PEKING UNIVERSITY
RESOURCES (HOLDINGS)
COMPANY LIMITED

2017
年報 | ANNUAL REPORT

(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

北大资源
PKU RESOURCES

PKU RESOURCES
北大資源(控股)有限公司
PEKING UNIVERSITY RESOURCES
(HOLDINGS) COMPANY LIMITED

CONTENT


DKNY
RARA
SevenS
Anchors
ZARA
Lee
Concept
Seven Days
Semi

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 14 cities of China and the Group started construction of 3 projects with 26 projects under construction in aggregate and a total of 23 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.

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 Tang Yuk Bo, Yvonne

AUTHORISED REPRESENTATIVES

Mr Cheung Shuen Lung
Mr Zeng Gang

AUDITOR

Ernst & Young
Certified Public Accountants

LEGAL ADVISERS

Clifford Chance LLP

PRINCIPAL BANKERS

The Export-Import Bank of China
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

Adhere to the value of "sincerity, concentration, innovation and craftsmanship"

Dear shareholders,

In 2017, adhering to the keynote of "properties are for housing rather than for speculation", the direction of control on the real estate market changed from the traditional approach of adjusting demand to increasing supply. With limits on purchase, loans and sale together with tightened measures on land auctions, the supply-side structure was optimised. Meanwhile, the short-term control was more aligned with the long-term mechanism, thereby forming a multi-level housing supply system with continuous perfection of the real estate system of housing purchase and renting as well as expedited development of the long-term mechanism. Despite the pressure from various aspects, both sales area and sales amount of the industry reached record high driven by the strong rigid demand and trade-up demand. Sales of commodity housing during the year amounted to RMB13.4 trillion, representing a year-on-year growth of 13.7%, while sales area amounted to 1.7 billion sq.m., representing a year-on-year growth of 7.7%.

Against the complex market environment, Peking University Resources (Holdings) Company Limited (hereinafter referred to as "PKU Resources" or the "Group") deepened the implementation of its new five-year strategy and continued to maintain rapid growth by leveraging its ability to precisely captured customers' demand, strong product improvement capability and strong resources integration ability. During the year, the Group recorded a revenue of RMB16.246 billion, representing an increase of 23% over 2016, and realized a profit of RMB506 million, turning around from its loss-making position for the first time with steady improvement in both industry reputation and influence.

Relying on the core strategy of "One Body Two Wings" that takes the "first-class production, learning and research platform" as foundation for corporate development and adopts "quality plus resources" as key drivers of development, the Group focused on the delivery of precisely-fabricated products and boutique projects. It has also established a collaborative innovation system and commenced collaborative projects on production, learning and research in areas such as scientific innovation, general healthcare and cultural creativity.

On one hand, PKU Resources launched brand enhancement activities under the "CL Program (叢林計劃)". The two product subsystems named "CITY+ Charming City (CITY+魅力城市)" and "LIFE+ Energetic Community (LIFE+活力社區)" clarified the ecosystem of product diversity. Meanwhile, three product lines, namely Yihe series (頤和系), Mansion Series (府系) and Zijing series (紫境系), were introduced, marking an important breakthrough of PKU Resources in respect of its focus on high-end trade-up demand. Projects such as Lianhu Jincheng (蓮湖錦城) in Wuhan and Jiujin Yihe (九錦頤和) in Kunshan were launched successively, which have achieved outstanding results and brought the pursuit of excellence products of PKU Resources to a new level. The design awards received by Kunming Botai City Project and Wuhan Zhongbei Road Project were also testaments to PKU Resources' initial success in capturing opportunities in the high-end trade-up market.

On the other hand, PKU Resources focused on the four industrial segments of "Technology, Health, Scientific Education and Cultural Creativity". Relying on the technical resources from construction and operation of the industrial parks, the medical resources from the healthcare industrial chain, the educational resources from the Peking University group entities as well as the cultural creativity resources from the cultural and creative industry, the Group strived to realize innovation in terms of industry, product and model and put in an all-out efforts in promoting the implementation of integrated industrial-urban development as well as exploring and optimising the development model thereof.

