgages granted by certain banks to certain purchasers of the Group's properties amounting to approximately RMB5,369.4 million (31 December 2017: RMB4,406.4 million). This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of the building ownership certificates which are generally available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the directors of the Company consider that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made for the guarantees in the consolidated financial statements for the year ended 31 December 2018 (31 December 2017: Nil).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "AGM") will be held on Wednesday, 26 June 2019, a notice of which will be published and despatched to the Shareholders in due course.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK1.75 cents per share of the Company for the year ended 31 December 2018 (the "Final Dividend"), totaling approximately HK$112,283,000 (2017: Nil), to the Shareholders whose names appear on the register of members of the Company as at the close of business on Tuesday, 9 July 2019. If the resolution for the proposed Final Dividend is passed at the AGM, the proposed Final Dividend will be payable on or before Wednesday, 31 July 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at AGM, and entitlement to the Final Dividend, the register of members of the Company will be closed. Details of such closures are set out below:

(i) For determining eligibility to attend and vote at the AGM

Latest time to lodge transfer documents for registration	4:30 p.m. on Wednesday, 19 June 2019
Closure of the register of members of the Company	Thursday, 20 June 2019 to Wednesday, 26 June 2019 (both dates inclusive)
Record date	Wednesday, 26 June 2019

(ii) For determining entitlement to the Final Dividend

Latest time to lodge transfer documents for registration	4:30 p.m. on Thursday, 4 July 2019
Closure of the register of members of the Company	Friday, 5 July 2019 to Tuesday, 9 July 2019 (both dates inclusive)
Record date	Tuesday, 9 July 2019

During the above closure periods, no transfer of shares will be registered. In order to qualify for the proposed Final Dividend and the right to attend and vote at the forthcoming AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than the aforementioned latest time.

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the accounting policies, accounting standards and practices adopted by the Group and the consolidated financial statements and results of the Group for the year ended 31 December 2018.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has fully complied with the code provisions set out in the Corporate Governance Code, as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2018.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities throughout the year ended 31 December 2018.

SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditors, Ernst & Young, to the amount set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

The 2018 annual report of the Company containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on The Hong Kong Exchanges and Clearing Limited's website (www.hkexnews.hk) and the Company's website (www.pku-resources.com) in due course.

By Order of the Board
Peking University Resources (Holdings) Company Limited
Cheung Shuen Lung
Chairman

Hong Kong, 25 March 2019

As at the date of this announcement, the Board comprises executive Directors of Mr. Cheung Shuen Lung (Chairman), Mr. Zeng Gang (President), Ms. Sun Min, Mr. Ma Jian Bin, Ms. Liao Hang and Mr. Zheng Fu Shuang, and the independent non-executive Directors of Mr. Li Fat Chung, Ms. Wong Lam Kit Yee and Mr. Chan Chung Kik, Lewis.