PKU RESOURCES

北大資源(控股)有限公司

PEKING UNIVERSITY RESOURCES (HOLDINGS) COMPANY LIMITED

產 業 連 接 美 好 生 活

ANNUAL REPORT 年報 2018

北大资源
PKU RESOURCES

(Incorporated in Bermuda with limited liability)
（於百慕達註冊成立之有限公司）

Stock Code 股份代號 : 00618

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COMPANY PROFILE

BUSINESS AREAS

Peking University Resources (Holdings) Company Limited ("PKU Resources" or the "Company", together with its subsidiaries, collectively the "Group") was formerly known as EC-Founder (Holdings) Company Limited. In order to seek higher proceeds for shareholders, the Company began to launch multi-business development strategy based on information products distribution business starting in 2013. In January 2013, the Company completed the acquisition of subsidiaries engaged in the business of property development and property investment from the subsidiary of Peking University Founder Group Company Limited ("Peking Founder", together with its subsidiaries, collectively the "Peking Founder Group"), and gradually entered the fields of real estate development and commercial real estate operations, making itself an overseas listing platform of real estate business subordinate to Peking University and Peking Founder and also the only university-run real estate development enterprise in Hong Kong capital market.

In order to further expand its business scope, the Company completed the acquisition of 12 high-quality real estate development projects from Peking University Resources Group Holdings Co., Ltd and its subsidiaries ("PKU Resources Group") on 2 January 2015. As at the date of this annual report, the Group's operation area has covered 16 cities of China and the Group started construction of 3 projects with 24 projects under construction in aggregate and a total of 25 projects on sale. In the future, the Group will be mainly engaged in the real estate investment business.

BACKGROUND OF SUBSTANTIAL SHAREHOLDERS

Peking University, founded in 1898, initially named Imperial University of Peking, is the first national comprehensive university of China, and also the highest educational authority of China at that time. After the 1911 revolution, she was renamed the present name in 1912. In recent years, Peking University has entered a new historical stage of development and has achieved remarkable achievements in discipline construction, talent training, teaching staff construction, teaching and scientific research and other areas, laying a solid foundation to build itself into one of the world-class universities. Today, Peking University has become a cradle for training high-quality creative talents for China, a frontier of scientific researches, an important base for knowledge innovation and an important bridge and window for international exchanges.

Peking Founder was invested and founded in 1986 by Peking University. As the spiritual leader and a founder of Peking Founder, Academician Wang Xuan invented the Chinese-character information processing and Laser Phototypesetting Technology, which laid the initial solid foundation for the future development of Peking Founder.

Today, rooted in Peking University, Peking Founder Group is committed to supply distinguished products and services and create intelligent, healthy and plentiful life for people.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr Cheung Shuen Lung *(Chairman)*
Mr Zeng Gang *(President)*
Ms Sun Min
Mr Ma Jian Bin
Ms Liao Hang
Mr Zheng Fu Shuang

Independent non-executive directors

Mr Li Fat Chung
Ms Wong Lam Kit Yee
Mr Chan Chung Kik, Lewis

COMMITTEES

Audit Committee

Mr Li Fat Chung (Chairman)
Ms Wong Lam Kit Yee
Mr Chan Chung Kik, Lewis

Remuneration Committee

Mr Li Fat Chung (Chairman)
Mr Cheung Shuen Lung
Ms Wong Lam Kit Yee

Nomination Committee

Mr Cheung Shuen Lung (Chairman)
Ms Wong Lam Kit Yee
Mr Chan Chung Kik, Lewis

COMPANY SECRETARY

Ms Cheang Yee Wah Eva

AUTHORISED REPRESENTATIVES

Mr Cheung Shuen Lung
Mr Zeng Gang

AUDITOR

Ernst & Young
Certified Public Accountants

LEGAL ADVISERS

Clifford Chance LLP

PRINCIPAL BANKERS

Bank of Beijing
Bank of Communications
Huaxia Bank
Ping An Bank
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1408, 14th Floor
Cable TV Tower
9 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Principal registrar

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong branch share registrars and transfer office

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

LISTING INFORMATION

Main board of The Stock Exchange of Hong Kong Limited
Stock code: 00618
Board Lot: 2,000 shares

COMPANY WEBSITE

www.pku-resources.com

CHAIRMAN'S STATEMENT

Adhere to the value of "Sincerity, Concentration, Innovation and Craftsmanship"

Chairman's Statement

Dear shareholders,

In 2018, the global economy maintained its moderate growth with weaker momentum. The financial market fluctuated substantially and the world's economy faced greater downside risks. Against the complicated international and domestic environment, China adhered to the main theme of "making progress while maintaining stability" in economic development and achieved steady performance and improvement in general. With the economic restructuring, as well as transformation and upgrade moving forward, its annual GDP grew by 6.6% year-on-year. In the real estate sector, the market has restored rationality in a progressive manner under "city-specific policies and category-based regulations", yet the overall steady upward trend remained. Sales area of commodity housing amounted to approximately 1.72 billion sq.m., representing a year-on-year increase of 1.3%, and the sales volume reached approximately RMB15.0 trillion, up 12.2% year-on-year. The real estate sector continued to be the pillar of the national economy.

In the light of radical changes in policy direction and industry landscape, the Board of the Group pursued the growth strategy of "One Body Two Wings" and implemented Strategic Upgrade 2.0. By which, the Group repositioned as a "technology and innovation services provider" and established the new concept of "promoting refinement for production, learning and research" (精益規模化、服務產學研). The dual-driver strategy of "quality + resources; innovation + capital" expedited the development of the Group with a focus on the three core businesses, namely industry (industry operation), city (supporting facilities) and innovation (innovative business). It also facilitated the construction of the integrated industry, city, research and innovation development platform, which contributed to the steady improvement in operating results for the financial year.

During the reporting period, the Group achieved profitability again and recorded earnings of RMB797 million, representing a year-on-year growth of 58%. Revenue increased by 53% year-on-year to RMB24.912 billion. To provide further rewards to shareholders, the Board of the Group resolved to distribute a final dividend of HK1.75 cents per share for 2018, which would be the first dividend distribution of the Group over the past ten years.

STRIVING FOR SUPREME QUALITY AND MORE CUSTOMER RECOGNITION

In 2018, the Group remained focused on product quality for Strategic Upgrade 2.0 and aspired to be the "defender of quality". Through strengthening products and services, the CL Program (叢林計劃) became more well-established in terms of the product system and launched three main product series, which were "City+ Yiye (宜業)", "City+ Yiju (宜居)" and "City+ Yixiang (宜享)". In particular, "City+ Yiye (宜業)" comprised technology innovation parks and characteristic industrial cities, "City+ Yiju (宜居)" featured harmonious communities and glamorous business areas, and "City+ Yixiang (宜享)"covered lifelong education, sincere services and precise product positioning that catered to the need of market segmentation. In recognition of the Group's devotion to quality improvement, five of its projects, including Guiyang Dream City and Wuhan Lianhujincheng, won the Kinpan Awards with an average premium of 12% in 2018.

PROMOTING LIGHT-ASSETS MODEL AND EXPANDING REVENUE SOURCES

In 2018, based on the new development model of "seeking the proper balance between asset-light and asset-heavy", the Group adopted a more stringent approach in sourcing projects and further increased the proportion of light-assets projects in collaboration with financial institutions. Leveraging the new model of asset-light and asset-heavy development, the Group became more flexible in utilizing development funds and was able to diversify revenue sources. It could also lower the debt-to-assets ratio and improve the ROE through innovation in business model and mechanism.

In addition, the Group continued the exploration of industry and city integration by joining hands with Inspur Group and various institutions and governments in Huichuan District of Zunyi, Guizhou, Doilungdêqên District of Lhasa, Yichun of Jiangxi and Tianzhu Town of Shunyi, Beijing. The in-depth and extensive cooperation in the technology industry, healthcare services, big data, cultural and creative industries has facilitated innovative business development.

ONGOING MANAGEMENT ENHANCEMENT AND OPTIMIZATION OF OPERATIONAL SYSTEM

During the financial year, the Group insisted on taking the three-pronged approach for efficient, refined and precise management, so as to strengthen the internal management system continuously. Firstly, it emphasized on both quality and speed in ramping up operations and set Zhuzhou Aviation Town as the new benchmark for operational efficiency. Secondly, it linked product planning with design, research and development for a wide range of projects in different regions to significantly boost product competitiveness. Thirdly, it launched targeted initiatives to optimize the procurement process and achieved outstanding progress in cost reduction and efficiency enhancement. As to attracting and nurturing key talents, it improved the talent assessment and development system and stepped up the short, medium and long-term incentive mechanism to motivate employees.

ACTIVE PARTICIPATION IN COMMUNITY WORK AND COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY

The Group seeks to create value for shareholders, employees, customers and other stakeholders without losing sight of its social responsibility. Therefore, it actively upholds corporate social values by lifting people out of poverty through industrial development and cultural support and organizing community programs. The Group continuously discloses environmental, social and corporate governance reports and delivered outstanding results in cost reduction, energy conservation, student assistance and poverty alleviation by means of industrial development and cultural support. For instance, it undertook the Bayu Homestay Development Poverty Alleviation Project of the Chongqing Government, which was designed to promote homestay tourism and help less well-off people. When the first phase of the project is completed and put into operation in 2019 as expected, it will help local farmers to escape poverty and facilitate the integrated development of the tourism industry. In the future, the Group will contribute to community development and meet public expectation as always.

BUSINESS PROSPECT FOR 2019

Looking ahead to 2019, under the shadow of the complex and challenging external environment, the Board predicts the global economy to post slow growth, and changes and worries to weigh on the stable economy. China's economy is and will be exposed to major strategic opportunities for the long run and the government is likely to follow the main theme of "making progress while maintaining stability", which will keep the macroeconomy on track of steady growth. As a pillar industry in the country, the real estate sector is expected to maintain stable growth. Credit funds will remain strong in general and corporate finance environment will continue to improve. On the other hand, new opportunities will arise for industry and city integration in the technology and healthcare sectors.

The Group will keep abreast with the direction of national policy and the development trend of the real estate industry. In 2019, it will further increase light-assets projects in its portfolio, enrich the strategy of "One Body, Two Wings and Three Cores" through practice and promote vertical and horizontal collaboration as well as cross-sector integration. Focusing on technology and big healthcare, it will fuel industry-city integration and transformation for city and industry upgrade and development.

On behalf of the Board of the Group, I would like to take this chance to pay my gratitude to the shareholders of the Group for their strong support and all employees for their hard work. Meanwhile, I also anticipate the Group to maintain a rapid and healthy development trend to create return to its shareholders, customers and society.

Cheung Shuen Lung
Chairman

25 March 2019

PROPERTY DEVELOPMENT PROJECTS

PROJECT LOCATIONS

1 GUIYANG, GUIZHOU

PKU Resources • Dream City
Duyun Project
Quanhu Project

2 CHENGDU, SICHUAN

PKU Resources • Yannan International
PKU Resources • Xishanyue
PKU Resources • Park 1898
PKU Resources • Yihe Emerald Mansion
PKU Resources • Yihe Yajun
Xinchuan Project

3 CHONGQING

PKU Resources • Jiangshan Mingmen
PKU Resources • Yannan
PKU Resources • Boya
PKU Resources • Yuelai
PKU Resources • Zijing Mansion
(Tea Garden Project)

4 KUNMING, YUNNAN

Kunming Botai City

5 WUHAN, HUBEI

PKU Resources • Shanshuinianhua
Founder International Financial
Centre (Zhongbei Road Project)

6 EZHOU, HUBEI

PKU Resources • Lianhu Jincheng

7 KAIFENG, HENAN

PKU Resources • Wei Ming Mansion

8 HANGZHOU, ZHEJIANG

PKU Resources • Wei Ming Mansion

9 TIANJIN

PKU Resources • Yuefu
PKU Resources • Yuecheng

10 XINING, QINGHAI

Boya Financial Plaza

11 KUNSHAN, JIANGSU

PKU Resources • Jiujinyihe
PKU Resources • Yihetianyue
(Qian Deng Project)

12 CHANGSHA, HUNAN

PKU Resources • Time
PKU Resources • Ideal Home

13 ZHUZHOU, HUNAN

PKU Resources • Emerald Park

14 FOSHAN, GUANGDONG

PKU Resources • Boya Binjiang

15 DONGGUAN, GUANGDONG

Gongguan 1898
Park 1898

16 YICHANG, HUBEI

Chang Jiang International Cultural Plaza

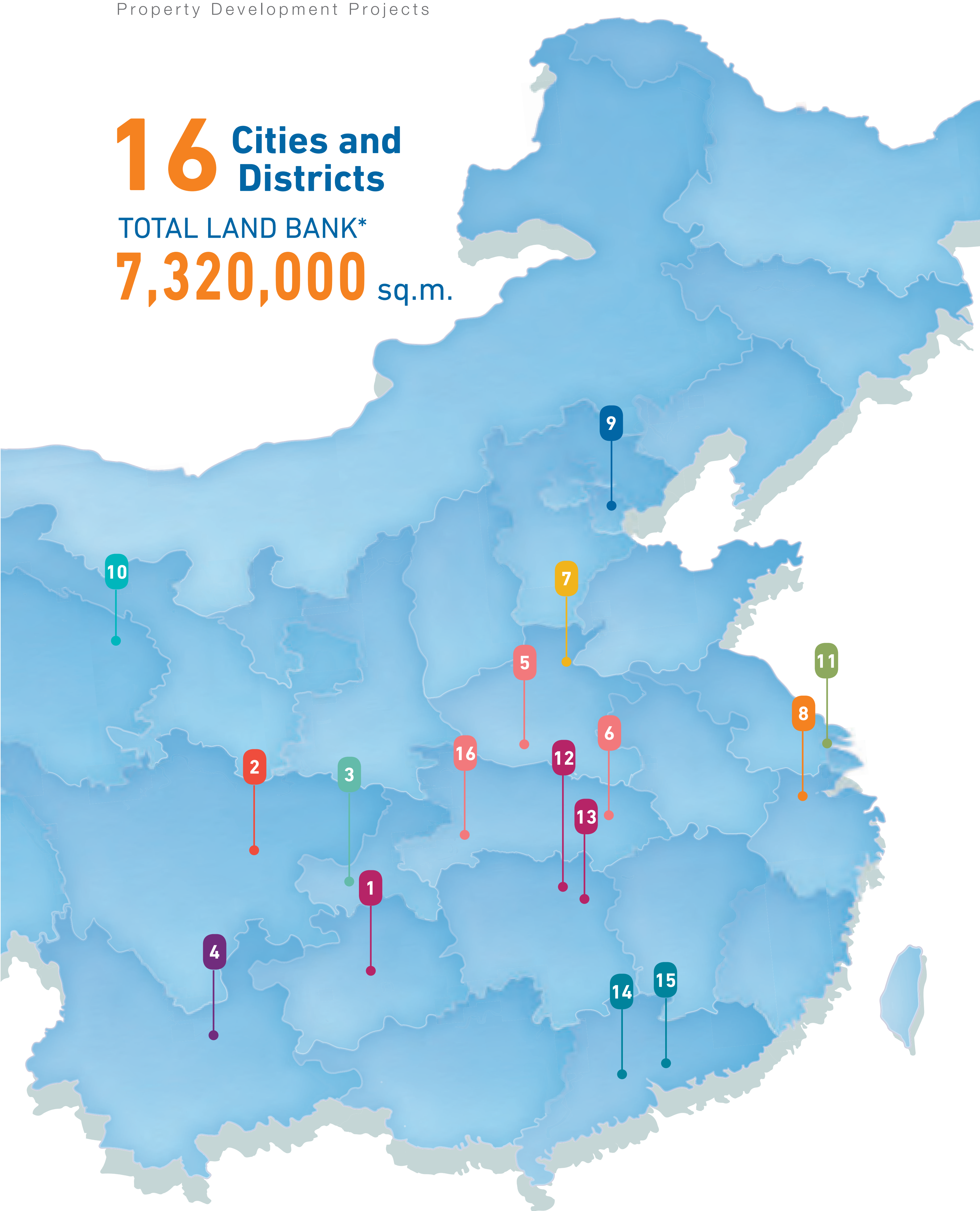
* Total land bank includes the Group's properties held for sales, properties under development and areas pending construction.

Property Development Projects

16 Cities and Districts

TOTAL LAND BANK*

7,320,000 sq.m.



Property Development Projects

TIANJIN

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
PKU Resources • Yuefu	Tianjin	Residential/Commercial	235,635	278,365	70%
PKU Resources • Yuecheng	Tianjin	City Complex Integrating Residential/Commercial/ Office/Apartment	69,084	476,000	60%

XINING, QINGHAI

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
Boya Financial Plaza	Xining, Qinghai	Commercial/Office	72,977	417,670	–

KAIFENG, HENAN

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
PKU Resources • Wei Ming Mansion	Kaifeng, Henan	Commercial/Residential	124,460	332,080	100%

KUNSHAN, JIANGSU

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
PKU Resources • Jiujinyihe	Kunshan, Jiangsu	Residential/Commercial	378,369	736,634	51%
PKU Resources • Yihetianyue	Kunshan, Jiangsu	Residential/Commercial	62,901	157,253	100%

HANGZHOU, ZHEJIANG

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
PKU Resources • Wei Ming Mansion	Hangzhou, Zhejiang	Commercial/Office	63,551	196,860	100%

WUHAN, HUBEI

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
PKU Resources • Shanshuinianhua	Wuhan, Hubei	Residential	123,949	275,717	70%
Founder International Financial Centre	Wuhan, Hubei	Commercial/Office	19,712	138,000	100%

EZHOU, HUBEI

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
PKU Resources • Lianhu Jincheng	Ezhou, Hubei	Residential	560,000	820,000	90%

CHANGSHA, HUNAN

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
PKU Resources • Time	Changsha, Hunan	Commercial/Office	39,631	134,700	70%
PKU Resources • Ideal Home	Changsha, Hunan	Residential/Commercial	69,337	184,301	70%

ZHUZHOU, HUNAN

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
PKU Resources • Emerald Park	Zhuzhou, Hunan	Residential	153,594	549,956	82%

Property Development Projects

YICHANG, HUBEI

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
Chang Jiang International Cultural Plaza	Yichang, Hubei	Residential/Commercial/ Office building space	38,784	174,176	–

CHENGDU, SICHUAN

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
PKU Resources • Yannan International	Chengdu, Sichuan	Residential/Commercial	127,029	542,910	70%
PKU Resources • Xishanyue	Chengdu, Sichuan	Residential	52,034	129,993	70%
PKU Resources • Park 1898	Chengdu, Sichuan	Residential	51,961	229,175	70%
PKU Resources • Yihe Emerald Mansion	Chengdu, Sichuan	Residential/Commercial	58,474	219,039	80%
PKU Resources • Yihe Yajun	Chengdu, Sichuan	Residential	69,496	208,487	70%
Xinchuan Project	Chengdu, Sichuan	Residential/Commercial	23,191	104,360	70%

CHONGQING

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
PKU Resources • Jiangshan Mingmen	Chongqing	Residential/Commercial	448,535	1,161,547	100%
PKU Resources • Yannan	Chongqing	Residential	144,063	699,932	70%
PKU Resources • Boya	Chongqing	Residential/Commercial	143,648	495,115	70%
PKU Resources • Yuelai	Chongqing	Residential/Commercial	183,457	423,486	70%
PKU Resources • Zijing Mansion	Chongqing	Residential/Commercial	103,260	154,889	100%

KUNMING, YUNNAN

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
Kunming Botai City	Kunming, Yunnan	Residential/Commercial/ Office	55,500	430,445	85%

FOSHAN, GUANGDONG

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
PKU Resources • Boya Binjiang	Foshan, Guangdong	Residential/Commercial	199,287	953,597	51%

DONGGUAN, GUANGDONG

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
Gongguan 1898	Dongguan, Guangdong	Residential/Commercial	9,571	30,685	100%
Park 1898	Dongguan, Guangdong	Residential/Commercial	61,711	188,586	100%

GUIYANG, GUIZHOU

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
PKU Resources • Dream City	Guiyang, Guizhou	Commercial residential	247,426	996,162	70%
Duyun Project	Guiyang, Guizhou	Residential/Commercial	230,208	364,872	–
Quanhu Project	Guiyang Guizhou	Residential/Commercial	67,394	108,665	10%

INVESTMENT PROPERTY OVERVIEW

Project Name	Location	Type	Planned GFA (sq.m)
International Building of Wuhan	Wuhan, Hubei	Commercial/ Office building space	26,963

Property Development Projects

TIANJIN

PKU RESOURCES • YUECHENG

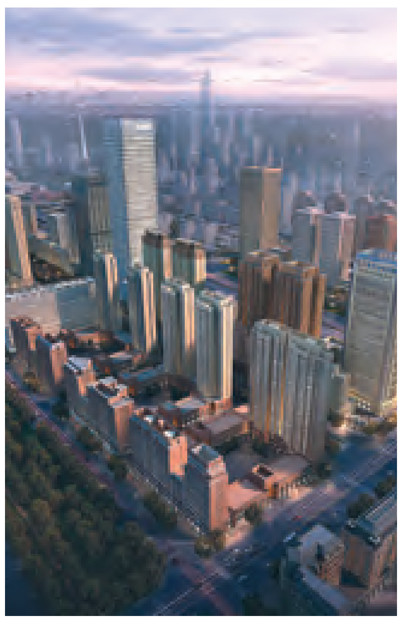
TOTAL GFA 476,000 sq.m.