In 2018, PKU Resources will continue to focus on "quality plus resources" for the deepening of its five-year strategy and develop innovative products with enhanced quality and experience so as to promote perfection of its products on a continuous basis. Meanwhile, leveraging its advantages in industrial resources integration and placing emphasis on the industry and taking its projects as carrier, it will plan for its businesses and products with a focus on industry development and combining the same with high benchmark, high standard and international vision, thereby realizing organic integration of production, people's livelihood and the ecological environment. The Group will also continue to keep abreast of market trends and seize opportunities to achieve leap-forward development.

Lastly, on behalf of the Board, I would like to express my sincere gratitude to all employees of the Group for their relentless hard work as well as all shareholders for their unwavering support. We are pleased to invite our shareholders to join our journey towards a bright future.

Cheung Shuen Lung
Chairman

26 March 2018

PROPERTY DEVELOPMENT PROJECTS

PROJECT LOCATIONS

14 Cities and Districts

Total Land Bank*

7,100,000 sq.m.

WUHAN, HUBEI
PKU Resources • Shanshuinianhua
Zhongbei Road Project

EZHOU, HUBEI
PKU Resources • Lianhu Jincheng

KAIFENG, HENAN
PKU Resources • Wei Ming Mansion
Kaifeng 39 mu Project

HANGZHOU, ZHEJIANG
PKU Resources • Wei Ming Mansion

TIANJIN
PKU Resources • Yuefu
PKU Resources • Yuecheng

KUNSHAN, JIANGSU
PKU Resources • Jiujinyihe

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

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%

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%
Kaifeng 39 mu Project	Kaifeng, Henan	Commercial/Residential	26,311	74,931	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%

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%
Zhongbei Road Project	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%

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/Commercial	69,496	208,487	70%
Xinchuan Project	Chengdu, Sichuan	Residential/Commercial	23,191	219,039	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%

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
Boya Gongguan	Dongguan, Guangdong	Residential/Commercial	9,571	30,685	100%
Yihe Emerald Mansion	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%

INVESTMENT PROPERTY OVERVIEW

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

TIANJIN

PKU RESOURCES • YUECHENG

DESCRIPTION:

The project is located at the intersection of Heiniucheng Avenue and Hongze S. 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.

TOTAL GFA

476,000

sq.m.

TOTAL GFA
820,000
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

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 2017, adhering to the keynote of "properties are for housing rather than for speculation" under the policies on real estate, the direction of market control changed from the traditional approach of suppressing demand to increasing supply. With limits on purchase, loans and sale together with tightened measures on land auctions, the supply-side structure was optimised, gradually demonstrating the results of market control. Meanwhile, the short-term control was more aligned with the long-term mechanism, which significantly facilitated the development of residential leasing market and joint ownership housing provisional scheme in an attempt to improve the multi-level housing supply system, establishing a real estate system of housing purchase and renting as well as urging the establishment and perfection of a long-term mechanism.

In general, the real estate market has stabilised and the industry has entered a new cycle for development. The business model and service model of the real estate industry are subject to immediate restructuring, while the after-sales market of the real estate market, with a focus on enhancing living experience and reshaping lifestyle, are attached great importance with huge room for development.

In 2017, the Group continued to promote the implementation of its five-year strategy in respect of business and capital, which has laid a solid foundation for rapid development of the Group.

OVERALL PERFORMANCE

The Group reported a profit for the year ended 31 December 2017 of approximately RMB505.6 million (year ended 31 December 2016: loss of RMB388.7 million). The Group's revenue for the current financial year has increased by 22.9% to approximately RMB16,246.6 million (year ended 31 December 2016: RMB13,216.6 million) mainly as a result of expansion of distribution of information products business ("Distribution Business") and property development business ("Property Development Business") of the Group. The Group's gross profit has increased by 116.2% to approximately RMB1,907.5 million (year ended 31 December 2016: RMB882.1 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 22.9% to RMB16,246.6 million (year ended 31 December 2016: RMB13,216.6 million) attributable to expansion of Distribution Business and Property Development Business;

b. an increase in gross profit margin from last financial year's 6.7% to current financial year's 11.7% 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. an increase in other income and gains by RMB292.6 million to RMB341.6 million (year ended 31 December 2016: RMB49.0 million) attributable to net increase in fair value gains on investment properties;

d. an increase in total selling and distribution expenses, administrative expenses and other expenses and loss by 12.6% to RMB818.8 million (year ended 31 December 2016: RMB727.0 million) attributable to expansion of Distribution Business and Property Development Business;

e. a decrease in finance cost by 17.9% to approximately RMB89.4 million (year ended 31 December 2016: RMB108.9 million) attributable to increase in capitalisation of interest expense as the construction of the property development projects have commenced; and

f. an increase in income tax expenses by RMB353.2 million to approximately RMB832.7 million (year ended 31 December 2016: RMB479.5 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 2017 were RMB5.56 cents (year ended 31 December 2016: loss of RMB3.94 cents) and RMB5.20 cents (year ended 31 December 2016: loss of RMB3.94 cents) respectively.

OPERATING REVIEW

Real Estate Business

Property Development

The turnover of the Property Development Business for the current financial year was approximately RMB8,615.3 million (year ended 31 December 2016: RMB8,261.7 million). The segment results recorded a profit of approximately RMB1,143.9 million (year ended 31 December 2016: RMB222.1 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 2017, the Group started construction of 3 projects with 26 projects under construction in aggregate and a total of 23 projects on sale. As at 31 December 2017, the area of the Group's properties held for sales, properties under development and areas pending construction were approximately 0.57 million sq.m., 3.48 million sq.m. and 3.04 million sq.m., respectively.

Contracted Sales

In 2017, the number of the Group's real estate projects which generate income has a significant increase as compared with that of last year. As a result, both the amount and the area of contracted sales increased as compared with that of last year. In 2017, the Group realised an accumulated contracted sales of approximately RMB16.13 billion and sold an accumulated area of approximately 1,491,164 sq.m., with average selling price being RMB10,817.05 per sq.m.

Property Investment

The property investment business of the Group recorded a turnover of approximately RMB20.8 million (year ended 31 December 2016: RMB12.1 million) and segment profit of approximately RMB260.0 million (year ended 31 December 2016: RMB13.4 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 and the increase in average unit value of properties as a result of the improvement on infrastructure during the year. The significant increase in segment results was mainly due to increase in fair value gains on investment properties. The fair value gains was mainly attributable to those leasable commercial properties, including Wuhan International Building in Wuhan, The Sun's Group Centre in Hong Kong and Licheng International Park in Kunshan.

Distribution Business

Distribution of information products

The Distribution Business recorded a turnover of approximately RMB7,610.5 million representing an increase of 54.0% as compared to last financial year (year ended 31 December 2016: RMB4,942.9 million). The segment results recorded a profit of RMB73.2 million (year ended 31 December 2016: RMB37.2 million). The improvement in segment results was in line with the increase in revenue 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, Eaton 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

Under a new cycle for industry development, the Group will step up its efforts in implementing the five-year strategy with a focus on the Group's development through diligent works on quality as well as vertical integration and horizontal alignment of resources. On the back of the above, the Group aims at developing a new model of industrial-urban integration through comprehensive development in terms of real estate development, community service and business operation, while securing product clearance and price premium. The Group will also improve customer experience through "Quality plus Service" and enhance customer's loyalty with "Products plus Services", enhancing core competitiveness of the Group.

In 2018, the Group will focus on exploring the sectors which are under development whilst increasing land bank and project experience with a more open and flexible approach by pushing forward innovations. Meanwhile, the Group will endeavor to promote continuous implementation of projects by adopting a development model, for which real estate development will be integrated with business operation and all-rounded services for community life, respectively, with a view to reshaping a positive lifestyle. In addition, the Group will continue to devote itself to optimising the corporate governance and organisation structure, completing talent's incentive mechanism and enhancing cohesion of the team, with an aim to further promoting the implementation of strategies and delivering outstanding performance that benefits our shareholders.

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 approximately 1,435 employees as at 31 December 2017 (31 December 2016: 1,367).