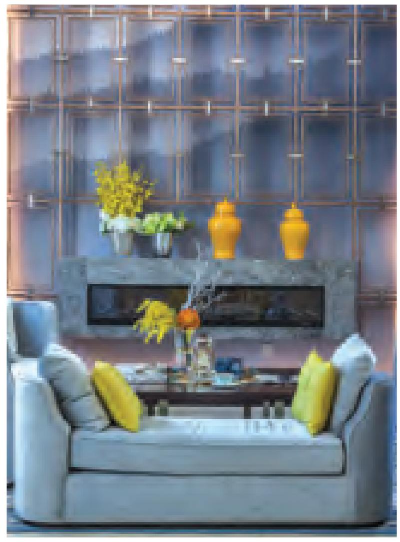
DESCRIPTION:

The project is located at the intersection of Heiniucheng Avenue and Hongze South Road in Hexi District, Tianjin, east to Neijiang Road under planning, south to Mujiang Avenue, west to Hongze S. Road, and north to Heiniucheng Avenue. Project is positioned as a city complex integrating residential, commercial, office and apartment buildings.

PROJECT TARGET:

The site area is 69,084 sq.m. The total GFA is 476,000 sq.m.





DESCRIPTION:

PKU Resources • Lianhu Jincheng is located at the Lake of Honglian. The whole project covers an area of about 560,000 sq.m., the GFA is about 820,000 sq.m. In the later period, 4,358 households will live in this community. The planning is based on entire Lake of Hongliang resort system, and the base of developing condition, to determine the project function are: red lotus lake tourist resort city demonstration base, new culture of the community display window. Project phase one is mainly composed of villa product, second phase is mainly composed of villa product, third phase consists of high-level, small high-rise and fold spell products, fourth phase by class single-family townhouse, double end products; The fifth phase plan is composed of villa products and multi-storey residential areas. The sixth phase plan is composed of villa products and high-rise residential areas, and the seventh phase plan is dominated by high-rise residential areas.

PROJECT TARGET:

The site area is 560,000 sq.m. The total GFA is 820,000 sq.m.

EZHOU, HUBEI

PKU Resources • LIANHU JINCHENG **TOTAL GFA 820,000 sq.m.**

PROPERTY INVESTMENT PROJECT

INTERNATIONAL BUILDING OF WUHAN

LOCATION:

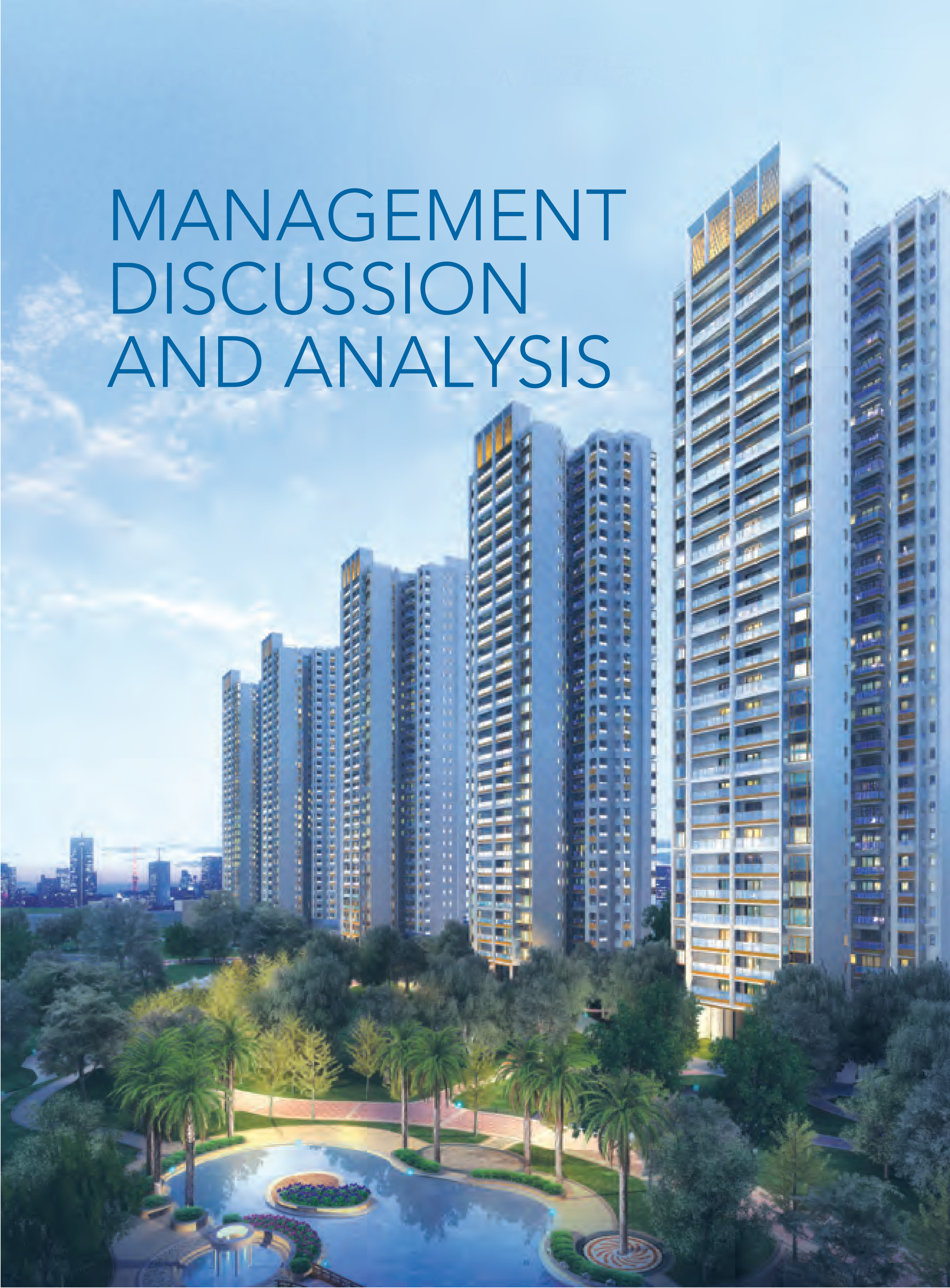
Located at Dandong Road, Jianghan District, Wuhan city, Hubei Province

TYPE:

Commercial/Office building

- Project description: The total construction area is 26,963 sq.m. It includes an office complex project, with many office units among various floors. The legitimate rights and interests holder of land use rights of the property is Peking University Resources (Hubei) Asset Management Company Limited.

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 2.62 million sq.m., respectively, totaling 7.32 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 three entrusted development and construction projects located in Xining, Qinghai, Guiyang, Guizhou and Yichang, Hubei 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.

* *For identification purposes only*

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).

* *For identification purposes only*

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).

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is firmly committed to the overall standards of corporate governance and has always recognised the importance of accountability and communication with its shareholders. The Company adopted all the code provisions of Corporate Governance Code (the "CG 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"), as its own code on corporate governance practices.

In the opinion of the directors, the Company has fully complied with the code provisions as set out in the CG Code throughout the year ended 31 December 2018.

DIRECTORS' SECURITIES TRANSACTIONS

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. Upon being made specific enquiries by the Company, all directors of the Company confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2018.

BOARD OF DIRECTORS

The board of directors of the Company (the "Board") currently comprises six executive directors and three independent non-executive directors. The executive directors are 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 are Mr Li Fat Chung, Ms Wong Lam Kit Yee and Mr Chan Chung Kik, Lewis. To the best of knowledge of the directors, there is no relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

The biographical details of each director are disclosed on pages 43 to 45 of this Annual Report.

The Board oversees the Group's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls the operating and financial performance in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the management of the Company under the supervision of the executive directors. The functions and powers that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are the overall strategy of the Group, major acquisitions and disposals, major capital investments, dividend policy, significant changes in accounting policies, material contracts, appointment and retirement of directors, remuneration policy and other major operational and financial matters. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives. The directors of the Company have access to appropriate business documents and information about the Group on a timely basis. All the directors of the Company have access to the company secretary who is responsible for ensuring that the Board procedures, and related rules and regulations, are followed. Minutes of Board/Committee meetings are kept by the Company Secretary and are open for inspection by the directors of the Company. All directors and Board committees have recourse to external legal counsel and other professionals for independent advice at the Group's expense upon their request. Appropriate directors' liability insurance cover has also been arranged to indemnify the directors of the Company for liabilities arising out of corporate activities.

The Board held four regular Board meetings at approximately quarterly intervals during the year ended 31 December 2018. Additional Board meetings were held when necessary. Due notice and Board papers were given to all directors prior to the meetings in accordance with the Listing Rules and the CG Code.

The attendance records of each director at the Board meetings and general meetings are as follows:

Name of directors	Board Meetings attended/ Eligible to attend	Annual General Meeting attended/ Eligible to attend	Special General Meeting attended/Eligible to attend
Executive Directors			
Mr Cheung Shuen Lung *(Chairman)*	4/4	1/1	1/1
Mr Zeng Gang *(President)*	4/4	0/1	0/1
Ms Sun Min	2/4	0/1	0/1
Mr Ma Jian Bin (appointed on 16 April 2018)	1/3	0/1	0/1
Ms Liao Hang	4/4	0/1	0/1
Mr Zheng Fu Shuang	0/4	0/1	0/1
Mr Shi Hua (resigned on 16 April 2018)	0/1	0/0	0/0
Independent Non-executive Directors			
Mr Li Fat Chung	3/4	1/1	1/1
Ms Wong Lam Kit Yee	4/4	1/1	1/1
Mr Chan Chung Kik, Lewis	4/4	1/1	1/1

There are also three Board committees under the Board, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee.

Each newly appointed director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

The directors' training is an ongoing process. During the year, the directors are provided with monthly updates on the Company's performance, position and prospects to enable the board as a whole and each director to discharge their duties. In addition, the directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates the directors on the latest updates regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

All directors have participated in continuous professional development and have provided to the Company the records of the training they received during the year ended 31 December 2018. The individual training record of each director received for the year ended 31 December 2018 is summarised below:

Name of directors	Briefings and updates on the business, operations and corporate governance matters	Attending seminars, workshops or self-study of materials relevant to the business or the directors' duties
Executive Directors		
Mr Cheung Shuen Lung *(Chairman)*	✓	✓
Mr Zeng Gang *(President)*	✓	✓
Ms Sun Min	✓	✓
Mr Ma Jian Bin (appointed on 16 April 2018)	✓	✓
Ms Liao Hang	✓	✓
Mr Zheng Fu Shuang	✓	✓
Mr Shi Hua (resigned on 16 April 2018)	✓	✓
Independent Non-executive Directors		
Mr Li Fat Chung	✓	✓
Ms Wong Lam Kit Yee	✓	✓
Mr Chan Chung Kik, Lewis	✓	✓

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code. The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the directors, the Company's policies and practices in compliance with legal and regulatory requirements, the Model Code, and the CG Code and disclosure in this Corporate Governance Report.

CHAIRMAN AND CHIEF EXECUTIVE

The roles of the Chairman and the Chief Executive are separate and are not exercised by the same individual. Mr Cheung Shuen Lung is the chairman of the Board. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. Mr Zeng Gang is the President of the Company. The President is responsible for the day-to-day management of the Group's business. Their respective roles and responsibilities are set out in writing which have been approved by the Board.

NON-EXECUTIVE DIRECTORS

There are currently three non-executive directors, and all of them are independent. Each independent non-executive director has entered into a letter of appointment with the Company for a period of one year. Pursuant to the Bye-laws of the Company, one third of all the directors, including the non-executive directors, shall be subject to retirement by rotation at each annual general meeting.

All of the three independent non-executive directors are professional accountants and two of them are practicing in Hong Kong. This composition is in compliance with the requirement of rule 3.10 of the Listing Rules. Each independent non-executive director has, pursuant to rule 3.13 of the Listing Rules, provided an annual confirmation of his/her independence to the Company and the Company also considers them to be independent.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board was established in 2005 with specific written terms of reference which deal clearly with its authorities and duties. The role and functions of the Remuneration Committee include formulating the remuneration policy, making recommendations to the Board the remuneration packages of all executive directors and senior management, making recommendations to the Board on the remuneration of non-executive directors, reviewing and approving performance-based remuneration, and ensuring that no director or any of his/her associates is involved in deciding his/her own remuneration.

In 2018, the Remuneration Committee met once to review and discuss the remuneration policy for the directors of the Company and the remuneration packages of all directors of the Company. The Company's policy on remuneration is to maintain fair and competitive packages based on business needs and industry practice. For determining the level of fees paid to the directors, market rates and factors such as each director's workload and required commitment will be taken into account. No individual director will be involved in decisions relating to his/her own remuneration. The Remuneration Committee adopts the model of making recommendations to the Board on the remuneration packages of individual executive directors and senior management. Information relating to the remuneration of each director for 2018 is set out in Note 8 to the Financial Statements.

The members of the Remuneration Committee during the year and their attendance record at the meeting are as follows:

Name of member		Meetings attended/Eligible to attend
Mr Li Fat Chung *(Chairman)*	(Independent non-executive director)	1/1
Mr Cheung Shuen Lung	(Executive director)	1/1
Ms Wong Lam Kit Yee	(Independent non-executive director)	1/1

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than directors) whose particulars are contained in the section headed "Biographical Details of Directors and Senior Management" in this annual report for the year ended 31 December 2018 by band is set out below:

Remuneration Bands	Number of Senior Management
Nil to RMB1,000,000	1
RMB1,000,001 to RMB2,000,000	1
RMB2,000,001 to RMB3,000,000	3

NOMINATION COMMITTEE

The Nomination Committee of the Board was established in 2012 with specific written terms of reference which deal clearly with its authorities and duties. Its terms of reference amended and adopted by the Board in December 2018 can be found in the Company's website (www.pku-resources.com) and The Stock Exchange of Hong Kong Limited's website (www.hkexnews.hk). The role and function of the Nomination Committee include determining the policy for the nomination of the directors, setting out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and duties of skill, care and diligence would be recommended to the Board for selection. Appointments are first considered by the Nomination Committee and recommendations of the Nomination Committee are then put to the Board for decision. The Nomination Committee is also responsible for reviewing the structure, size and diversity of the Board.

The Board Diversity Policy was adopted by the Board on 30 April 2013. In designing the Board's composition, the diversity of the Board has been considered from a number of aspects including, but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and length of services. Candidates will be considered against objective criteria, having due regard for the benefits or diversity of the Board.

The nomination policy of directors of the Company was adopted by the Board on 28 December 2018. The policy sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board.

Selection Criteria

When evaluating and selecting candidates for directorships, the members of the Nomination Committee or the Board shall consider the following criteria:

(a) Character and integrity;

(b) Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategies;

(c) The Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board;

(d) Willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;

(e) In case of independent non-executive Directors, whether the candidates would be considered independent in accordance with the Listing Rules;

(f) In case of re-election, the overall contribution and service to the Company of the Director to be re-elected and the level of participation and performance on the Board and the other criteria set out in this section; and

(g) Such other perspectives appropriate to the Company's business.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination Procedures

(a) The Nomination Committee and/or the Board identifies potential candidates including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agencies and/or advisors. The Nomination Committee then develops a short list of candidates and agrees on proposed candidate(s);

(b) Proposed candidate(s) will be asked to submit the necessary personal information, biographical details, together with their written consent to be appointed as a director. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary;

(c) The Nomination Committee shall, upon receipt of the proposal on appointment of new director and the personal information (or relevant details) of the proposed candidate(s), evaluate such candidate(s) based on the criteria as set out above to determine whether such candidate(s) is qualified for directorship;

(d) For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship;

(e) If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable);

(f) The secretary of the Nomination Committee shall convene a meeting of the Nomination Committee. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for re-election or election at a general meeting, the Nomination Committee shall make nominations or recommendations for the Board's consideration and the Board shall make recommendations to shareholders in respect of the proposed re-election or election of Director(s) at the general meeting;

(g) In order to provide information of the candidates nominated by the Board to stand for election or re-election at a general meeting, a circular will be sent to shareholders. The circular will set out the names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations including the Listing Rules, of the proposed candidates; and

(h) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election or re-election at any general meeting.

In 2018, the Nomination Committee met once to review the structure, size and diversity of the Board, nomination procedure and the independence of the independent non-executive directors, and to recommend the Board on the appointment and reappointment of the directors and succession planning for the directors.

The members of the Nomination Committee during the year and their attendance records at the meeting are as follows:

Name of member		Meetings attended/Eligible to attend
Mr Cheung Shuen Lung *(Chairman)*	(Executive director)	1/1
Ms Wong Lam Kit Yee	(Independent non-executive director)	1/1
Mr Chan Chung Kik, Lewis	(Independent non-executive director)	1/1

AUDIT COMMITTEE

The Audit Committee of the Board was established in 1998 in compliance with Rule 3.21 of the Listing Rules with specific written terms of reference which deal clearly with its authorities and duties. Its terms of reference amended and adopted by the Board in December 2018 can be found the Company's website (www.pku-resources.com) and The Stock Exchange of Hong Kong Limited's website (www.hkexnews.hk). The Audit Committee now solely comprises independent non-executive directors, namely, Mr Li Fat Chung (Chairman), Ms Wong Lam Kit Yee and Mr Chan Chung Kik, Lewis. All the committee members have appropriate professional qualifications or accounting or related financial management expertise.