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 Hong Kong and Mainland China. As at 31 December 2017, the Group had approximately RMB20,250.2 million interest-bearing bank and other borrowings (31 December 2016: RMB22,469.4 million), of which approximately RMB569.5 million (31 December 2016: RMB348.8 million) were floating interest bearing and RMB19,680.7 million (31 December 2016: RMB22,120.6 million) were fixed interest bearing. The borrowings, which were subject to little seasonality, consisted of mainly bank loans, trust receipt loans and loans from Peking University Resources Group Co., Ltd.* (北大資源集團有限公司) ("PKU Resources"), certain subsidiaries and associates of Peking University Founder Group Company Limited* (北大 方正集團有限公司) ("Peking Founder"), and borrowings from financial institutions. Peking Founder and PKU Resources are the substantial shareholders of the Company. Interest-bearing bank and other borrowings are denominated in Renminbi ("RMB") and United States Dollars ("U.S. dollars"), of which RMB18,127.1 million (31 December 2016: RMB9,120.5 million) were repayable within one year and RMB2,123.1 million (31 December 2016: RMB13,348.9 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 and the Group's stakes. 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 2017, the Group recorded total assets of approximately RMB47,106.2 million (31 December 2016: RMB43,939.9 million) which were financed by liabilities of approximately RMB44,880.7 million (31 December 2016: RMB42,253.8 million), noncontrolling interests of approximately RMB249.3 million (31 December 2016: RMB78.2 million) and equity attributable to owners of the parent of approximately RMB1,976.2 million (31 December 2016: RMB1,607.9 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 2017 was RMB0.35 (31 December 2016: RMB0.28). 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 RMB6,304.6 million as at 31 December 2017 (31 December 2016: RMB3,983.4 million). As at 31 December 2017, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total equity, was 9.1 (31 December 2016: 13.3) while the Group's current ratio was 1.09 (31 December 2016: 1.51). As at 31 December 2017, the capital commitments for contracted, but not provided for, properties under development were approximately RMB8,487.2 million (31 December 2016: RMB6,291.3 million).

Treasury policies

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

Exposure to fluctuations in exchange rates and related hedges

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

* For identification purposes only

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 2017 (31 December 2016: 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 2017, properties under development of approximately RMB13,729.4 million, properties held for sale of approximately RMB606.1 million and bank deposits of approximately RMB2,468.7 million 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 2017, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB4,406.4 million (31 December 2016: RMB3,220.3 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 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 real estate 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 interests and penalties and therefore no provision has been made for the guarantees in the consolidated financial statements as at 31 December 2017.

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 2017.

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 2017.

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 38 to 39 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 2017. 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	2/4	0/1	0/1
Ms Sun Min	2/4	0/1	0/1
Mr Shi Hua (appointed on 31 March 2017)	1/3	0/1	0/1
Ms Liao Hang (appointed on 31 March 2017)	3/3	0/1	0/1
Mr Zheng Fu Shuang	0/4	0/1	0/1
Mr Wei Jun Min (resigned on 31 March 2017)	0/1	0/0	0/0
Mr Xie Ke Hai (resigned on 31 March 2017)	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	3/4	1/1	1/1
Mr Chan Chung Kik, Lewis (appointed on 31 March 2017)	3/3	1/1	1/1
Mr Fung Man Yin, Sammy (resigned on 31 March 2017)	0/1	0/0	0/0

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

Each newly appointed director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her 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 development 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 2017. The individual training record of each director received for the year ended 31 December 2017 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	✓	✓
Ms Sun Min	✓	✓
Mr Shi Hua (appointed on 31 March 2017)	✓	✓
Ms Liao Hang (appointed on 31 March 2017)	✓	✓
Mr Zheng Fu Shuang	✓	✓
Mr Wei Jun Min (resigned on 31 March 2017)	✓	✓
Mr Xie Ke Hai (resigned on 31 March 2017)	✓	✓
Independent Non-executive Directors		
Mr Li Fat Chung	✓	✓
Ms Wong Lam Kit Yee	✓	✓
Mr Chan Chung Kik, Lewis (appointed on 31 March 2017)	✓	✓
Mr Fung Man Yin, Sammy (resigned on 31 March 2017)	✓	✓

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 OFFICER

The roles of the Chairman and the Chief Executive Officer are segregated 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, all of them are independent. Each independent non-executive director has entered into a service agreement 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 2017, 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 2017 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 2017 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	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. 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 recommendation 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.

In 2017, 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 follow:

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
Mr Fung Man Yin, Sammy	(Independent non-executive director)	0/0

AUDIT COMMITTEE

The Audit Committee of the Board has been 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 February 2016 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 possess appropriate professional accounting and financial qualifications.

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 standard, 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 2017, 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)	3/3
Ms Wong Lam Kit Yee	3/3
Mr Chan Chung Kik, Lewis	2/2
Mr Fung Man Yin, Sammy	0/1

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 purported to manage, but not eliminate, the risk of failure to fulfill 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 internal control system 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. 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 2017 and were satisfied that the risk management and internal control systems of the Group had functioned effectively and was adequate during the year.

INSIDE INFORMATION DISCLOSURE POLICY

An Inside Information Policy was adopted by the Company which sets out guidelines to the directors, 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
Statutory audit services	3,467
Other professional services:	
Agreed-upon procedures on interim results	650
Limited assurance services on continuing connected transactions	35
Reporting package to auditors of holding company	77
Compliance and tax advisory services	48
	810
Total	4,277

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for the preparation of the financial statements of the Group for the financial year ended 31 December 2017 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 49 to 53 of this Annual Report.

COMPANY SECRETARY

Ms Tang Yuk Bo, Yvonne has been the company secretary of the Company since 1992. Ms Tang has taken relevant professional trainings which are in compliance with Rule 3.29 of the Listing Rules for the year ended 31 December 2017.

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. Board members, including the Chairmen of the Board and Board committees and Board committee members, and the Company's external auditor attended the 2017 AGM and were available to answer questions from shareholders.

Under the Listing Rules, all resolutions proposed at shareholders' 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 resolutions to be voted on by the shareholders on a show of hands. Details of the poll procedures will be explained during the proceedings of shareholders' meetings. The poll voting results will be released and posted on the websites of The Stock Exchange of Hong Kong Limited (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 Articles 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.

THE SHAREHOLDERS' RIGHTS TO 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.

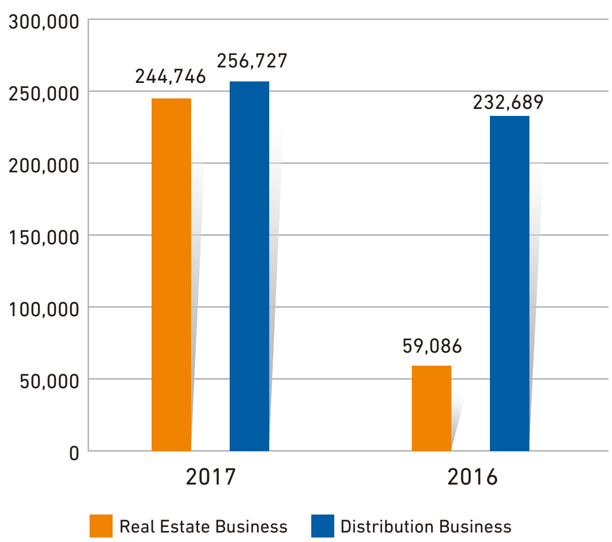
CONSTITUTIONAL DOCUMENTS

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

I. ENVIRONMENTAL PROTECTION

The Group is committed to becoming a leader in China's integrated industrial-urban development model, adhering to the corporate values of "sincerity, concentration, innovation and craftsmanship" and constantly assigning urban values from a global and ecological perspective. Therefore, the Group has always attached great importance to the concept of protecting the environment and maintaining the ecology and integrated it into all aspects of production and operation. Through the promotion of environmentally friendly building design, construction, and property management, the Group continuously optimizes the management system, raises the level of environmental protection, strengthens the overall awareness of the Group and its employees, strives to reduce the adverse impact on the environment, and takes the initiative to assume corporate environmental protection responsibility.