The primary responsibilities of the Audit Committee include making recommendations to the Board on the appointment, reappointment and removal of the external auditors, approving the remuneration and terms of engagement of the external auditors, reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, developing and implementing policy on the engagement of external auditors to provide non-audit services, monitoring the integrity of the financial statements and the reports of the Company, overseeing the Company's financial reporting system, risk management and internal control systems and developing and reviewing policies and practices or corporate governance.

In 2018, the Audit Committee met three times. During the meetings, the Audit Committee reviewed the reports from the independent auditors regarding their audit on annual financial statements, reviewed on interim financial results, discussed the internal control of the Group, and met with the independent auditors. The attendance records of the members of the Audit Committee at the meetings are as follows:

Name of member		Meetings attended/Eligible to attend
Mr Li Fat Chung *(Chairman)*	Independent non-executive director	3/3
Ms Wong Lam Kit Yee	Independent non-executive director	3/3
Mr Chan Chung Kik, Lewis	Independent non-executive director	3/3

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the ultimate responsibility to maintain appropriate and effective risk management and internal control systems for the Group to safeguard the interests of shareholders and the Group as a whole and to ensure strict compliance with relevant laws, rules and regulations. The Audit Committee is responsible for reviewing the effectiveness of the risk management and internal control systems and reporting to the Board.

The Group's risk management and internal control systems comprise a well established organisational structure and comprehensive policies and standards. Areas of responsibilities for each business and functional unit are clearly defined to ensure effective checks and balances. Procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information used within the business or for publication. The Board also clarifies that the system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

During the year, the internal audit department has carried out an overview on the effectiveness of the risk management and internal control systems of the Group. Based on the risk-based approach, the internal audit department continuously review and monitor the sufficiency of the risk control measures of every business unit of the Group and to examine if relevant measures have been implemented. The procedures involve assuring the existence of related risks in the first place, then assessing the levels to which the potential risks are attributed based on the following two risk factors, i.e., the level of significance of the risk and the possibility of occurrence. No material internal control aspects of any significant problems were identified. With reference to the assessment of the internal audit department, both the Audit Committee and the Board conducted review of the risk management and internal control systems maintained by the Group including the financial, operational and compliance controls and risk management functions for the year ended 31 December 2018 and were satisfied that the risk management and internal control systems of the Group had functioned effectively and were adequate during the year.

INSIDE INFORMATION DISCLOSURE POLICY

An Inside Information Policy was adopted by the Company which sets out guidelines to the directors of the Company, senior officers and all relevant employees of the Group to ensure inside information (as defined in the Listing Rules) (the "Inside Information") of the Group would be disseminated to the public in equal and timely manner in accordance with applicable laws and regulations. The Company also established Group Internal Notification Policies and Procedures for setting out guidelines for identification and notification of Inside Information and notifiable transactions (as defined in the Listing Rules). A whistleblowing policy was also adopted by the Group.

AUDITOR'S REMUNERATION

During the year, the remuneration in respect of audit and non-audit services provided by the Company's auditor, Ernst & Young, is summarised as follows:

	RMB'000
Audit services	3,500
Other professional services:	
Agreed-upon procedures on interim results	780
Limited assurance services on continuing connected transactions	40
Reporting package to auditors of holding company	77
Compliance and tax advisory services	48
	945
Total	4,445

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors of the Company acknowledge their responsibility for the preparation of the financial statements of the Group for the financial year ended 31 December 2018 which give a true and fair view of the state of affairs of the Company and of the Group on a going concern basis in accordance with the statutory requirements and applicable accounting standards. The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 53 to 57 of this Annual Report.

COMPANY SECRETARY

Ms Tang Yuk Bo, Yvonne ("Ms Tang"), who was responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, and the applicable laws, rules and regulations were followed, had been the company secretary of the Company from 1992 to 2018. Ms Tang resigned on 11 May 2018 and the Board appointed Ms Cheang Yee Wah Eva ("Ms Cheang") as the company secretary of the Company on 11 May 2018. Ms Cheang has taken relevant professional trainings which are in compliance with Rule 3.29 of the Listing Rules for the year ended 31 December 2018.

COMMUNICATION WITH SHAREHOLDERS

The Company affirms its commitment to maintaining a high degree of corporate transparency, communicating regularly with its shareholders and ensuring, in appropriate circumstances, the investment community at large being provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the shareholders to exercise their rights in an informed manner.

The Company's Annual General Meeting (the "AGM") is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Company's performance. Separate resolutions will be proposed for each substantially separate issue at the AGM. Directors of the Company, including the Chairmen of the Board and Board committees and Board committee members, and the Company's external auditor attended the 2018 AGM and were available to answer questions from shareholders.

Under the Listing Rules, all resolutions proposed at general meetings must be voted by poll except where the chairman of a general meeting, in good faith and in compliance with the Listing Rules, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Details of the poll procedures will be explained during the proceedings of general meetings. The poll results will be released and posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pku-resources.com).

To provide effective communication, the Company maintains a website at www.pku-resources.com. All the financial information and other disclosures including annual reports, interim reports, announcements, circulars, notices and Memorandum of Association and New Bye-Laws are available on the Company's website.

Shareholders may direct their questions about their shareholdings to the Company's Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or contact the Customer Service Hotline of the Company's Registrar at (852) 2980 1333. Shareholders may send their enquiries to the Board or the Company Secretary in written form to the head office and principal place of business in Hong Kong of the Company.

SHAREHOLDERS' RIGHTS

Convene a Special General Meeting

Pursuant to Section 74 of the Companies Act 1981 of Bermuda and Bye-law 62 of the Bye-laws of the Company, special general meetings shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring a special general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within three months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner.

Put forward proposals at shareholders' meetings

Shareholder(s) representing not less than one-twentieth (5%) of the total voting rights of all the shareholders of the Company or of not less than 100 shareholders of the Company may by requisition, at their own expense unless the Company otherwise resolves, to put forward proposals at general meetings of the Company pursuant to Clauses 79 and 80 of the Companies Act 1981 of Bermuda (as amended). A written notice to that effect signed by the shareholder(s) concerned together with a sum reasonably sufficient to meet the expenses in giving effect thereto must be deposited at the registered office of the Company not less than six weeks before the meeting for requisition(s) requiring notice of a resolution, or not less than one week before the meeting for any other requisition(s).

DIVIDEND POLICY

Policy on Payment of Dividend of the Company is in place setting out the factors in determination of dividend payment of the Company, including results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the Board may consider relevant from time to time. The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

CONSTITUTIONAL DOCUMENTS

The Company did not make any changes in its Memorandum of Association and New Bye-laws during the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report is prepared in compliance with the Environmental, Social and Governance Reporting Guideline in Appendix 27 to the Main Board Listing Rules of Hong Kong Exchanges and Clearing Limited, and sets out our environmental, social and governance policies, measures and performance. The Company acknowledges that the operation may have an impact on the environment and society, therefore the Company and its subsidiaries (collectively the "Group") always take the initiative to undertake social responsibility and devotes resources on sustainable development. The report mainly covers the distribution of information products business and property development business of all operating locations between 1 January 2018 and 31 December 2018. Yet, the environmental performance only covers the businesses operated by Beijing headquarters. In the future, the Group will keep optimising the report boundary and thus improving operational transparency in the future.

FOREWORD

The Group achieved high rank among the top 500 real estate developers in China and adheres to the corporate values of "sincerity, concentration, innovation and craftsmanship" over the years. The Group understands the environmental impact of its operation and undertakes environmental and social responsibility while pursuing business expansion. To this end, the Group has required all business units to strictly follow various guidelines and regulations formulated by the Company with the aim of reducing carbon emission from production and office operation.

Environmental Protection

Green Office

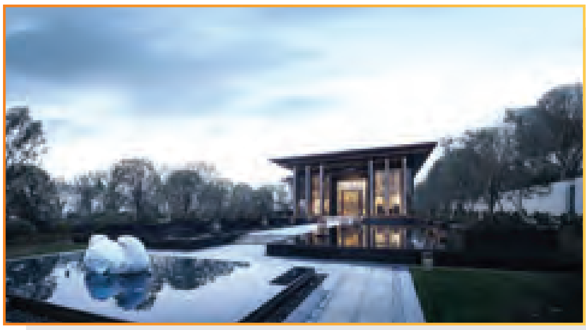
The Group recognises the importance of office management as most of its employees work in the office. The Company has developed the "Management Regulations for Office Areas" as the codes of practice for staff at all departments and established a wide range of green office measures for employees to follow, which raised their green awareness. In order to minimise office carbon emission, the "Management Regulations for Office Areas" cover all aspects of office operation, including guidelines on water conservation, green office, recycling and waste disposal. The Group believes that environmental protection starts with small steps, therefore it pays special attention to green office practices and recycling. For example, it keeps many plants in the office to purify the air, shaping a harmonious and pleasing workplace. Designated staff are employed for taking care of the plants every day to keep them clean and appealing. Apart from reducing waste generation, the Company also strives to "recycle all recyclable materials". By setting up multiple collection points, broadening the categories of recyclables and engaging recyclers, the waste generation is driven down significantly. In the meantime, we encourage employees to use double-sided printing and photocopying, and additional paper recycling bins have been placed. Some minor non-hazardous waste is produced from offices, yet the Company does not have a comprehensive data for all the operating locations this year. The Group will keep collecting data and optimise the report scope in the near future.

Green Building

The Group takes "ecology, energy conservation, waste reduction and health" into consideration in each stage of site selection, design, construction, operation, maintenance, refurbishment and demolishment, as an active attempt to incorporate the advantages of natural resources in the buildings. Starting from site selection, the Group formulates location-specific design based on local climate and natural resources to minimise the impact on the surrounding environment. In the course of construction, it procures materials for the prepared construction plan to avoid wastage due to over-purchasing. Moreover, the Group strikes a balance between product quality and environmental protection by adopting green building materials such as steel, cement and aluminium alloy that comply with the national standards. The Group also tries to reduce the packaging materials used for its products during construction. Therefore, the total units used is minor. The Group will continue saving more packaging materials and collect related data onwards.

The Group is also committed to reducing carbon emissions generated by building operation in the future, through endeavours to instil sustainability into the interior and exterior building design. For instance, the advantages of sunlight and wind direction are taken into consideration in the layout and plans for public service facilities and outdoor activity area, thereby promoting a low-carbon lifestyle. The Group introduced the concept of Sponge City which utilises the rainwater harvesting system for water resources management. This not only prevents flooding, but also provides water for irrigation, which is a better use of water resources. For this project, the drainage and sewage systems are separated, and sewage is collected and directed to the pipe network before undergoing treatment. The Group will remain committed to developing high-quality, green and healthy properties for the city.

Green Building Case Studies



PKU Resources • Jiujinyihe

Located on the lake bank, Jiujinyihe is a major project of low-density lakefront villa occupying one million sq.m. in the core livable city of western Kunshan. The project has ample natural resources, including an inland lake with a site area of 150,000 sq.m. and a lakeshore wetland park with a site area of 70,000 sq.m. Focusing on the effective use and conservation of natural resources, it offers low-density villa by the lake and a few high-rise units with panoramic lake view, while adopting the low-density design that facilitates air ventilation and mitigates environmental impact. The Group introduced five layers of multidimensional landscaping, four levels of smart security systems, lakeside promenade system and healthcare system in the community, thereby creating a healthy, safe and sustainable lifestyle and living space.

PKU Resources • Park 1898

As the new milestone of PKU Resources, Park 1898 is a masterpiece that integrates high-end residences, commercial properties, theme park, leisure parks and artworks with a green space ratio of 60%. Being a supreme community, it comprises an 8,500 Mu (about 5.667 km^2) Asian wetland park and has an aerobic jogging track along Fengxiang Lake. The project centres on the concept of humanistic and comfortable living. In terms of planning and design, it adopts the villa style and the unique design of porch and backyard, duplex house plan and balcony. For the theme of landscaping, it features five forests and two water systems as the design motif for the development of a large-scale demonstration living community of landscape ecology.

Environmental Performance Indicators

	Category	Emission this year (kg)
Exhaust gas	Sulphur Oxide	0.22
	Nitrogen Oxide	134
	Particulate matter	13

Scope	GHG emission this year (kg CO_2-e)
(1) Direct Greenhouse Gas Emission and Removals	41,295
(2) Energy Indirect Greenhouse Gas Emission	456,044
(3) Other Indirect Greenhouse Gas Emission	2,309
Total Greenhouse Gas Emission	499,648
Greenhouse Gas Intensity (kg CO_2 -e/employee)	1,465

Waste Category	Total (kg)	Intensity (kg/employee)
Hazardous Waste	0	0

	Category	Energy consumption of this year (thousand kWh)
Use of Energy	Direct Energy	135
	Indirect Energy	526
	Total Energy Consumption	661
	Energy Consumption Intensity (thousand kWh/employee)	1.94
Use of Resources	Total Water Consumption (tonnes)	3,819
	Water Consumption Intensity (tonnes/employee)	11

During the year, the Group achieved significant results in power saving. The indirect carbon emissions generated by electricity consumption in Beijing Headquarters was 456,044 kg, representing a decrease of 9% from 501,473 kg in 2017, in which carbon emissions generated by property development business has dropped approximately 20%.

WORKING ENVIRONMENT

The Group recognises that the working environment is important to employees and occupational safety and healthy employment relationship are inevitably their principal concerns. In view of this, we have established diversified communication channels, including e-mail, telephones and letter, to ensure smooth communication with employees and thus understanding the stances and needs of both sides.

Labour Standards

The Group strictly complies with the government's relevant laws and regulations, including the Employment Ordinance (Cap. 57 of the laws of Hong Kong), the Labor Contract Law of the People's Republic of China, the Production Safety Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases. Pursuant to national laws and regulations as well as company guidelines, it offers holidays to employees and adopts an eight-hour working system to ensure they have sufficient rest and are able to maintain work-life balance. The Group places great emphasis on fair opportunity and treatment. It abides by the Disability Discrimination Ordinance (Cap. 487 of the laws of Hong Kong), the Sex Discrimination Ordinance (Cap. 480 of the laws of Hong Kong) and other applicable laws, and provides fair opportunity and equal benefits to employees regardless of their gender, age and nationality. Applicants must present their identification documents at the job interview for the Group to verify if they have met the legal working age to avoid child labour and forced labour. Every year, the Group performs regular reviews to reconsider and improve the arrangements for staff recruitment, training, promotion, salary adjustment and dismissal.

The Group has also provided guidance to employees in various aspects in accordance with relevant laws and regulations. No non-compliance with relevant laws and regulations was identified.

Relevant Aspects	Related Internal Guidelines of the Company
Remuneration Policy	Remuneration Management Rules of Peking University Resources Group Investment Co., Limited
Employment Policy	Employment Management Rules of Peking University Resources Group Investment Co., Limited
Dismissal Policy	Dismissal Management Rules of Peking University Resources Group Investment Co., Limited
Policies Regarding Working Hours, Holidays and etc.	Attendance and Leave Management Rules of Peking University Resources Group Investment Co., Limited
Policy Regarding Other Benefits and Welfare	Benefit Management Rules of Peking University Resources Group Investment Co., Limited

Employees' Welfare

The Group regards our people as the most valuable asset. Therefore, their interests are one of our priorities. Apart from employees' physical and mental wellbeing, the Group cares about their career development and reviews and optimises the promotion ladder on a regular basis. It has established a complete set of employment system to inform staff of the benefit, remuneration and holiday system of the Group. In light of employees' exposure to various risks at the workplace, in addition to the social security insurance for all fulltime staff, we maintain the business comprehensive benefit insurance for more protection. The Group also makes contributions to the housing provident funds for the benefits of employees to provide greater living protection. The Group is always people-oriented and caring about every employee; hence, the Group has been improving our facilities by setting up the staff lounges and nursery rooms. It is the Group's goal to create a warm and healthy workplace that enhances cohesion among staff and helps achieve win-win results.

Development and Training

In terms of quality, the Group upholds the concept of "creating timeless classics with craftsmanship" and encourages employees' personal development. The Group's talent nurturing initiative focuses on "pursuing excellence, acting with integrity and a sense of responsibility and aiming for mutual success in harmony". To this end, the Group has organised trainings specific to the needs of different departments. For instance, new employees are required to participate in induction training once they are on board, including the "New Youth Induction Training" and the "Aspiring Growth Program", which are designed to help them adapt to the workplace promptly. Meanwhile, for existing employees, the Group puts great efforts into cultivating their leadership, professional and general skills to facilitate their career development. During the year, the Group held a total of 38 internal training programs that strengthened the workforce quality and capability. The Group recognises the importance of our people and talents for corporate development, which is why the Group has rolled out the ongoing optimisation of the career training system. Under the "Staff Training Management Rules of Peking University Resources Group Investment Co., Limited", the human resources department conducts survey and interview on training needs and formulates staff education and training plan every year based on the annual operating strategy and the needs of human resources development.

Training Objectives	Examples of Training Activities	Training Target
Internal Staff Management	Customer Relationship Development Forum	Staff from Human Resources Department
	Professional Skills Necessary for Human Resources Function	Staff from Human Resources Department
	Customer Value Day	Employees of PKU Resources Group and Its Subsidiaries
	Marketing and Product Positioning	Frontline Staff from Marketing Department
Business Knowledge and Technology	Commercial Real Estate and Angel Investment	Employees of PKU Resources Group and Its Subsidiaries
	Industrial Real Estate Training	Employees of PKU Resources Group and Its Subsidiaries
	Seminar on Prefabricated Building	Employees of PKU Resources Group and Its Subsidiaries
	Innovation of the Real Estate Development and Land Acquisition Model	Frontline Staff from Marketing Department
Management Knowledge	Comprehensive Budget Management	Staff from Finance Department of PKU Resources Group
	Cost Control and Procurement Management for Full-decorated Projects	Staff from Cost Management Department
	Executive Strategy Seminar – Kunming Station	Senior Management of PKU Resources Group
Cross-sector Exchange	Cross-sector Learning – A Study on Alcoa Corporation	Employees of PKU Resources Group and Its Subsidiaries
	In-depth Visit and Study of Beijing Urban Renewal Cases	Employees of PKU Resources Group and Its Subsidiaries
	"Nip the problem in the bud" – Case Sharing of Customer-end Risk Control	Staff from Customer Relationship Department

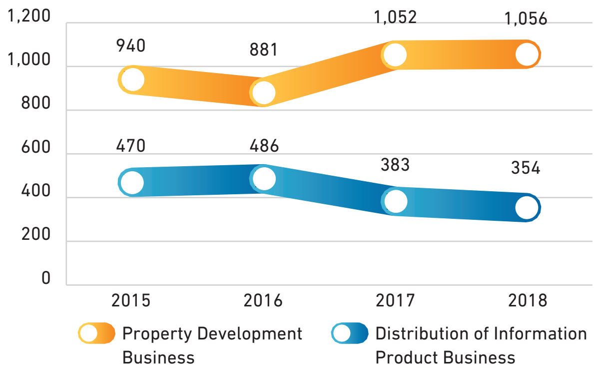
Health and Safety

The Group values much on the Occupational safety and health of employees, abides by the laws and regulations such as the Occupational Safety and Health Ordinance (Cap. 509 of the laws of Hong Kong) and the Labour Law of the People's Republic of China, providing a safe and comfortable workplace. Employees work at a fixed location under the stringent construction rules formulated by the Group to protect all on-site workers' safety and prevent accidents during the construction. In 2018, there was no work-related fatality and thus the death rate was zero. There was no lost day due to work injury. Besides employment injury insurance and commercial insurance, the Group offers comprehensive body checks and organises a voluntary medical team to treat employees in need for free. Furthermore, the Group holds regular badminton games to promote physical and mental wellbeing of employees. This not only allows employees to foster closer bonds with each other, but also helps them to improve their physical fitness and achieve work-life balance.

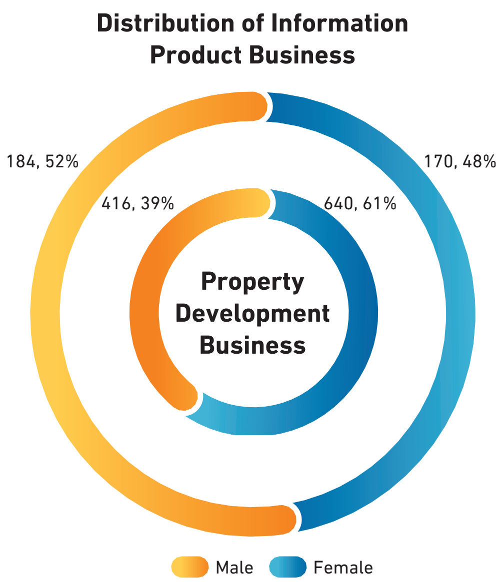
Employee and Labour Statistics

	Business Nature	Employment Type	Average Number of Training Hours for Male Employees (Hour)	Percentage of Male Employees Received Training	Average Number of Training Hours for Female Employees (Hour)	Percentage of Female Employees Received Training
Average Number of Training Hours Completed by Each Employee and Percentage of Employees Received Training	Property Development Business	General Staff	97	39%	68	29%
		Middle Management	49	12%	49	6%
		Senior Management	58	4%	50	1%
	Distribution of Information Product Business	General Staff	37	95%	29	100%
		Middle Management	106	100%	45	100%
		Senior Management	32	100%	116	100%

Number of Employees by Business:



Ratio of Employees by Gender



OPERATING PRACTICE

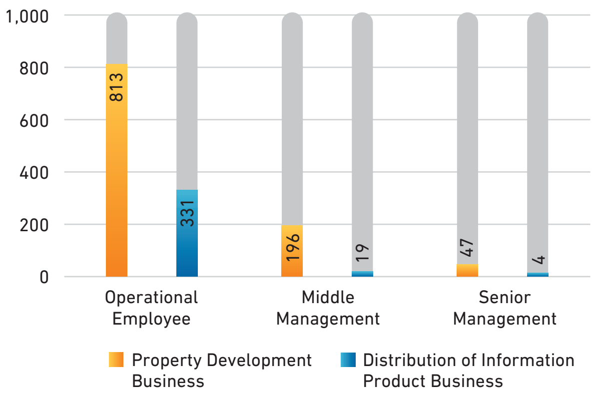
Product Responsibility

The Group has always believed in product quality. Thus, it has been pursuing the core strategy of "quality + resources" since 2016, under which it seeks to attain rapid growth and focuses on intensive quality development at the same time. The Group takes care of every aspect from land development to property management service for people moving in, with the aim of offering the most supreme experience to customers.

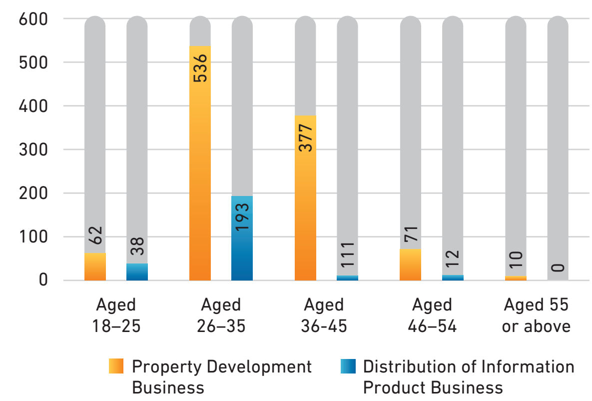
In order to ensure material quality, the Group selects suppliers through stringent process and employees are required to implement supplier management in accordance with corporate standards and procedures. For new supplier introduction, prospective suppliers must complete the company management function list, undergo two rounds of cooperation evaluations and interviews, and pass the assessment before the Group includes them in the list of suppliers. The Group also conducts follow-up quality assessment, communication and feedback action on a regular basis, reviews the list of suppliers and promotes the survival of the fittest suppliers to maintain project quality. Currently, the list of suppliers comprises a total of 413 suppliers from China, the United States and Singapore.

Striving for excellence, the Group is attentive to the smallest details. Dedicated personnel have been assigned to examine every aspect of our projects prior to delivery so that all of them are up-to-standard. The daily, weekly and monthly monitoring and control systems are in place throughout the project development process and business partners are engaged for construction and delivery assessment to prevent leakage, hollow and cracking. After the delivery of property, we conduct a customer satisfaction survey to collect suggestions and gain experience for subsequent projects, thereby improving our services and quality. During the year, there was no product recall due to safety or health reasons.

Number of Employees by Employment Type



Number of Employees by Age Group



Customers may give opinions and feedback to the Company through the customer satisfaction survey or by contacting the Group directly. Upon receiving product or service complaints, customer service officers will follow up on the issue within the prescribed time. Responsible staff will have to complete the investigation within the time specified in the guidelines and report the progress and outcome of the investigation to customers. The Group will continue to listen to our customers and aim for perfection.

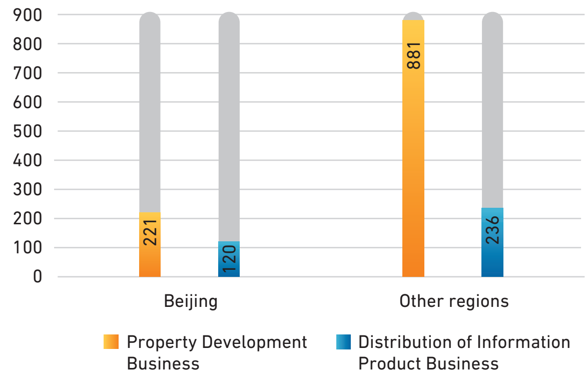
Protection of Intellectual Property Rights and Personal Privacy

The Group values intellectual property rights. For project and product design, the Design Department pays attention to registered design in the market to identify any infringement of rights. The Group also strictly complies with the Amendment of the Law of the Protection of Consumer Rights and Interests, and requires all departments to handle customer information in a prudent manner, understand the importance of personal information and observe relevant laws, including but not limited to the Personal Data (Privacy) Ordinance (Cap. 486 of the laws of Hong Kong). As required by the Group, our employees must not disclose customer information to any third parties (including business partners) without customer consent. The Group will strengthen the protection of customers' personal information and implement clearer procedures and standards on an ongoing basis.

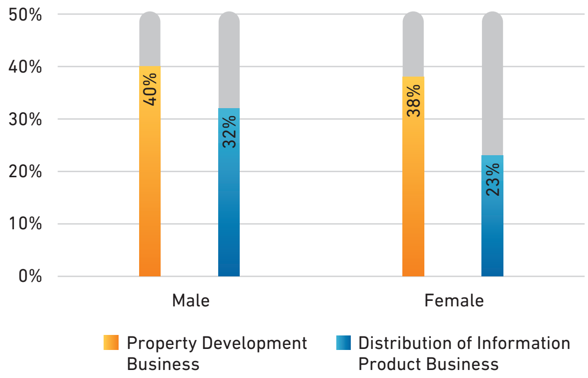
Anti-corruption

The Group forbids corruption, favouritism and fraud in strict compliance with the Prevention of Bribery Ordinance (Cap. 201 of the laws of Hong Kong), the Anti-corruption Law of the People's Republic of China and other laws and regulations. With specialised risk control positions set up for risk monitoring, the Legal Department has established comprehensive integrity rules and system and developed clear guidelines for business units and engineering construction management, which included detailed requirements for tendering and reimbursement. Regular staff training is provided to educate on anti-bribery and self-discipline, which includes induction training, mid-to-senior management training and themed seminar tour. This two-pronged approach is designed to eradicate corruption and bribery while maintaining the clean image of the Company. In 2018, there was no legal case regarding corruption against the Group.

Number of Employees by Region



Turnover Rate of Employees by Gender



For any suspicious activities, the Group has established and promulgated the "Reward and Punishment Management Rules of Peking University Resources Group Investment Co., Limited", the "Whistleblowing Management Rules of Peking University Resources Group Investment Co., Limited" and the "Investigation Guideline of Peking University Resources Group Investment Co., Limited", which together clearly specify possible violations of rules. Employees may report any non-compliance via the reporting mailbox, hotline, email and reporting centre at office hour and all cases will be documented. Once a report is received, the Company will take a firm stance to carry out investigation and the identity of the whistleblower and details of the report will be kept confidential. A dedicated task-force will be formed to gather evidence and information, ensuring fair, just, independent and efficient investigation.

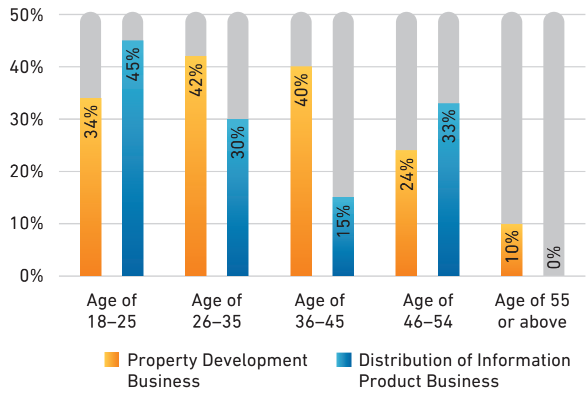
COMMUNITY INVESTMENT

During the year, the Group made most of its community contribution to cultural development and education, and devoted money, manpower, time and other resources to promoting community wellbeing.

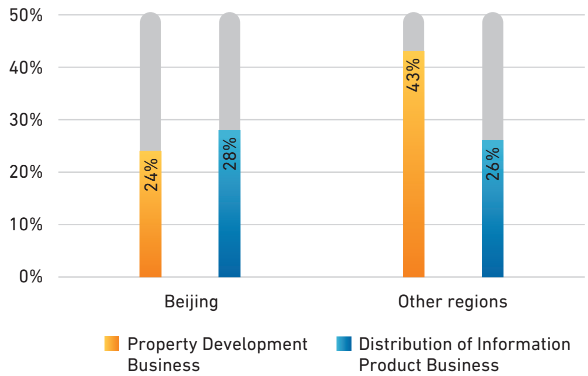
PKU Resources Hall

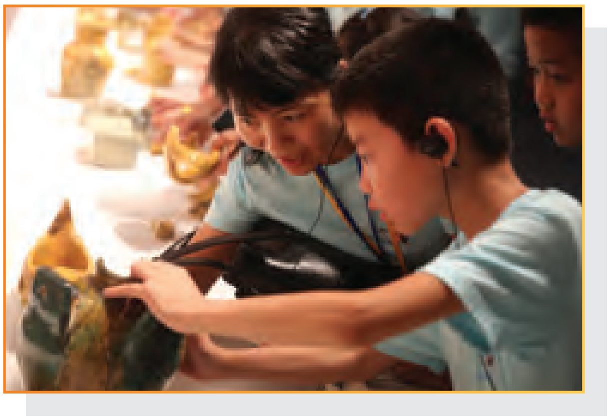
From time to time, this brand campaign has invited experts, scholars and professors to hold seminars on a wide range of topics for the community. All PKU Resources Hall events have drawn crowds of residents to obtain professional knowledge and achieved personal growth from the sharing of the speakers. Popular topics in the past included further studies, education and health. The Group will explore more interesting and practical topics and invite more guest speakers to the PKU Resources Hall in the future.

Turnover Rate of Employees by Age Group



Turnover Rate of Employees by Region





PKU Resources Cultural Season

In the third quarter of each year, the Group organises the PKU Resources Cultural Season with the view of advancing social, public and cultural construction and promoting social harmony. We hold fun cultural and art performances and event series in our community to integrate PKU culture, local culture and community culture. The Cultural Season helps community residents to develop a better understanding of different cultures and facilitates interaction among them, which enhance their belongingness and help build a harmonious neighbourhood.

PKU Resources Archaeology Tour Camp

The "PKU Resources Archaeology Tour Camp" is a series of brand activities initiated by Peking University Resources, supported and provided academic guidance by Peking University Archaeological and Cultural College. This tour camp has been held for five consecutive years since 2014.

In the PKU Resource and Archaeology Tour Camp, the visiting students walk through the archaeological routes planned by archaeological experts and scholars, explore the archaeological site that is only open to the insiders. They also have the opportunity of receiving teaching and guidance from the archaeological masters of Peking University, sharing their personal experience of civilization. It has enhanced students' interest in history and evokes their learning and thinking afterwards. During the study tour, the visiting students not only broadened their horizons, strengthen their knowledge, sharpened their perseverance, trained their abilities, but also cultivated the spirit of teamwork and enjoyed exploring the unknown.

The 2018 Peking University Resource Archaeology Tour Camp was launched simultaneously in nine major cities including Tianjin, Chengdu, Chongqing, Kunming and Guiyang, attracted nearly 10,000 students to participate, covering nearly 500,000 people online and offline.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr Cheung Shuen Lung, aged 62, is an executive director and chairman of the Company since October 2015. He is the executive director and chairman of Founder Holdings Limited ("Founder") (Stock code: 00418), a company in which 30.60% of equity interest was indirectly held by Peking University Founder Group Company Limited ("Peking Founder") (a substantial shareholder of the Company), and listed on the main board of 'The Stock Exchange of Hong Kong Limited ("Main Board"). He is also the director of Peking Founder. He is also a director of a number of associated companies of Peking Founder. He is a research fellow of the Enterprise Research Institute at Peking University and is an MBA alumni trainer of Peking University Guanghua School of Management.

Mr Zeng Gang, aged 48, is an executive director and president of the Company since July 2016. He is the vice president and member of executive committee of Peking Founder and the chief executive officer of 北大資源集團有限公司 (Peking University Resources Group Co., Ltd.*) ("PKU Resources"), the substantial shareholder of the Company. He is also the director of certain subsidiaries of the Company. He received his bachelor's degree in water supply and drainage engineering at Tianjin University (天津大學) in the People's Republic of China (the "PRC"). He is a national registered public facility engineer in the PRC. He has extensive experience in property industry and is responsible for overall strategic planning and business development of the Group.

Ms Sun Min, aged 42, is an executive director of the Company since June 2016. Ms Sun is the vice president and chief financial officer of Peking Founder. She is the director of Founder Technology Group Corporation ("Founder Technology") (方正科技集團股份有限公司) (Stock code: 600601), a company in which 11.65% of equity interest was held by Peking Founder and listed in the Shanghai Stock Exchange. She is a director of associated companies of Peking Founder. Ms Sun received her bachelor's degree in audit at Hangzhou Dianzi University in the PRC and is a Certified Public Accountant in the PRC. Prior to joining Peking Founder in 2007, she was a manager of an international firm of Certified Public Accountants. Ms Sun has extensive knowledge and experience in financial management.

Mr Ma Jian Bin, aged 43, is an executive director of the Company since April 2018. He is the vice president, chief human resources officer, and member of executive committee of Peking Founder. He received his bachelor's degree in history and master's degree in law at Inner Mongolia University in the PRC, and doctorate degree in administrative management at Nankai University in the PRC. Prior to joining Peking Founder in 2009, he taught at Inner Mongolia University and Beijing University of Chemical Technology. He has been the chairman of China Hi-Tech Group Co., Ltd. (Stock code: 600730), a company in which 20.03% of equity interest was held by Peking Founder and listed in the Shanghai Stock Exchange, since March 2017. He is a director of associated companies of Peking Founder.

Ms Liao Hang, aged 40, is an executive director of the Company since March 2017. She is the general manager of legal department of Peking Founder. She is the executive director of Founder and the director of Founder Securities Co., Ltd. (方正證券股份有限公司) (stock code: 601901), a company in which 27.75% of equity interest was held by Peking Founder and listed on the Shanghai Stock Exchange. Ms Liao received her bachelor's degree in trading economy and economic law and master degree in economic law at Minzu University of China in the PRC. She obtained legal professional qualification certificate in the PRC and has extensive experience in legal professional experience.

Mr Zheng Fu Shuang, aged 53, is an executive director of the Company since September 2006. He is also the substantial shareholder of the Company. He is the chairman, chief executive officer and executive director of China Digital Video Holdings Limited, a company listed on the GEM of the Stock Exchange of Hong Kong Limited ("GEM") (Stock Code: 8280). Mr Zheng graduated from the Institute of Electronics, Chinese Academy of Sciences with a master's degree in Engineering, and Peking University Guanghua School of Management with an EMBA degree. Mr Zheng has over 20 years' experience in the radio film and television business in the PRC. Mr Zheng was awarded the "Best Technology Entrepreneur of Private Enterprise in China" (中國優秀民營科技企業家) and "Outstanding entrepreneurs medal of The Hong Kong Polytechnic University's Bauhinia Cup" (香港理工大學紫荊花杯傑出企業家獎) and "The Eighteenth Beijing May Fourth Medal" (第十八屆北京市「五四獎章」).

* *For identification purposes only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Li Fat Chung, aged 58, is an independent non-executive director of the Company since September 2004. He is also the independent non-executive director of Founder. Mr Li is a director of Chan, Li, Law CPA Limited in Hong Kong. Mr Li is a Certified Public Accountant (Practising) in Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants in the United Kingdom, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He is also a Certified Tax Adviser of the Taxation Institute of Hong Kong. Mr Li received a master's degree in Business Administration from the University of Warwick, England. Mr Li has extensive experience in auditing, taxation and accounting.

Ms Wong Lam Kit Yee, aged 55, is an independent non-executive director of the Company since September 2004. She is also the independent non-executive director of Founder. Mrs Wong is a Certified Public Accountant (Practising) in Hong Kong. She is also a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. Mrs Wong has extensive experience in auditing and accounting.

Mr Chan Chung Kik, Lewis, aged 46, is an independent non-executive director of the Company since March 2017. He is the chief financial officer and joint company secretaries of Denox Environmental & Technology Holdings Limited (stock code: 1452), a company listed on Main Board. He is an independent non-executive director of (i) Shandong Xinhua Pharmaceutical Company Limited (山東新華製藥股份有限公司), a company listed on the Main Board (stock code: 719) and the Shenzhen Stock Exchange (stock code: 000756) from May 2014 to June 2018; (ii) HongGuang Lighting Holdings Company Limited (stock code: 8343), a company listed on the GEM; (iii) Founder; (iv) Wing Chi Holdings Limited (Stock code: 6080), a company listed on the Main Board; and (v) Eternity Technology Holdings Limited (stock code: 01725), a company listed on the Main Board, since July 2018. Mr Chan obtained a bachelor degree of commerce in accounting from the University of Canberra in Australia in September 1997. He is currently a fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He has extensive experience in auditing, accounting and corporate finance.

SENIOR MANAGEMENT

Mr Luo Wenqiang, aged 58, is the president of Foshan Peking University Resources Property Co., Limited, a subsidiary of the Company, since September 2013. Mr Luo obtained an EMBA degree from the president training course for real estate of Tsinghua University. He is a senior engineering for urban planning. Before joining the Company, Mr Luo has worked in a number of property development companies, including Logan Real Estate Holdings Company Limited (龍光地產股份有限公司). He has extensive experience and knowledge in the area of urban planning and real estate development and operation.