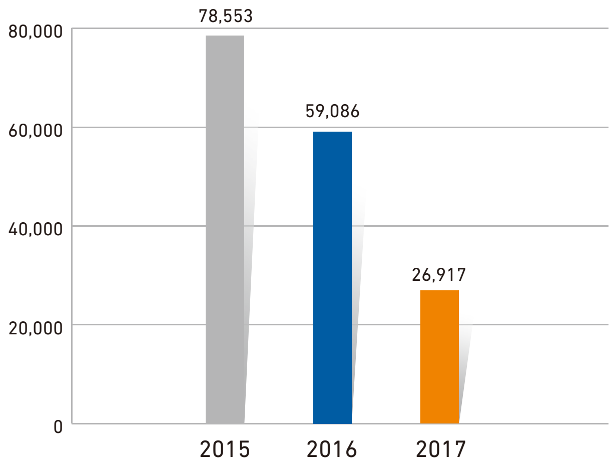
Carbon Emissions Indirectly Generated from Electricity Consumption



1. Carbon Emission

The business of the Group covers over more than 20 central cities in China and has formed a business layout focusing on the Bohai Economic Rim, the Yangtze River Delta, the Pearl River Delta, Central China, and the Southwest. Our Group takes the initiative to undertake the responsibility for energy conservation and emission reduction of enterprises and formulated corresponding systems to make every effort to reduce the impact of greenhouse gas emissions on the environment at all operational levels while achieving sustainable development of the real estate industry. As an outstanding participant in the real estate development industry, the Group views the urban development and product structure from a global and ecological perspective. We integrate green building concepts into real estate development and construction to reduce carbon emissions generated during the life cycle of the construction industry to fulfil the corporate obligations of emission reduction.

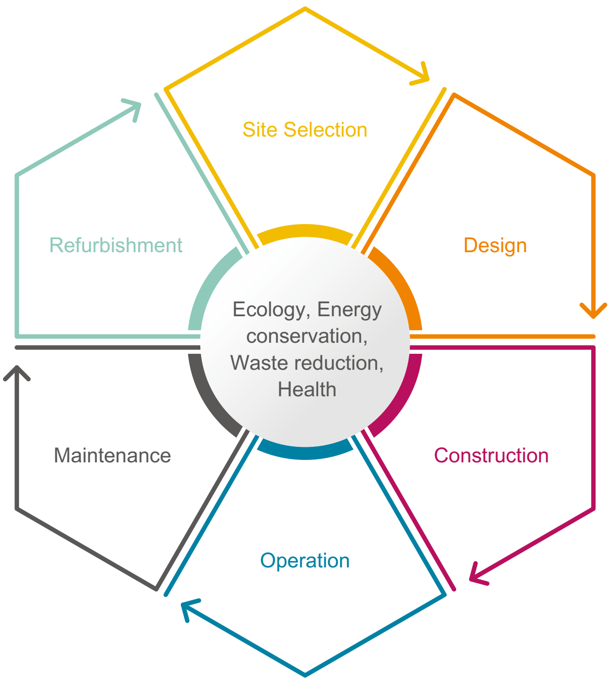
Emission of Greenhouse Gases Generated from Combustion of Fuel of Self-Owned Vehicles



The Group persists in adhering to the concept of green office and creates a uniform, efficient and energy-saving office environment. For the 2016 office area renovation, all downlights fixtures employed LED energy-saving lamps; during summer, the air conditioning temperature has been prescribed to be not less than 26 degrees; we have arranged that dedicated staff would check that the lights in office area are turned off at 21:30 and 23:30 every day, to ensure that once all employees in an area have all left, the lights must also be turned off; on 2017, for the sake of reducing staff traveling for meetings, we installed video-conferencing systems at Langrun and Linhuxuan to continuously increase the proportion of video-conferencing and strive to start from our surrounding to create a low-carbon and energy-saving culture.

The carbon emission of the Group mainly comes from the consumption of purchased electricity, the emission of greenhouse gas from combustion of fuel of self-owned vehicles, and the energy consumption during the development and construction of real estate. The total amount of greenhouse gas emissions produced by our Group's Beijing headquarters from the purchased electricity during the year is as follows:

Through effective vehicle management, the greenhouse gas emissions from combustion of fuel of self-owned vehicles of the Group's Beijing headquarters in 2017 amounted to approximately 26,917 kg, which was a decrease of 54% compared to 2016 (59,086 kg).