Mr Xia Ding, aged 52, is the president of Chongqing Peking University Resources Investment Co., Ltd., a subsidiary of the Company, since August 2013. Mr Xia obtained a bachelor degree in Industrial and Civil Construction from Chongqing Construction Engineering University (now merged into Chongqing University). Before joining the Company, Mr Xia worked in a number of property development companies, including Chongqing Jundu Property Development Co., Ltd. (重慶郡都物業發展有限公司) and Hevol Real Estate Group Co., Ltd. (和泓置地集團有限公司). He possesses 29 years of knowledge and experience in engineering management and real estate development and operation.

Mr Yang Dong, aged 48, has held various positions upon joining the Company since March 2014, including the vice president and standing vice president (in charge of work) of Guiyang Peking University Resources Property Co., Limited. Since January 2018, he has served as the president of Guiyang Peking University Resources Property Co., Limited. Mr Yang obtained a bachelor's degree in industrial and civil construction from Guizhou University of Technology. Before joining the Company, Mr Yang has worked in a number of property development companies, including China Construction Fourth Engineering Division Corp. Ltd. (中國建築第四工程局有限公司), Guiyang New World Property Development Company (貴陽新世界地產開發公司) and Poly Guizhou Property Group Co., Limited (保利貴州置業集團有限公司). He possesses 27 years of knowledge and experience in project management and real estate development and operation.

Mr Yang Ruifeng, aged 46, is the manager of Changsha Henglong Property Development Co., Limited, Changsha Longxin Property Development Co., Limited and Zhuzhou Lixiangcheng Property Development Co., Limited since December 2018, all companies of which are the subsidiaries of the Company. Mr Yang obtained a master's degree in Engineering Management from Tianjin University. Before joining the Company, Mr Yang worked in a number of property development companies including Hua Yuan Real Estate Company Limited (華遠地產股份有限公司) and China Jin Mao Holdings Group Company Limited (中國金茂控股集團有限公司). He possesses 20 years of knowledge and experience in operation management and real estate development and operation.

Mr He Jinwei, aged 36, is the manager of Kaifeng Botao Property Development Co., Limited (開封博濤房地產開發有限公司), Kaifeng Boming Property Development Co., Limited (開封博明房地產開發有限公司) and Kaifeng Boyuan Property Co., Limited (開封博元房地產開發有限公司) since December 2018, all companies of which are the subsidiaries of the Company. Mr He obtained a master's degree in management science and engineering from Huazhong University of Science and Technology. Before joining the Company, Mr He has worked in a number of property development companies, including Sichuan Blue Light He Jun Industry Company Limited (四川藍光和駿實業有限公司), Chengdu Longfor Real Estate (成都龍湖地產) and Chengdu Vanke Real Estate (成都萬科房地產). He possesses 11 years of knowledge and experience in sales management and real estate development and operation.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2018 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 58 to 158.

The Board has recommended, subject to approval by shareholders at the forthcoming annual general meeting of the Company, the payment of a final dividend of HK1.75 cents (2017: Nil) per ordinary share for the year ended 31 December 2018, payable on or before 31 July 2019 to shareholders whose names appear on the register of members of the Company on 9 July 2019.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are set out in the section headed "Management Discussion and Analysis" on pages 17 to 22 of the annual report.

The financial risk management objectives and policies of the Group are set out in note 44 to the financial statements.

An analysis of Group's performance during the year using financial key performance indicators is set out in the sections headed "Management Discussion and Analysis" on pages 17 to 22 and "Financial Highlights" on page 162 of the annual report.

Discussions on the Group's environmental policies, relationships with its employees, customers, suppliers and other key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are set out in the section headed "Environmental, Social and Governance Report" on pages 32 to 42 of the annual report.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 161 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on pages 159 to 160 of the annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 32 and 33 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 during the year.

MANAGEMENT CONTRACT

No contracts in respect of the management or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

DISTRIBUTABLE RESERVES

In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution or payment of dividends to shareholders provided that, immediately following such distribution or payment, the Company is able to pay off its debts as and when they fall due. As at 31 December 2018, the Company's reserves available for distribution amounted to approximately HK$528,980,000, of which approximately HK$112,283,000 has been proposed to be distributed as a final dividend for the year. The Company's share premium account, with a balance of approximately HK$2,689,318,000 as at 31 December 2018, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 66% of the total purchase for the year and purchase from the largest include therein amounted 26%.

None of the directors of the Company or any of their associates or any shareholders of the Company (which, to the best knowledge of the directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr Cheung Shuen Lung
Mr Zeng Gang
Ms Sun Min
Mr Ma Jian Bin (appointed on 16 April 2018)
Ms Liao Hang
Mr Zheng Fu Shuang
Mr Shi Hua (resigned on 16 April 2018)

Independent non-executive directors:

Mr Li Fat Chung
Ms Wong Lam Kit Yee
Mr Chan Chung Kik, Lewis

In accordance with the Company's Bye-laws, Ms Sun Min, Mr Zheng Fu Shuang and Mr Li Fat Chung will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from each of its independent non-executive directors, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 43 to 45 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' EMOLUMENTS

The emoluments of the directors of the Company are determined by reference to the market rates, commitment, contribution and their duties and responsibilities within the Group.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors is currently in force and was in force throughout the year ended 31 December 2018. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its directors and officers.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

At 31 December 2018, the interests and short positions of the directors in the share capital, underlying shares and debenture of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
Name of director	Directly beneficially owned	Through controlled corporation (note)	Total	
Mr Zheng Fu Shuang	200,019,000	584,984,000	785,003,000	12.23

Note: Mr Zheng Fu Shuang is interested in 584,984,000 shares through Starry Nation Limited (which is ultimately beneficially owned by Mr Zheng Fu Shuang).

Short positions in ordinary shares of the Company:

Name of director	Number of ordinary shares held, capacity and nature of interest Through controlled corporation	Percentage of the Company's issued share capital
Mr Zheng Fu Shuang (note)	100,000,000	1.56

Note: Mr Zheng Fu Shuang is interested in these shares through Starry Nation Limited (which is ultimately beneficially owned by Mr Zheng Fu Shuang).

Save as disclosed above, as at 31 December 2018, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2018, none of the directors of the Company had any interest in a business (other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or any member of the Group) which is considered to compete or is likely to compete, either directly or indirectly, with the businesses of the Group.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 31 December 2018, so far it is known to the directors of the Company, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

			Long positions		Short positions	
Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of ordinary shares held	Percentage of the Company's issued share capital
北大資產經營有限公司 (Peking University Asset Management Company Limited*) ("PKU Asset Management")	1	Through a controlled corporation	3,950,134,407	61.57	–	–
北大資源集團有限公司 (Peking University Resources Group Co., Ltd.*) ("PKU Resources Group")	2	Through a controlled corporation	3,950,134,407	61.57	–	–

* *For identification purposes only*

Name	Notes	Capacity and nature of interest	Long positions: Number of ordinary shares held	Long positions: Percentage of the Company's issued share capital	Short positions: Number of ordinary shares held	Short positions: Percentage of the Company's issued share capital
北大資源集團控股有限公司 (Peking University Resources Group Holdings Co., Ltd.*)	3	Through a controlled corporation	3,950,134,407	61.57	–	–
北大資源集團城市開發有限公司（前稱北大資源地產集團有限公司）(Peking University Resources Group City Development Company Limited*) (Formerly known as Peking University Resources Property Group Company Limited)	4	Through a controlled corporation	3,950,134,407	61.57	–	–
北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder")	5	Through a controlled corporation	3,950,134,407	61.57	–	–
Founder Information (Hong Kong) Limited ("Founder Information")	6	Directly beneficially owned	3,850,134,407	60.01	–	–
		Through a controlled corporation	100,000,000	1.56	–	–
Mr Zheng Fu Shuang	7	Through a controlled corporation	785,003,000	12.23	100,000,000	1.56
Shine Crest Group Limited	8	Through a controlled corporation	584,984,000	9.12	100,000,000	1.56
Starry Nation Limited		Directly beneficially owned	584,984,000	9.12	100,000,000	1.56
Rongtong Fund Management Co. Ltd.	9	Through a controlled corporation	575,076,000	8.96	–	–
Rongtong Ronghai No. 10 SNIA QDII		Directly beneficially owned	575,076,000	8.96	–	–

* *For identification purposes only*

Notes:

1. PKU Asset Management is deemed to be interested in the 3,950,134,407 shares of the Company under the SFO by virtue of its interest in PKU Resources Group.

2. PKU Resources Group is deemed to be interested in the 3,950,134,407 shares of the Company under the SFO by virtue of its interest in Peking University Resources Group Holdings Co., Ltd..

3. Peking University Resources Group Holdings Co., Ltd. is deemed to be interested in the 3,950,134,407 shares of the Company under the SFO by virtue of its interest in Peking University Resources Group City Development Company Limited.

4. Peking University Resources Group City Development Company Limited is deemed to be interested in the 3,950,134,407 shares of the Company under the SFO by virtue of its interest in Founder Information.

5. Peking Founder is deemed to be interested in the 3,950,134,407 shares of the Company under the SFO by virtue of its interest in Founder Information.

6. Founder Information is interested in the 3,950,134,407 shares of the Company, out of which 100,000,000 shares are charged to Fountain Luck Holdings Limited, which is indirectly wholly owned by Founder Information, by Starry Nation Limited.

7. Mr Zheng Fu Shuang is interested in 785,003,000 shares of the Company, out of which 200,019,000 shares are held directly by Mr Zheng Fu Shuang and 584,984,000 shares are held through Starry Nation Limited. The 100,000,000 shares of the Company held by Starry Nation Limited are charged to Fountain Luck Holdings Limited, which is indirectly wholly owned by Founder Information, and are classified as a short position of Starry Nation Limited under the SFO.

8. Shine Crest Group Limited is deemed to be interested in the 584,984,000 shares of the Company under the SFO by virtue of its interest in Starry Nation Limited.

9. Rongtong Fund Management Co. Ltd. is deemed to be interested in 575,076,000 shares of the Company under the SFO by virtue of its interest in Rongtong Ronghai No. 10 SNIA QDII.

Save as disclosed above, so far it is known to the directors of the Company, as at 31 December 2018, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

(a) On 26 October 2018, the Company entered into a master agreement with Peking Founder to govern the sale of information products to Peking Founder and its subsidiaries (collectively "Peking Founder Group") for the three years ended 31 December 2020.

Information products of approximately RMB26,811,000 (2017: RMB148,313,000) were sold to Peking Founder Group, The directors consider that the sales of products were made according to published prices and conditions similar to those offered to other customers of the Group.

(b) On 26 October 2018, the Company and Peking Founder entered into a master purchase agreement, pursuant to which the Company would purchase certain software products until 31 December 2020.

During the year, software products of approximately RMB16,150,000 (2017: RMB55,847,000) was purchased from Peking Founder Group, the directors consider that the purchases of information products from Peking Founder Group were made in accordance with the terms of the master agreement.

(c) On 16 September 2014, the Company entered into a master property management service agreement with PKU Resources (the "Master Property Management Service Agreement") pursuant to which PKU Resources Group agree to provide pre-sale property management services to the Group for the three years ending 31 December 2016. Further details of the transaction were set out in the Master Property Management Service Agreement of the Company dated 16 September 2014.

On 21 July 2017, the Company renewed the master property management service agreement with PKU Resources, pursuant to which PKU Resources Group agree to provide pre-sale property management services to the Group for the three years ending 31 December 2019.

During the year ended 31 December 2018, property management service fees of approximately RMB41,127,000 (2017: RMB37,471,000) were paid to PKU Resources Group. The directors consider that the provision of property management services by PKU Resources Group was made in accordance with the Master Property Management Service Agreement.

(d) On 7 June 2018, the Company entered into the Master Entrusted Management and Consultancy Agreement with PKU Resources Group pursuant to which the Company would provide services to PKU Resources Group and its associates for the three years ending 31 December 2020.

During the year, consultancy services of approximately RMB91,218,000 (2017: RMB37,651,000) were charged to PKU Resources Group. The directors consider that the charges were made according to published prices and conditions similar to those offered to other customers of the Group.

The independent non-executive directors of the Company have reviewed the continuing connected transactions as set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or, if there are no sufficient comparable transaction to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting. The Company has not changed its auditor in the preceding three years.

ON BEHALF OF THE BOARD

Cheung Shuen Lung
Chairman

Hong Kong
25 March 2019

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Peking University Resources (Holdings) Company Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Peking University Resources (Holdings) Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 58 to 158, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provision for impairment of properties under development and properties held for sale	
Properties under development and properties held for sale with an aggregate amount of RMB31,238.9 million (after loss allowance for impairment) constituted a significant portion of the total assets as at 31 December 2018, and net impairment losses of RMB873.2 million were recorded during the year ended 31 December 2018. The assessment process of impairment provision is complex because it involves significant management judgements and estimates regarding, among others, available selling prices and budgeted property development costs, which could affect the net realisable values of the properties under development and properties held for sale of the Group. Relevant disclosures are included notes 2 *Summary of Significant Accounting Policies,* 3 *Significant Accounting Judgements and Estimates,* 19 *Properties under Development* and 20 *Properties Held for Sale* to the consolidated financial statements.	We understood and assessed the Group's accounting policies for provision for impairment of properties under development and properties held for sale. In assessing the net realisable values of the Group's properties under development and properties held for sale, we evaluated the appropriateness of the available selling price amounts obtained from comparable properties and examined the budgets of property development costs. We assessed the methodology applied for the Group's provisioning policy and re-calculated the provision for impairment amounts of properties under development and properties held for sale based on management's methodology at the year end. We reviewed relevant disclosures included in the consolidated financial statements.
Capitalisation of borrowing costs	
The financial sources of the Group's property development operation mostly come from interest-bearing borrowings. During the year ended 31 December 2018, the Group incurred total borrowing costs of RMB2,824.3 million (before capitalisation), of which an aggregate amount of RMB2,663.6 million was capitalised in properties under development and properties held for sale. The capitalisation of borrowing costs is complex because it involves the assessment of qualifying assets, the usage of borrowing funds and the capitalisation period. Relevant disclosures are included in notes 2 *Summary of Significant Accounting Policies* and 7 *Finance Costs* to the consolidated financial statements.	We understood the status of the Group's properties under development and properties held for sale. We examined the loan agreements and obtained direct external confirmations from banks, financial institutes or other relevant entities to evaluate the borrowing balances. We evaluated management's assessment of qualifying assets with respect to the Group's properties under development, and checked the usage of borrowing funds and the capitalisation period on a sampling basis. We assessed the methodology applied for the Group's capitalisation policy and re-calculated the capitalisation amounts of borrowing costs during the year based on management's methodology. We reviewed relevant disclosures included in the consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter

Provision for impairment of trade receivables

Trade receivables with an aggregate amount of RMB1,087.8 million (after loss allowance for impairment) constituted a significant portion of the total assets of the Group as at 31 December 2018 and the Group was exposed to credit risk thereof. The Group recognised an impairment of RMB53.0 million based on the expected credit loss approach under Hong Kong Financial Reporting Standard 9 *Financial Instruments*. The measurement of expected credit loss requires the application of significant judgement and estimates, such as the expected future cash flows and forward-looking factors specific to the debtors and the economic environment.

Relevant disclosures are included in notes 2 *Summary of Significant Accounting Policies*, 3 *Significant Accounting Judgements and Estimates* and 22 *Trade and Bills Receivables* to the consolidated financial statements.

How our audit addressed the key audit matter

Our audit procedures included the assessment of the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimate of expected credit losses. We assessed the reasonableness of management's expected credit loss allowance by examining the information used by management to form such judgement and estimates, including checking the accuracy of the historical default information, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information, and etc.. We evaluated the reasonableness of the Group's loss allowance for impairment of trade receivables by reference to the Group's subsequent collection of the trade receivables. We reviewed relevant disclosures included in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ng Siu Ki Ricky.

Ernst & Young
Certified Public Accountants
Hong Kong
25 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	5	**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	5	**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	7	**(160,687)**	(89,379)
Share of losses of associates		**(3,522)**	(2,649)
PROFIT BEFORE TAX	6	**2,071,686**	1,338,290
Income tax expense	10	**(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	12		
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 RMB'000	2017 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	13	**89,907**	109,172
Investment properties	14	**750,851**	715,343
Prepaid land lease payments	15	**11,217**	11,609
Goodwill	16	**–**	–
Other intangible assets	17	**7,849**	1,076
Investments in associates	18	**6,648**	7,093
Deferred tax assets	31	**231,574**	–
Other non-current assets	23	**50,000**	–
Total non-current assets		**1,148,046**	844,293
CURRENT ASSETS			
Properties under development	19	**23,278,793**	29,844,496
Properties held for sale	20	**7,960,058**	5,723,850
Inventories	21	**532,635**	525,197
Trade and bills receivables	22	**1,193,440**	1,233,939
Prepayments, other receivables and other assets	23	**2,269,555**	1,983,981
Prepaid tax		**487,085**	645,908
Other current assets	24	**314,450**	–
Restricted cash	25	**1,574,545**	2,468,704
Cash and cash equivalents	26	**3,902,631**	3,835,855
Total current assets		**41,513,192**	46,261,930
CURRENT LIABILITIES			
Trade and bills payables	27	**4,294,818**	3,728,007
Other payables and accruals	28	**18,500,596**	20,045,881
Interest-bearing bank and other borrowings	29	**10,140,002**	18,127,086
Tax payable		**1,375,860**	694,363
Provision	30	**116,308**	-
Total current liabilities		**34,427,584**	42,595,337
NET CURRENT ASSETS		**7,085,608**	3,666,593
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,233,654**	4,510,886

continued/...

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,233,654**	4,510,886
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**5,091,990**	2,123,071
Deferred tax liabilities	31	**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	32	**545,335**	545,335
Reserves	34	**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

Cheung Shuen Lung
Director

Zeng Gang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the parent											
	Issued capital RMB'000	Share premium account RMB'000	Merger reserve RMB'000	Contributed surplus RMB'000	Non-controlling interest reserve RMB'000	Exchange fluctuation reserve RMB'000	General reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	509,505	2,107,666	(238,675)	551,764	(134,812)	(100,096)	83,457	110,618	(1,281,511)	1,607,916	78,167	1,686,083
Profit for the year	–	–	–	–	–	–	–	–	333,451	333,451	172,129	505,580
Other comprehensive income/(loss) for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	–	34,881	–	–	–	34,881	(1,033)	33,848
Total comprehensive income for the year	–	–	–	–	–	34,881	–	–	333,451	368,332	171,096	539,428
Conversion of convertible bonds	35,830	74,788	–	–	–	–	–	(110,618)	–	–	–	–
Transfer to general reserve	–	–	–	–	–	–	74,037	–	(74,037)	–	–	–
At 31 December 2017	545,335	2,182,454*	(238,675)*	551,764*	(134,812)*	(65,215)*	157,494*	–*	(1,022,097)*	1,976,248	249,263	2,225,511

	Attributable to owners of the parent										
	Issued capital RMB'000	Share premium account RMB'000	Merger reserve RMB'000	Contributed surplus RMB'000	Non-controlling interest reserve RMB'000	Exchange fluctuation reserve RMB'000	General reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	545,335	2,182,454	(238,675)	551,764	(134,812)	(65,215)	157,494	(1,022,097)	1,976,248	249,263	2,225,511
Profit for the year	–	–	–	–	–	–	–	716,310	716,310	80,336	796,646
Other comprehensive income/(loss) for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	(24,052)	–	–	(24,052)	785	(23,267)
Total comprehensive income/(loss) for the year	–	–	–	–	–	(24,052)	–	716,310	692,258	81,121	773,379
Transfer to general reserve	–	–	–	–	–	–	153,334	(153,334)	–	–	–
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	–	5,800	5,800
At 31 December 2018	545,335	2,182,454*	(238,675)*	551,764*	(134,812)*	(89,267)*	310,828*	(459,121)*	2,668,506	336,184	3,004,690

* These reserve accounts comprise the consolidated reserves of RMB2,123,171,000 (2017: RMB1,430,913,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,071,686**	1,338,290
Adjustments for:			
Finance costs	7	**160,687**	89,379
Share of losses of associates		**3,522**	2,649
Interest income	5	**(26,298)**	(28,610)
Fair value gains on investment properties, net	5	**(24,310)**	(244,506)
Depreciation	6	**16,271**	20,018
Amortisation of prepaid land lease payments	6	**392**	536
Amortisation of other intangible assets	6	**2,385**	385
Loss on disposal of items of property, plant and equipment, net	6	**42**	54
Impairment of trade receivables, net	6	**53,039**	4,547
Impairment of prepayments, other receivables and other assets	6	**25,923**	–
Write-back of trade payables	6	**–**	(41)
Write-back of other payables	6	**–**	(6,614)
Provision/(reversal of provision) against obsolete inventories	6	**(1,389)**	5,336
Impairment of properties under development, net	6	**315,352**	113,593
Impairment of properties held for sale, net	6	**557,888**	74,950
		3,155,190	1,369,966
Decrease/(increase) in properties under development		**(6,119,974)**	3,817,148
Decrease/(increase) in properties held for sale		**11,926,721**	(1,776,823)
Increase in inventories		**(6,049)**	(175,358)
Increase in trade and bills receivables		**(12,540)**	(310,751)
Decrease/(increase) in prepayments, other receivables and other assets		**2,953**	(540,648)
Decrease/(increase) in restricted cash		**894,159**	(610,422)
Increase in other current assets		**(314,450)**	–
Increase/(decrease) in trade and bills payables		**566,811**	(549,112)
Increase/(decrease) in other payables and accruals		**(1,568,342)**	5,095,635
Increase in provision		**116,308**	–
Effect of foreign exchange rate changes, net		**(32,657)**	47,403
Cash generated from operations		**8,608,130**	6,367,038
Interest received		**26,298**	28,610
Interest paid		**(2,801,229)**	(1,774,616)
Hong Kong profits tax paid		**(128)**	–
Mainland China corporate income tax paid		**(364,178)**	(446,027)
Land appreciation tax paid		**(327,735)**	(230,497)
Net cash flows from operating activities		**5,141,158**	3,944,508

continued/...

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Net cash flows from operating activities		**5,141,158**	3,944,508
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(9,151)**	(11,559)
Purchases of other intangible assets	17	**(1,522)**	(349)
Proceeds from disposal of items of property, plant and equipment		**535**	2,658
Investment in an associate		**(3,000)**	–
Increase in other non-current assets		**(50,000)**	–
Net cash flows used in investing activities		**(63,138)**	(9,250)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other loans		**27,433,730**	21,277,219
Repayment of bank and other loans		**(32,451,895)**	(23,495,629)
Capital contributions from non-controlling shareholders of a subsidiary		**5,800**	–
Net cash used in financing activities		**(5,012,365)**	(2,218,410)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**65,655**	1,716,848
Cash and cash equivalents at beginning of year		**3,835,855**	2,125,101
Effect of foreign exchange rate changes, net		**1,121**	(6,094)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,902,631**	3,835,855
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**3,902,631**	3,835,855
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**3,902,631**	3,835,855

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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 ("Founder Information"), 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*) ("PKU Asset Management"), which is established in the People's Republic of China (the "PRC").

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Founder Century Information System Co., Ltd. ("PRC Century")#	PRC/Mainland China	RMB390,000,000	–	100	Distribution of information products
Founder Century (Hong Kong) Limited ("Century (Hong Kong)")	Hong Kong	Ordinary HK$2	–	100	Distribution of information products
Peking University Resources (Hubei) Asset Management Co., Limited#	PRC/Mainland China	RMB30,000,000	–	100	Property investment
Peking University Resources Group Investment Co., Limited^	PRC/Mainland China	Registered RMB50,000,000	–	100	Property investment
Tianjin Peking University Resources Real Estate Company Limited^	PRC/Mainland China	RMB50,000,000	–	70	Property development

* *For identification purposes only*

Notes to Financial Statements
31 December 2018

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Qingdao Boya Real Estate Co., Limited ^	PRC/Mainland China	RMB30,000,000	–	70	Property development
Tianjin Boya Properties Co., Limited ^	PRC/Mainland China	RMB50,000,000	–	60	Property development
Chengdu Hangmei Property Development Co., Limited ^	PRC/Mainland China	RMB30,000,000	–	70	Property development
Kunshan Hi-Tech Electronic Arts Creative Industry Development Co., Limited ("Kunshan Hi-Tech")^	PRC/Mainland China	RMB200,000,000	–	51	Property development
Dongguan Yihui Property Co., Limited^	PRC/Mainland China	RMB30,000,000	–	100	Property development
Tianhe Property Development Co., Limited@	PRC/Mainland China	RMB300,000,000	–	90	Property development
Changsha Henglong Property Development Co., Limited^	PRC/Mainland China	RMB10,000,000	–	63	Property development
Yongqin Limited ("YQ")	British Virgin Islands/ Hong Kong	Ordinary HK$2	100	–	Property investment
Chongqing Yingfeng Property Co., Limited #	PRC/Mainland China	RMB80,000,000	–	100	Property development
Foshan Peking University Resources Property Co., Limited@	PRC/Mainland China	RMB100,000,000	–	51	Property development
Wuhan Tianhe Jincheng Property Development Co., Limited^	PRC/Mainland China	RMB50,000,000	–	70	Property development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Changsha Longxin Property Development Co., Limited@	PRC/Mainland China	RMB30,000,000	–	70	Property development
Chengdu Lihui Property Co., Limited@	PRC/Mainland China	Registered RMB50,000,000	–	70	Property development
Zhejiang Peking University Resources Property Co., Limited#	PRC/Mainland China	USD120,000,000	–	100	Property development
Chongqing Fangyuan Yingrun Property Co., Limited@	PRC/Mainland China	RMB642,600,000	–	70	Property development
Chongqing Yingpu Investment Co., Limited^	PRC/Mainland China	RMB50,000,000	–	70	Property development
Chongqing Yuefeng Property Co., Limited^	PRC/Mainland China	RMB50,000,000	–	70	Property development
Xinjin Henglong Xinhe Property Development Co., Limited^	PRC/Mainland China	RMB30,000,000	–	70	Property development
Qingdao Boya Huafu Property Co., Limited^	PRC/Mainland China	RMB50,000,000	–	70	Property development
Guiyang Henglong Property Co., Limited^	PRC/Mainland China	RMB50,000,000	–	70	Property development
Kaifeng Botao Property Development Co., Limited^	PRC/Mainland China	RMB50,000,000	–	100	Property development
Kaifeng Boming Property Development Co., Limited^	PRC/Mainland China	RMB20,000,000	–	100	Property development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Kunming Fangyuan Botai Zhiye Company Limited^	PRC/Mainland China	RMB50,000,000	–	85	Property development
Chengdu Jinyi Yuanhang Property Development Co., Limited^	PRC/Mainland China	RMB30,000,000	–	80	Property development
Zhuzhou Lixiangcheng Property Development Co., Limited^	PRC/Mainland China	RMB50,000,000	–	82	Property development
Kunshan Fangshi Property Development Co., Limited^	PRC/Mainland China	Registered RMB50,000,000	–	100	Property development
Kaifeng Boyuan Property Co., Limited^	PRC/Mainland China	Registered RMB20,000,000	–	100	Property development

Registered as a wholly-foreign-owned enterprise under PRC law

^ Registered as a limited liability company under PRC law

@ Registered as a Sino-foreign joint venture under PRC law

Except for PRC Century, Century (Hong Kong) and YQ, the English names of the above companies represent the best effort by the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

Except for Century (Hong Kong), the statutory audits of the above subsidiaries were not performed by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with 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.

Basis of consolidation

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

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

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following 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 22)	Loans and receivables	Financial assets at amortised cost	1,080,241
Bills receivable* (note 22)	Loans and receivables	Financial assets at fair value through other comprehensive income	153,698
Other receivables (note 23)	Loans and receivables	Financial assets at amortised cost	599,356
Pledged deposits (note 25)	Loans and receivables	Financial assets at amortised cost	2,468,704
Cash and cash equivalents (note 26)	Loans and receivables	Financial assets at amortised cost	3,835,855
Trade and bills payables (note 27)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	3,728,007
Other payables (note 28)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	3,996,053
Interest-bearing borrowings (note 29)	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 are equal to their respective original carrying amounts under HKAS 39 as at 1 January 2018.

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(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 notes 3 and 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to 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 retained profits 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		
	Note	HKFRS 15 RMB'000	Previous HKFRS RMB'000	Increase/ (decrease) 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)

	Notes	Amounts prepared under HKFRS 15 RMB'000	Previous HKFRS RMB'000	Increase/ (decrease) 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	17,876,580	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, 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 contract (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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

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

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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

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

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

Business combinations and goodwill

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

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

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

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

Fair value measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

Buildings	4¾%
Furniture, fixtures and office equipment	12½% to 33⅓%
Motor vehicles	10% to 25%
Leasehold improvements	Over the shorter of the lease terms or 33⅓%

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

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

Intangible assets (other than goodwill)

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

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of two to five years.

Operating leases

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets at fair value through other comprehensive income (debt instruments)

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

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets designated at fair value through other comprehensive income (equity investments)

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

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

Financial assets at fair value through profit or loss

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses and losses in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

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

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

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

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

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

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

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

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

General approach

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

General approach (continued)

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than six months past due.

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

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of expected credit losses except for trade receivables which apply the simplified approach as detailed below.

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

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

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

Simplified approach

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

For trade receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating expected credit losses with policies as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

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

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss (policies under HKFRS 9 applicable from 1 January 2018)

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) (continued)

Subsequent measurement (continued)

Financial liabilities at fair value through profit or loss (policies under HKAS 39 applicable before 1 January 2018)

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

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

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

Loans and borrowings

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

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

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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

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

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties under development

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

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

Government grants

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

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

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (applicable from 1 January 2018) (continued)

Revenue from contracts with customers (continued)

(a) Sale of information products

Revenue from the sale of information products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(b) Property development

Revenue from the sale of properties is recognised on delivery of the properties. For a contract for which 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 is at least more than one year will be considered for the effects of a financing component. Contract liabilities will be accrued on the long-term advances received based on 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.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (applicable before 1 January 2018)

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

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

(b) from the sale of completed properties, when the significant risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreements, and the collectability of related receivables is reasonably assured;

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

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

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

Contract liabilities (applicable from 1 January 2018)

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

Contract costs (applicable from 1 January 2018)

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

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
(c) The costs are expected to be recovered.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Right-of-return assets (applicable from 1 January 2018)

A right-of-return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount 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. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned goods.

Refund liabilities (applicable from 1 January 2018)

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 33 to the financial statements.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

Other employee benefits

Pension schemes

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a certain percentage of the participating employees' salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

The functional currencies of the subsidiaries and the associate not established in Mainland China are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

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

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

For the purpose of the consolidated statement of cash flows, the cash flows of the subsidiaries not established in Mainland China are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Determining the method to estimate variable consideration and assessing the constraint for the sale of goods

Certain contracts for the sale of goods include a right of return that gives rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a reasonable time frame.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation or both. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development if the properties are intended for sale after completion. Upon completion of construction, properties under development are transferred to completed properties held for sale and are stated at cost. Properties under construction are accounted for as investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation after completion.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Variable consideration for returns

The Group estimates variable consideration to be included in the transaction price for the sale of goods with rights of return.

The Group developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group updates its assessment of expected returns annually and the refund liabilities are adjusted accordingly. Estimates of expected returns is sensitive to changes in circumstances and the Group's past experience regarding returns may not be representative of customers' actual returns in the future. As at 31 December 2018, the amount recognised as refund liabilities was RMB22,548,000 for the expected returns.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate expected credit losses for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the expected credit losses on the Group's trade receivables is disclosed in note 22 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; and

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

The carrying amount of investment properties at 31 December 2018 was RMB750,851,000 (2017: RMB715,343,000). Further details, including the key assumptions used for the fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

Provision for impairment of properties under development and properties held for sale

Management reviews the market conditions of properties under development and properties held for sale of the Group at the end of each reporting period, and makes provision for impairment of properties under development and properties held for sale identified that the net realisable value is lower than cost. Management estimates the net realisable value for properties under development and properties held for sale based primarily on the latest selling prices and current market conditions. If the condition was to deteriorate so that the actual provision might be higher than expected, the Group would be required to revise the basis of making the provision and its future results would be affected.

Provision of inventories

The write-down of inventories to net realisable value is made based on the ageing and estimated net realisable value of inventories. The assessment of the write-down amount involves management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the inventories and the write-down charge/reversal in the period in which such estimate has been changed.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 31 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

PRC corporate income tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to income taxes have not been confirmed by the local tax bureau, objective estimates and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax

The Group is subject to land appreciation tax ("LAT") in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the local tax authorities upon the completion of the Group's property development projects. The Group has not finalised its LAT tax returns and payments with the local tax authorities for its property development projects. When the final outcome is determined, it may be different from the amounts that were initially recorded, and any differences will affect the current income tax expense and LAT provision in the period which LAT is ascertained.

4. OPERATING SEGMENT INFORMATION

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

(a) the 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.

4. 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 5)				
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.

4. 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.

4. 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).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018 RMB'000	2017 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.

5. 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:

	Notes	**2018 RMB'000**	2017 RMB'000
Other income			
Bank interest income		**24,129**	28,526
Management and consultancy service fee income	41	**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	14	**24,310**	244,506
Gains on disposal of properties under development	24	**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.

6. PROFIT BEFORE TAX

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

	Notes	2018 RMB'000	2017 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	19	**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	13	**16,271**	20,018
Less: Depreciation capitalised in properties under development		**(812)**	(5,514)
		15,459	14,504
Amortisation of prepaid land lease payments	15	**392**	536
Amortisation of other intangible assets	17	**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*	22	**53,039**	4,547
Impairment of financial assets included in prepayments, other receivables and other assets*	23	**25,923**	–
		78,962	4,547
Write-back of trade payables		**–**	(41)
Write-back of other payables		**–**	(6,614)
Claim provision*	30	**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 – note 8):			
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. FINANCE COSTS

An analysis of finance costs is as follows:

	Note	2018 RMB'000	2017 RMB'000
Interest on bank loans and other loans		**1,528,134**	1,358,865
Interest on loans from related companies[#]	41	**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 Finance"), Founder Group (Hong Kong) Limited ("Founder HK") and 方正國際商業保理有限公司 (Founder International Factoring Co., Ltd.*) ("Founder Factoring"), 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*

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2018 RMB'000	2017 RMB'000
Fees	**318**	328

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

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

	2018 RMB'000	2017 RMB'000
Mr Li Fat Chung	**106**	109
Ms Wong Lam Kit Yee	**106**	109
Mr Chan Chun Kik Lewis	**106**	82
Mr Fung Man Yin, Sammy	**–**	28
	318	328

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

(b) Executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2018						
Executive directors:						
Mr Cheung Shuen Lung	–	–	–	–	–	–
Mr Zeng Gang#	–	–	–	–	–	–
Ms Sun Min	–	–	–	–	–	–
Mr Ma Jian Bin*	–	–	–	–	–	–
Mr Shi Hua**	–	–	–	–	–	–
Ms Liao Hang	–	–	–	–	–	–
Mr Zheng Fu Shuang	–	–	–	–	–	–
	–	–	–	–	–	–

Mr Zeng Gang is also the chief executive of the Group.

* Mr Ma Jian Bin was appointed as an executive director of the Company with effect from 16 April 2018.

** Mr Shi Hua resigned as an executive director of the Company with effect from 16 April 2018.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and the chief executive (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2017						
Executive directors:						
Mr Cheung Shuen Lung	–	–	–	–	–	–
Mr Zeng Gang	–	–	–	–	–	–
Ms Sun Min	–	–	–	–	–	–
Mr Shi Hua	–	–	–	–	–	–
Ms Liao Hang	–	–	–	–	–	–
Mr Zheng Fu Shuang	–	–	–	–	–	–
Mr Wei Jun Min	–	–	–	–	–	–
Mr Xie Ke Hai	–	–	–	–	–	–
	–	–	–	–	–	–

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

9. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration for the year of the five (2017: five) highest paid employees who are neither a director nor the chief executive of the Company are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**5,857**	4,539
Performance related bonuses	**8,213**	3,768
Pension scheme contributions	**98**	106
	14,168	8,413

9. FIVE HIGHEST PAID EMPLOYEES (continued)

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

	Number of employees	
	2018	2017
RMB1,000,001 to RMB2,000,000	**–**	5
RMB2,000,001 to RMB3,000,000	**4**	–
RMB3,000,001 to RMB4,000,000	**1**	–
	5	5

10. 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 (note 31)	**(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.

10. INCOME TAX (continued)

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.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates are as follows:

2018

	Hong Kong		Mainland China		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	5,466		2,066,220		2,071,686	
Tax at the statutory tax rate	902	16.5	516,555	25.0	517,457	25.0
Lower tax rate enacted by local authority	(139)	(2.5)	–	–	(139)	–
Loss attributable to an associate	581	10.6	–	–	581	–
Income not subject to tax	(5)	(0.1)	–	–	(5)	–
Expenses not deductible for tax	357	6.5	11,214	0.5	11,571	0.6
Tax losses utilised from the previous periods	(123)	(2.2)	(165,919)	(8.0)	(166,042)	(8.0)
Tax losses not recognised	1,921	35.1	229,467	11.1	231,388	11.1
Temporary differences not recognised	(4)	(0.1)	208,808	10.1	208,804	10.0
Adjustments in respect of deferred tax of prior years	–	–	(41,059)	(2.0)	(41,059)	(2.0)
LAT	–	–	683,312	33.1	683,312	33.0
Tax effect of LAT	–	–	(170,828)	(8.3)	(170,828)	(8.2)
Tax charge at the Group's effective rate	3,490	63.8	1,271,550	61.5	1,275,040	61.5

10. INCOME TAX (continued)

PRC LAT (continued)

2017

	Hong Kong		Mainland China		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	19,464		1,318,826		1,338,290	
Tax at the statutory tax rate	3,212	16.5	329,706	25.0	332,918	24.9
Loss attributable to an associate	437	2.2	–	–	437	–
Income not subject to tax	(3)	–	(1)	–	(4)	–
Expenses not deductible for tax	1,824	9.4	11,062	0.8	12,886	1.0
Tax losses utilised from the previous periods	(116)	(0.6)	(27,010)	(2.0)	(27,126)	(2.0)
Tax losses not recognised	18	0.1	209,837	15.9	209,855	15.7
Temporary differences not recognised	–	–	(1,976)	(0.2)	(1,976)	(0.2)
Adjustments in respect of current tax of prior years	–	–	446	–	446	–
LAT	–	–	407,032	30.9	407,032	30.4
Tax effect of LAT	–	–	(101,758)	(7.7)	(101,758)	(7.6)
Tax charge at the Group's effective rate	5,372	27.6	827,338	62.7	832,710	62.2

There is no tax expense attributable to associates (2017: Nil) included in "Share of losses of associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

	2018	2017
	HK$'000	HK$'000
Proposed final – HK1.75 cents (2017: Nil) per ordinary share	**112,283**	–

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

12. 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.

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 **RMB'000**	2017 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

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018						
At 31 December 2017 and at 1 January 2018:						
Cost	90,471	34,890	43,132	22,669	7,701	198,863
Accumulated depreciation	(12,627)	(24,635)	(35,882)	(16,547)	–	(89,691)
Net carrying amount	77,844	10,255	7,250	6,122	7,701	109,172
At 1 January 2018, net of accumulated depreciation	77,844	10,255	7,250	6,122	7,701	109,172
Additions	–	4,857	–	1,827	2,467	9,151
Transfer from properties under development (note 19)	1,731	–	–	–	–	1,731
Disposals	–	(546)	(31)	–	–	(577)
Transfers to properties held for sale	(5,663)	–	–	–	–	(5,663)
Transfers to intangible assets (note 17)	–	–	–	–	(7,636)	(7,636)
Depreciation provided during the year	(4,289)	(5,954)	(2,263)	(3,765)	–	(16,271)
At 31 December 2018, net of accumulated depreciation	69,623	8,612	4,956	4,184	2,532	89,907
At 31 December 2018:						
Cost	86,539	37,814	42,719	24,496	2,532	194,100
Accumulated depreciation	(16,916)	(29,202)	(37,763)	(20,312)	–	(104,193)
Net carrying amount	69,623	8,612	4,956	4,184	2,532	89,907

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2017						
At 1 January 2017:						
Cost	80,354	31,629	44,226	24,015	6,045	186,269
Accumulated depreciation	(8,557)	(20,136)	(31,185)	(16,139)	–	(76,017)
Net carrying amount	71,797	11,493	13,041	7,876	6,045	110,252
At 1 January 2017, net of accumulated depreciation	71,797	11,493	13,041	7,876	6,045	110,252
Additions	–	5,536	1,124	3,243	1,656	11,559
Transfer from properties under development (note 19)	10,118	–	–	–	–	10,118
Disposals	–	(814)	(507)	(1,391)	–	(2,712)
Depreciation provided during the year	(4,071)	(5,929)	(6,412)	(3,606)	–	(20,018)
Exchange realignment	–	(31)	4	–	–	(27)
At 31 December 2017, net of accumulated depreciation	77,844	10,255	7,250	6,122	7,701	109,172
At 31 December 2017:						
Cost	90,471	34,890	43,132	22,669	7,701	198,863
Accumulated depreciation	(12,627)	(24,635)	(35,882)	(16,547)	–	(89,691)
Net carrying amount	77,844	10,255	7,250	6,122	7,701	109,172

As at 31 December 2018, two of the Group's buildings with an aggregate carrying amount of RMB43,322,000 (2017: RMB45,830,000) did not have building ownership certificates registered under the name of the subsidiaries of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

14. INVESTMENT PROPERTIES

	Notes	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January		**715,343**	423,917
Transfer from properties under development	19	**–**	56,108
Transfer from properties held for sale		**2,589**	–
Net gains from fair value adjustments	5	**24,310**	244,506
Exchange realignment		**8,609**	(9,188)
Carrying amount at 31 December		**750,851**	715,343

The Group's investment properties consist of one residential and seven commercial properties in Mainland and Hong Kong. The directors of the Company have determined that the investment properties consist of two classes of asset, i.e., commercial and residential, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2018 based on valuations performed by 北京經緯仁達資產評估有限公司(Beijing Jingwei Renda Assets Appraisal Co., Ltd*), independent professionally qualified valuers, at RMB750,851,000. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

As at 31 December 2018, certain of the Group's investment properties, with an aggregate amount of RMB269,000,000 (2017: RMB250,000,000) did not have building ownership certificates registered under the name of the subsidiaries of the Group.

The investment properties are leased to third parties under operating leases, further details of which are included in note 39(a) to the financial statements.

Further particulars of the Group's investment properties are included on pages 159 and 160.

* *For identification purposes only*

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

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

	Fair value measurement as at 31 December 2018 using			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Commercial properties	–	–	**749,309**	**749,309**
Residential properties	–	–	**1,542**	**1,542**
	–	–	**750,851**	**750,851**

	Fair value measurement as at 31 December 2017 using			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Commercial properties	–	–	713,966	713,966
Residential properties	–	–	1,377	1,377
	–	–	715,343	715,343

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties RMB'000	Residential properties RMB'000
Carrying amount at 1 January 2017	422,687	1,230
Transfer from properties under development	56,108	–
Net gains from fair value adjustments recognised in other income and gains in profit or loss	244,359	147
Exchange realignment	(9,188)	–
Carrying amount at 31 December 2017 and 1 January 2018	713,966	1,377
Transfer from properties held for sale	2,589	–
Net gains from fair value adjustments recognised in other income and gains in profit or loss	24,145	165
Exchange realignment	8,609	–
Carrying amount at 31 December 2018	749,309	1,542

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

	Valuation techniques	Significant unobservable inputs	Range	
			2018	2017
Residential properties	Market approach	Adjustment on market unit price (per sq.m.)	**–2.0% to –4.0%**	–2.0% to –1.0%
Commercial properties	Income approach	Adjustment on market rental (per sq.m. and per month)	**–5.0% to 0%**	–10.0% to –5.0%
		Adopted yield	**6%**	5.0% to 5.5%
	Market approach	Adjustment on market unit price (per sq.m.)	**–20.0% to 2.0%**	–12.9% to 3.1%

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Under the market approach, fair value is estimated based on the unit prices of comparable properties with certain adjustments made to reflect the differences in location, neighbourhood, environment, facilities, etc. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values. Physical location and economic characteristics are important criteria to be analysed when comparing such comparable properties against the subject property.

The adjustment on market unit prices is determined by referring to the differences of the subject property against the comparable properties in terms of building facilities, size, age and the listing nature of the comparable properties.

A significant increase (decrease) in the unit prices of comparable properties in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the adjustment to the unit price would result in a significant decrease (increase) in the fair value of the investment properties.

Under the income approach, fair value is estimated by capitalising the current rental income and the reversionary value of the properties after tenancies expire by reference to current market rental transactions by making relevant adjustments.

The adjustment on market rental is determined by referring to the differences of the subject properties against the comparable properties in terms of location, size, age and the listing nature of the comparable properties. The yields adopted are determined by reference to the current yields of the subject properties and the market yield derived from the sales and rental comparable properties.

A significant increase (decrease) in market rental in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the adjustment to market rental would result in a significant decrease (increase) in the fair value of the investment properties. A significant increase (decrease) in the yield in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

15. PREPAID LAND LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	**12,001**	12,537
Recognised during the year	**(392)**	(536)
Carrying amount at 31 December	**11,609**	12,001
Current portion included in prepayments, other receivables and other assets	**(392)**	(392)
Non-current portion	**11,217**	11,609

All of the Group's leasehold land is situated in Mainland China.

16. GOODWILL

	2018 RMB'000	2017 RMB'000
At 1 January and 31 December:		
Cost	**2,261**	2,261
Accumulated impairment	**(2,261)**	(2,261)
Net carrying amount	**–**	–

Goodwill acquired through business combination was allocated to the distribution of information products cash-generating unit, which was fully impaired in 2013.

17. OTHER INTANGIBLE ASSETS

	Computer software RMB'000
31 December 2018	
Cost at 1 January 2018, net of accumulated amortisation	**1,076**
Additions	**1,522**
Transfers from property, plant and equipment (note 13)	**7,636**
Amortisation provided during the year	**(2,385)**
At 31 December 2018	**7,849**
At 31 December 2018:	
Cost	**11,441**
Accumulated amortisation	**(3,592)**
Net carrying amount	**7,849**
31 December 2017	
Cost at 1 January 2017, net of accumulated amortisation	1,112
Additions	349
Amortisation provided during the year	(385)
At 31 December 2017	1,076
At 31 December 2017:	
Cost	2,283
Accumulated amortisation	(1,207)
Net carrying amount	1,076

18. INVESTMENTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Share of net assets	**6,648**	7,093

Particulars of the Group's associates are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest	Percentage of voting power	Percentage of profit sharing	Principal activities
MC.Founder Limited*	Ordinary shares	Hong Kong	37	37	37	Investment holding and distribution of mobile phones and data products
Guiyang Quanhu Shangcheng Real Estate Development Co., Limited *	Paid-in capital	PRC/ Mainland China	10	33	10	Property development

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

The above investments are indirectly held by the Company.

The following table illustrates the financial information of the Group's associates that are not material to the Group.

	2018 RMB'000	2017 RMB'000
Share of the associates' loss and total comprehensive loss for the year	**3,522**	2,649
Aggregate carrying amount of the Group's investments in associates	**6,648**	7,093

19. PROPERTIES UNDER DEVELOPMENT

	Notes	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January		**29,844,496**	32,154,397
Additions		**6,119,974**	3,803,341
Transfer to property, plant and equipment	13	**(1,731)**	(10,118)
Transfer to investment properties	14	**–**	(56,108)
Transfer to properties held for sale		**(12,054,144)**	(5,933,423)
Transfer to other current assets		**(314,450)**	–
Impairment	6	**(315,352)**	(113,593)
Carrying amount at 31 December		**23,278,793**	29,844,496
Properties under development expected to be completed within normal operating cycle and classified as current assets and expected to be recovered:			
Within one year		**8,926,506**	12,998,473
After one year		**14,352,287**	16,846,023
		23,278,793	29,844,496

All of the Group's properties under development are situated in Mainland China.

As at 31 December 2018, certain of the Group's properties under development with an aggregate carrying amount of approximately RMB7,213,999,000 (2017: RMB12,832,387,000) were pledged to banks and financial institutions to secure loans granted to the Group (note 29).

20. PROPERTIES HELD FOR SALE

All of the Group's properties held for sale are situated in Mainland China and are stated at cost.

As at 31 December 2018, certain of the Group's properties held for sale with an aggregate carrying amount of approximately RMB1,430,700,000 (2017: RMB606,051,000) were pledged to banks and financial institutions to secure loans granted to the Group (note 29).

21. INVENTORIES

	2018 RMB'000	2017 RMB'000
Trading stocks	**532,635**	525,197

22. TRADE AND BILLS RECEIVABLES

	2018 RMB'000	2017 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.

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

	2018 RMB'000	2017 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 RMB'000	2017 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

22. TRADE AND BILLS RECEIVABLES (continued)

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.

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

22. TRADE AND BILLS RECEIVABLES (continued)

Impairment under HKAS 39 for the year ended 31 December 2017 (continued)

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: RMB204,227,000). 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.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018 RMB'000	2017 RMB'000
Non-current		
Other non-current assets	**50,000**	–
Current		
Prepayments	**1,177,165**	1,384,625
Deposits and other receivables	**1,096,373**	599,356
Right of return assets	**21,940**	–
	2,295,478	1,983,981
Impairment allowance	**(25,923)**	–
	2,269,555	1,983,981

Other non-current assets represent funds that are interest-free and placed at a financial institution which provides borrowings to the Group (note 29). Such funds will become mature upon the Group's repayment of the borrowings to the financial institution.

The Group's deposits and other receivables classified under current assets mainly represent the receivables for the disposal of properties under development, rental deposits, deposits with suppliers and amounts due from the related parties. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied for where there are no comparable companies as at 31 December 2018 was 2.36%.

Included in the Group's deposits and other receivables are amounts due from an intermediate holding company, fellow subsidiaries and an associate amounting to RMB34,967,000 (2017: Nil), RMB179,520,000 (2017: RMB82,697,000) and RMB12,250,000 (2017: Nil), respectively, which are unsecured, interest-free and repayable on demand.

24. OTHER CURRENT ASSETS

In January 2018, a subsidiary of the Group received a notification from Kaifeng Municipal People's Government of China ("Kaifeng Municipal Government") that as the Group's land use rights of 784.82 mu land in Kaifeng, the PRC, are within a free trade zone as set up in accordance with the Circular of the State Council on the Overall Plan for the China (Henan) Pilot Free Trade Zone (the "Free Trade Zone") and/or the adjacent areas of the Free Trade Zone, Kaifeng Municipal Government intended to repurchase such land use rights with a consideration according to government planning. In August 2018, the land use rights of 357.85 mu land have been repurchased by Kaifeng Municipal Government at a cash consideration of approximately RMB297,253,000, and the Group recorded a disposal gain of RMB28,216,000 accordingly. As at 31 December 2018, the remaining land use rights of 426.97 mu land were classified as other current assets, and the disposal transaction is scheduled to be completed within 2019.

25. RESTRICTED CASH

The Group's bank deposits were pledged to banks to secure the banking facilities granted to the Group, as deposits for the construction of the relevant properties and as guarantee deposits for certain mortgage loans granted by banks to purchasers of the Group's properties. The restricted cash is deposited with creditworthy banks with no recent history of default.

26. CASH AND CASH EQUIVALENTS

	2018 **RMB'000**	2017 RMB'000
Cash and bank balances	**3,902,631**	3,835,855

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB3,891,517,000 (2017: RMB3,718,274,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

At 31 December 2018, included in the Group's cash and cash equivalents were cash and bank balances of RMB995,755,000 (2017: RMB1,409,701,000) placed with Founder Finance, a financial institution approved by the People's Bank of China ("PBOC"). Founder Finance is a subsidiary of Peking Founder. The interest rates for these deposits were the prevailing savings rates offered by the PBOC.

27. TRADE AND BILLS PAYABLES

	2018 RMB'000	2017 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 or bills issuance date, is as follows:

	2018 RMB'000	2017 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.

28. OTHER PAYABLES AND ACCRUALS

	2018 RMB'000	2017 RMB'000
Other payables	**3,188,923**	3,996,053
Accruals	**25,039**	14,776
Contract liabilities (note)	**15,252,038**	–
Receipt in advance	**–**	16,023,012
Refund liabilities	**22,548**	–
Deferred revenue	**12,048**	12,040
	18,500,596	20,045,881

Other payables have an average term of less than one year.

Included in the Group's other payables are amounts due to the immediate holding company, an intermediate holding company and fellow subsidiaries amounting to RMB763,397,000, RMB226,306,000 and RMB355,258,000 (2017: RMB802,892,000, RMB104,188,000 and RMB387,552,000), respectively, which are unsecured, interest-free and repayable on demand, except for amounts due to an intermediate holding company amounting to RMB156,652,000 (2017: RMB1,423,524,000) which bear interest at rates ranging from 7.5% to 20% (2017: 7.5% to 12%).

Note:

Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 RMB'000	1 January 2018 RMB'000
Sale of goods	**127,392**	182,017
Sale of properties	**15,123,481**	15,839,635
Lease of properties	**1,165**	1,360
Total contract liabilities	**15,252,038**	16,023,012

Contract liabilities include advances received to deliver goods and properties, and significant financing component for the contract where the period between the advance received from customer and the transfer of the promised property or service exceeds one year. The decrease of contract liabilities in 2018 was mainly due to decrease in advances received from customers in relation to the sale of properties at the end of the year.

Included in the Group's contract liabilities as at 31 December 2018 are amounts due to fellow subsidiaries of Peking Founder of approximately RMB2,238,000.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate %	Maturity	RMB'000	Effective interest rate %	Maturity	RMB'000
Current						
Bank loans – secured	7.6	2019	200,000	7.0	2018	550,000
Bank loans - secured@	LPR+58%	On demand	205,000	–	–	–
Bank loans – unsecured	5.0-7.0	2019	559,622	4.6–5.7	2018	454,897
Bank loans – unsecured@	LPR+25%–35%	2019	90,000	LPR+3%–15%	2018	170,000
Bank loans – unsecured@	LPR+69.25pbs	2019	100,000	–	–	–
Other loans – secured#	7.7–11.0	2019	3,488,195	5.8–8.1	2018	12,605,244
Other loans - secured#	8.7–9.8	On demand	3,420,000	–	–	–
Other loans - unsecured#	8.5–15.0	2019	1,784,395	6.7–8.8	2018	3,790,000
Other loans – unsecured*	6.8-8.5	2019	292,790	4.0–12.0	2018	356,945
Other loans – unsecured*@	–	–	–	LPR+38%	2018	200,000
			10,140,002			18,127,086
Non-current						
Bank loans – secured	7.6	2020	40,000	7.0	2019	210,000
Bank loans – secured@	–	–	–	LPR+10%	2019	199,500
Other loans – secured#	8.3–14.0	2020	4,251,990	7.3–7.8	2019	850,000
Other loans – unsecured*	6.5	2020	800,000	7.5–12.0	2020-2022	863,571
			5,091,990			2,123,071
			15,231,992			20,250,157

* The balances represent loans from Peking Founder, Founder Finance, Founder HK, Founder Factoring and PKU Resources.

\# The balances represent borrowings from financial institutions.

@ The balances represent loans with floating interest rates.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	2018 RMB'000	2017 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**1,154,622**	1,174,897
In the second year	**40,000**	409,500
	1,194,622	1,584,397
Other loans repayable:		
Within one year	**8,985,380**	16,952,189
In the second year	**5,051,990**	850,000
In the third to fifth years, inclusive	**–**	863,571
	14,037,370	18,665,760
	15,231,992	20,250,157

Notes:

(a) Certain of the Group's bank and other loans are secured by:

a) the pledge of certain of the Group's properties under development amounting to RMB7,213,999,000 (2017: RMB13,729,387,000);

b) the pledge of certain of the Group's properties held for sale amounting to RMB1,430,700,000 (2017: RMB606,051,000);

c) the pledge of certain of the Group's deposits amounting to RMB94,839,000 (2017: RMB112,658,000);

d) the pledge of certain equity interests of certain subsidiaries of the Group; and

e) the assignment of return arising from certain properties under development and properties held for sale of the Group.

In addition, Peking Founder and PKU Resources have provided corporate guarantees for loans amounting to RMB13,860,953,000 (2017: RMB18,221,344,000), and PKU Resources has provided properties as securities to the Group's loans amounting to RMB2,590,000,000 (2017: RMB2,090,000,000) as at the end of the reporting period.

(b) The Group's bank and other loans are denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
Renminbi	**15,231,992**	20,237,075
United States dollars	**–**	13,082
	15,231,992	20,250,157

30. PROVISION

	Claim RMB'000
At 1 January 2018	–
Additional provision	116,308
At 31 December 2018	116,308

Two of the Group's subsidiaries in Tianjin, the PRC, were not able to deliver properties to customers (the "Tianjin Properties' Customers") in accordance with the delivery schedules as stipulated in the property sales contracts and such entities became defendants in lawsuits brought by certain of the Tianjin Properties' Customers seeking claims arising from the late delivery of properties. Based on the judgements made by the court of first instance (the "Judgements") during the year, the Group has estimated claim provisions with reference to the default compensation rates and the number of days in default.

As at the end of the reporting period, certain Tianjin Properties' Customers were in the process of appealing the Judgements and the lawsuits are yet to be settled. The provision estimation basis is reviewed by the management on an ongoing basis and revised where appropriate.

31. DEFERRED TAX

The movement in deferred tax liabilities and assets during the year is as follows:

Deferred tax liabilities

	Revaluation of properties RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Total RMB'000
At 1 January 2017	11,109	14,567	103,711	129,387
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	56,389	2,629	(24,567)	34,451
Exchange realignment	(1,534)	–	–	(1,534)
At 31 December 2017 and 1 January 2018	65,964	17,196	79,144	162,304
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	4,564	2,753	(9,564)	(2,247)
Exchange realignment	417	–	–	417
At 31 December 2018	70,945	19,949	69,580	160,474

31. DEFERRED TAX (continued)

Deferred tax assets

	Impairment RMB'000	Provision for LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Significant financing component from receipt in advance RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Total RMB'000
At 1 January 2018	–	–	–	–	–	–
Deferred tax credited to the statement of profit or loss during the year (note 10)	115,075	64,189	22,440	28,960	24,410	255,074
At 31 December 2018	115,075	64,189	22,440	28,960	24,410	255,074

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2018 RMB'000	2017 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	231,574	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	(136,974)	(162,304)
	94,600	(162,304)

Deferred tax assets have not been recognised in respect of the following items:

	2018 RMB'000	2017 RMB'000
Tax losses	2,119,628	2,239,453
Deductible temporary differences	1,714,484	808,324
	3,834,112	3,047,777

31. DEFERRED TAX (continued)

Deferred tax assets (continued)

The Group has tax losses arising in Hong Kong of RMB75,891,000 (2017: RMB66,065,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in Mainland China of RMB2,043,737,000 (2017: RMB2,173,388,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB2,300,527,000 at 31 December 2018 (2017: RMB1,707,913,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. SHARE CAPITAL

Shares

	2018 RMB'000	2017 RMB'000
Authorised:		
15,000,000,000 (2017: 15,000,000,000) ordinary shares of RMB0.10 each	**1,500,000**	1,500,000

	2018		2017	
	HK$'000	**RMB'000 (equivalent)**	HK$'000	RMB'000 (equivalent)
Issued and fully paid:				
6,416,155,647 (2017: 6,416,155,647) ordinary shares of RMB0.10 each	**641,616**	**545,335**	641,616	545,335

32. SHARE CAPITAL (continued)

Shares (continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2017	5,988,248,671	509,505	2,107,666	2,617,171
Conversion of convertible bonds (note)	427,906,976	35,830	74,788	110,618
At 31 December 2017, 1 January 2018 and 31 December 2018	6,416,155,647	545,335	2,182,454	2,727,789

Note:

In December 2017, Founder Information converted the convertible bonds issued by the Company (note 34) with an aggregate principal amount HK$184,000,000 at the conversion price of HK$0.43 per conversion share into 427,906,976 ordinary shares of the Company.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 33 to the financial statements.

33. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include (i) any director (whether executive or non-executive, including any independent non-executive director), senior management, employee (whether full time or part time) of any member of the Group or any substantial shareholder of the Company or any company controlled by a substantial shareholder of the Company or (ii) any one or entity who, in the sole opinion of the directors of the Company, has contributed or will contribute to the Group or any substantial shareholder of the Company. The Scheme became effective on 29 May 2013 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at the date when the scheme was approved by the shareholders of the Company in a general meeting. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

33. SHARE OPTION SCHEME (continued)

The offer of a grant of share options is deemed to have been accepted when the duplicate offer letter comprising the acceptance of the option is signed and upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and ends on a date which is not later than ten years from the date of offer of the share options.

The exercise price of the share options is determinable by the directors, but should be the highest of (i) the closing price of the shares of the Company as stated on the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the shares of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

There were no outstanding share options under the Scheme during the year and as at the end of the reporting period.

34. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 62 of the financial statements.

The contributed surplus represents the excess of nominal value of the shares of the subsidiaries acquired over the nominal value of the Company's share issued in exchange therefore.

The merger reserve comprises the excess of the Company's share of the nominal value of the paid-in capital of the subsidiaries acquired, over the Company's cost of acquisition of the subsidiary under common control; and the deemed distributions to companies controlled by the ultimate holding company.

The non-controlling interest reserve arose from changes in the ownership interests of subsidiaries, without a loss of control.

The other reserve represented the convertible bonds issued by the Company to Founder Information in 2013 as further explained in note 32 to the financial statements.

In accordance with the relevant PRC regulations, each of the Group's PRC subsidiaries is required to transfer not less than 10% of its profit after tax, as determined in accordance with PRC accounting standards and regulations, to the general reserve, which are restricted as to use, until such reserve reaches 50% of its registered capital. The respective amounts of the annual transfer are subject to the approval of the boards of directors of the PRC subsidiaries in accordance with their articles of association.

35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2018	2017
Percentage of equity interest held by non-controlling interests		
Kunshan Hi-Tech	**49%**	49%

	2018 RMB'000	2017 RMB'000
Profit/(loss) for the year allocated to non-controlling interests		
Kunshan Hi-Tech	**(1,618)**	111,347
Accumulated balances of non-controlling interests at the reporting date		
Kunshan Hi-Tech	**287,508**	289,126

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2018 RMB'000	2017 RMB'000
Revenue	**55,951**	500,065
Total expenses	**(59,253)**	(272,826)
Profit/(loss) for the year	**(3,302)**	227,239
Total comprehensive income/(loss) for the year	**(3,302)**	227,239
Current assets	**3,341,899**	2,792,386
Non-current assets	**260,953**	226,516
Current liabilities	**(2,884,116)**	(1,799,350)
Non-current liabilities	**(131,985)**	(629,499)
Net cash flows from operating activities	**1,436,155**	481,083
Net cash flows used in investing activities	**(5,449)**	(1,799)
Net cash flows used in financing activities	**(1,759,543)**	(158,748)
Net increase/(decrease) in cash and cash equivalents	**(328,837)**	320,536

36. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank and other loans	
	2018	2017
	RMB'000	RMB'000
At 1 January	**20,250,157**	22,469,431
Changes from financing cash flows	**(5,018,165)**	(2,218,410)
Foreign exchange movement	**–**	(864)
At 31 December	**15,231,992**	20,250,157

37. 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 RMB5,369,400,000 (2017: RMB4,406,356,000). 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 for repaying 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 (2017: Nil).

38. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other borrowings are included in note 29 to the financial statements.

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from two to thirty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under operating leases with its tenants falling due as follows:

	2018 **RMB'000**	2017 RMB'000
Within one year	**43,686**	33,664
In the second to fifth years, inclusive	**118,976**	74,240
After five years	**100,578**	38,203
	263,240	146,107

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements, with leases negotiated for terms ranging from one to five years.

At the end of the reporting period, the Group had total future minimum lease payments under operating leases falling due as follows:

	2018 **RMB'000**	2017 RMB'000
Within one year	**15,027**	10,384
In the second to fifth years, inclusive	**5,001**	10,199
	20,028	20,583

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39(b) above, the Group had the following capital commitments at the end of the reporting period:

	2018 **RMB'000**	2017 RMB'000
Contracted, but not provided for:		
Properties under development	**14,348,800**	8,487,177

41. RELATED PARTY TRANSACTIONS

Transactions and commitments with related parties

(a) In addition to the related party transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2018 RMB'000	2017 RMB'000
Transactions with fellow subsidiaries:			
Sales of goods**	(i)	**26,811**	150,136
Purchases of goods**	(i)	**16,150**	56,652
Service fee income*	(i)	**91,218**	37,651
Rental income	(i)	**1,152**	157
Service fee expenses**	(i)	**41,133**	39,571
Interest income	(ii)	**548**	84
Interest expenses	(iii)	**211,381**	407,270
Transactions with an intermediate holding company:			
Sales of goods*	(i)	**–**	180
Transactions with an associate:			
Interest income	(ii)	**1,621**	–

* These related party transactions also constitute continuing connected transactions discloseable in accordance with the Listing Rules.

** A certain portion of these related party transactions are continuing connected transactions discloseable in accordance with the Listing Rules.

Notes:

(i) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(ii) The interest income was attributable to the deposits placed at Founder Finance amounting to RMB985,542,000 (2017: RMB663,000) which are unsecured and bear interest at rates of 0.455% and 1.495% per annum and loans to Guiyang Quanhu Shangcheng Real Estate Development Co., Ltd., an 10%-owned associate of the Group, which are unsecured and bear interest at a rate of 10% per annum.

(iii) The interest expenses were attributable to loans from and/or advances to Peking Founder, Founder Finance, Founder HK, Founder Factoring and PKU Resources aggregating to approximately RMB15,919,500,000 (2017: RMB9,632,188,000), which are unsecured and bear interest at rates ranging from 6.5% to 20% (2017: from 4% to 12%) and are repayable on demand, except for the loans from Peking Founder amounting to RMB800,000,000 (2017: RMB160,000,000) which are not repayable within one year. Further details of these loans and advances are set out in notes 28 and 29 of the financial statements.

41. RELATED PARTY TRANSACTIONS (continued)

Transactions and commitments with related parties (continued)

(b) Commitments with related parties

At the end of the reporting period, a subsidiary of the Group and 北京北大資源物業經營管理集團有限公司 (Peking University Resources Property Management Company Limited*) ("PKU Resources Property Management"), an subsidiary of PKU Resources, entered into a one-year rental agreement in respect of several office properties for RMB7,936,000 (2017: RMB7,447,000).

* *For identification purposes only*

Compensation of key management personnel (including the directors and chief executive of the Company) of the Group

	2018 **RMB'000**	2017 RMB'000
Short term employee benefits	**4,295**	1,127
Salaries, allowances and benefits in kind	**5,961**	3,712
Total compensation paid to key management personnel	**10,256**	4,839

Further details of the directors' and chief executive's emoluments are included in note 8 to the financial statements.

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

31 December 2018

	Financial assets at fair value through profit or loss – Designated as such upon initial recognition RMB'000	Financial assets at fair value through other comprehensive income – Debt investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Other non-current assets	50,000	–	–	50,000
Trade and bills receivables	–	105,597	1,087,843	1,193,440
Financial assets included in prepayments, other receivables and other assets	–	–	1,070,450	1,070,450
Restricted cash	–	–	1,574,545	1,574,545
Cash and cash equivalents	–	–	3,902,631	3,902,631
	50,000	105,597	7,635,469	7,791,066

31 December 2017

	Loans and receivables RMB'000
Trade and bills receivables	1,233,939
Financial assets included in prepayments, other receivables and other assets	599,356
Restricted cash	2,468,704
Cash and cash equivalents	3,835,855
	8,137,854

42. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Financial liabilities at amortised cost	
	2018	2017
	RMB'000	RMB'000
Trade and bills payables	**4,294,818**	3,728,007
Financial liabilities included in other payables and accruals	**3,188,923**	3,996,053
Interest-bearing bank and other borrowings	**15,231,992**	20,250,157
	22,715,733	27,974,217

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Other non-current assets	**50,000**	–	**50,000**	–
Bills receivable*	**105,597**	–	**105,597**	–
	155,597	–	**155,597**	–

* Bills receivable as at 31 December 2017 amounting to RMB153,698,000 were classified as financial assets measured at amortised cost under HKAS 39.

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities or long term maturities with floating interest rates of these instruments.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The following methods and assumptions were used to estimate the fair values:

The fair value of other non-current assets and bills receivable have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for other non-current assets and bills receivable as at 31 December 2018 was assessed to be insignificant.

Fair value hierarchy

The following table illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair values:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Other non-current assets	–	50,000	–	50,000
Bills receivable	–	105,597	–	105,597
	–	155,597	–	155,597

The Group did not have any financial liabilities measured at fair value as at 31 December 2018 and 31 December 2017 and the Group did not have any financial assets measured at fair value as at 31 December 2017.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with floating interest rates. The effective interest rates and terms of repayment of the interest-bearing bank borrowings of the Group are disclosed in note 29 to the financial statements.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit/(loss) before tax (through the impact on floating rate borrowings).

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax	
		2018 RMB'000	2017 RMB'000
RMB	100	**(3,950)**	(5,695)
RMB	(100)	**3,950**	5,695

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. These exposures mainly arise from sales or purchases by the Group's operating units in Mainland China and Hong Kong in currencies other than the units' functional currencies (i.e., RMB or HK$). The Group does not enter into any hedging transactions for reducing the Group's exposure to foreign currency risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ and HK$ exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and other components of the Group's equity.

	Increase/ (decrease) in exchange rate %	**Increase/ (decrease) in profit before tax** RMB'000
2018		
If the HK$ weakens against US$	**(5)**	**(42,343)**
If the HK$ strengthens against US$	**5**	**42,343**
2017		
If the HK$ weakens against US$	(5)	(45,521)
If the HK$ strengthens against US$	5	45,521

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets.

	12-month expected credit losses	Lifetime expected credit losses			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other non-current assets	50,000	–	–	–	50,000
Trade and bill receivables*	–	–	–	1,264,178	1,264,178
Financial assets included in prepayments, other receivables and other assets					
– Normal**	1,090,973	–	–	–	1,090,973
– Doubtful**	–	–	5,400	–	5,400
Pledged deposits					
– Not yet past due	1,574,545	–	–	–	1,574,545
Cash and cash equivalents					
– Not yet past due	3,902,631	–	–	–	3,902,631
	6,618,149	–	5,400	1,264,178	7,887,727

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 December 2017

The credit risk of the Group's other financial assets, which comprise restricted cash, cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 22 to the financial statements.

The Group places its cash deposits with major international banks in Hong Kong, state-owned banks in Mainland China and Founder Finance, a financial institution approved by the PBOC. This investment policy limits the Group's exposure to concentrations of credit risk.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2018		
	Within 1 year RMB'000	**Over 1 year RMB'000**	**Total RMB'000**
Trade and bills payables	**4,294,818**	**–**	**4,294,818**
Financial liabilities included in other payables and accruals	**3,188,923**	**–**	**3,188,923**
Interest-bearing bank and borrowings	**12,282,623**	**5,327,318**	**17,609,941**
	19,766,364	**5,327,318**	**25,093,682**

	2017		
	Within 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade and bills payables	3,728,007	–	3,728,007
Financial liabilities included in other payables and accruals	3,996,053	–	3,996,053
Interest-bearing bank and borrowings	19,756,854	2,457,348	22,214,202
	27,480,914	2,457,348	29,938,262

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a debt to equity ratio, which is total interest-bearing bank and other borrowings divided by total equity attributable to owners of the parent. The debt to equity ratios as at the end of the reporting periods were as follows:

	2018 **RMB'000**	2017 RMB'000
Interest-bearing bank and other borrowings	**15,231,992**	20,250,157
Total equity attributable to owners of the parent	**2,668,506**	1,976,248
Debt to equity ratio	**5.71**	10.25

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**888,123**	844,982
Total non-current assets	**888,123**	844,982
CURRENT ASSETS		
Prepayments, other receivables and other assets	**1,297,496**	1,196,673
Cash and cash equivalents	**8,692**	56,241
Total current assets	**1,306,188**	1,252,914
CURRENT LIABILITIES		
Other payables and accruals	**56,076**	52,791
Total current liabilities	**56,076**	52,791
NET CURRENT ASSETS	**1,250,112**	1,200,123
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,138,235**	2,045,105
Net assets	**2,138,235**	2,045,105
EQUITY		
Issued capital	**545,335**	545,335
Reserves (note)	**1,592,900**	1,499,770
Total equity	**2,138,235**	2,045,105

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2017	2,107,666	561,056	205,144	110,618	(1,323,590)	1,660,894
Profit for the year	–	–	–	–	9,542	9,542
Other comprehensive loss for the year:						
Exchange differences on translation of foreign operations	–	–	(134,836)	–	–	(134,836)
Conversion of convertible bonds	74,788	–	–	(110,618)	–	(35,830)
At 31 December 2017 and at 1 January 2018	**2,182,454**	**561,056**	**70,308**	**–**	**(1,314,048)**	**1,499,770**
Loss for the year	**–**	**–**	**–**	**–**	**(10,812)**	**(10,812)**
Other comprehensive income/(loss) for the year:						
Exchange differences on translation of foreign operations	**–**	**–**	**109,628**	**–**	**(5,686)**	**103,942**
At 31 December 2018	**2,182,454**	**561,056**	**179,936**	**–**	**(1,330,546)**	**1,592,900**

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefore. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus in certain circumstances.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2019.

PARTICULARS OF INVESTMENT PROPERTIES

31 December 2018

Location	Use	Tenure	Percentage of interest attributable to the Group
Unit 3-E of Block 6 Jincheng Building Lot No. H113-0004 Shennan Dong Road Luohu District Shenzhen City Guangdong Province The PRC	Residential	Medium term lease	100
Various office units on various levels of Block Nos. A and B Asia Plaza (also known as International Building of Wuhan) located at Dandong Road Jianghan District Wuhan City Hubei Province The PRC	Commercial	Medium term lease	100
29th Floor The Sun's Group Center No.200 Gloucester Road Wan Chai Hong Kong	Commercial	Long term lease	100
A building to be occupied by a kindergarten and located at the Northern part of Jin Zhou Avenue Beibu New District Chongqing City The PRC	Commercial	Medium term lease	70

continued/...

Particulars of Investment Properties

31 December 2018

Location	Use	Tenure	Percentage of interest attributable to the Group
A building to be occupied by a kindergarten and located at Da Du Kou Jiulongpo District Chongqing City The PRC	Commercial	Medium term lease	70
A building to be occupied by a kindergarten and located at Cuntan Street Jiangbei District Chongqing City The PRC	Commercial	Medium term lease	100
Various shop units on various levels of Blocks Nos. A, B and C Located at the western side of Zhangjiagang River and the southern side of Yingbin Road Bacheng Town Kunshan City Jiangsu Province The PRC	Commercial	Medium term lease	51
A building occupied by a cinema and located at the cross of Xiubei Road and Guanshan Road Guanshanhu District Guiyang City Guizhou Province The PRC	Commercial	Medium term lease	70

FIVE YEAR FINANCIAL SUMMARY

31 December 2018

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

RESULTS

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**24,911,870**	16,246,608	13,216,611	6,356,887	4,954,590
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**716,310**	333,451	(235,992)	(193,612)	(170,975)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**42,661,238**	47,106,223	43,939,896	37,161,418	35,668,583
TOTAL LIABILITIES	**(39,656,548)**	(44,880,712)	(42,253,813)	(35,072,666)	(33,563,395)
NON-CONTROLLING INTERESTS	**(336,184)**	(249,263)	(78,167)	(200,293)	(734,505)
	2,668,506	1,976,248	1,607,916	1,888,459	1,370,683

FINANCIAL HIGHLIGHTS

31 December 2018

	2018 RMB'million	2017 RMB'million	+/(-) Change
FINANCIAL PERFORMANCE			
Revenue	**24,912**	16,247	53.3%
Gross profit margin	**12.9%**	11.7%	
Profit for the year	**797**	506	57.6%
KEY FINANCIAL INDICATORS			
Cash and cash equivalents	**3,903**	3,836	1.7%
Net current assets	**7,086**	3,667	93.2%
Total assets	**42,661**	47,106	(9.4%)
Total liabilities	**39,657**	44,881	(11.6%)
Interest-bearing bank and other borrowings	**15,232**	20,250	(24.8%)
Total equity	**3,005**	2,226	35.0%
Current ratio (times)	**1.21**	1.09	
Gearing ratio	**5.07**	9.10	
Basic earnings per share (RMB cents)	**11.16**	5.56	
Diluted earnings per share (RMB cents)	**11.16**	5.20	

北大资源
PKU RESOURCES