Green Design According to Local Conditions: Wuhan Zhongbei Road Project

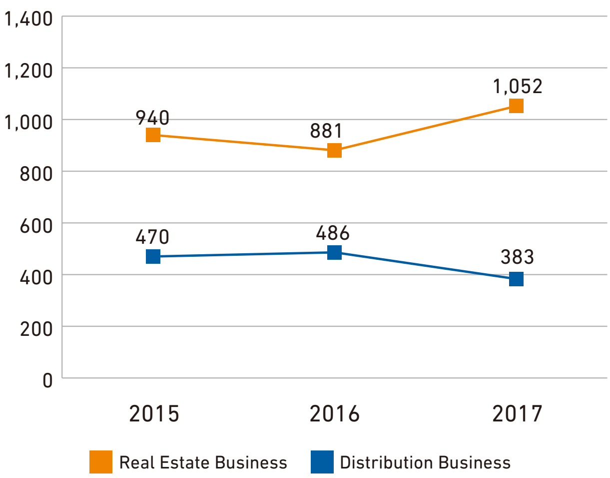
The Wuhan Zhongbei Road Project is located in the A-1 parcel of Hubei Construction Machinery Factory in Zhongbei Road, Wuchang District, Wuhan City. In order to enable the operations of the project more energy-efficient and environmentally friendly, PKU Resources Group integrates green concept into the project as early as the conceptual design stage.

2. Green Building

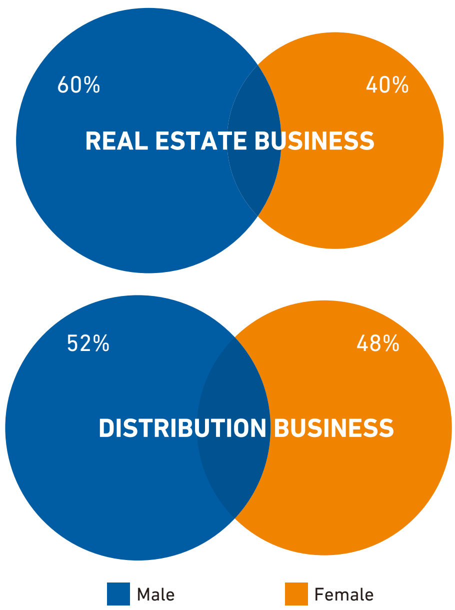
Green Building refers to a building in which it is friendly to the environment itself and resources are used effectively in all stages during its life cycle, such as site selection, design, construction, operation, maintenance, refurbishment, and demolition. The design of green buildings seeks to strike a balance between man-made buildings and the natural environment. This requires design teams, architects, engineers, and clients to work closely together at all stages of the project. In summary, green buildings incorporate four elements of "Ecology, Energy conservation, Waste reduction, and Health" throughout the entire life cycle of a building.

We adhered to the principles of building design in line with local conditions, formulated environmental protection design strategies, analysed data on Wuhan's local climate characteristics, and used advanced green building information modelling ("BIM") platforms to implement sustainable development design concepts. We innovated and developed "Integrated Design and Environment Technology IDEAS Box" (internal analysis tool for environment design specialists) to serve project start-ups at the construction and operation stages, provide performance metrics, and effectively support the design process in an effort to create healthy, eco-friendly landmark building with excellent quality for the city.

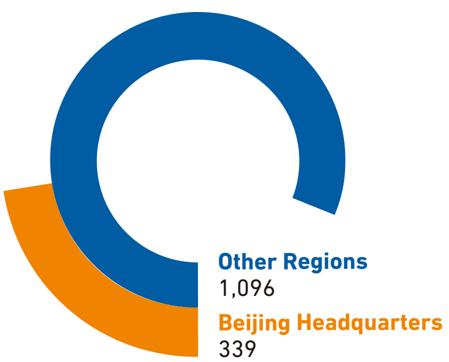
Number of Employees by Business:



Proportion of Employees by Gender:



Number of Employees by Region:



II. WORKING ENVIRONMENT

1. Labour Standards

Our headquarter for the real estate business and distribution business of the Group is located in Beijing, of which the real estate business has reached 1,052 employees in 12 provinces and cities across the country. The Group pays attention to the interests of all employees, focuses on fairness, promotes equality and diversified employment opportunities, and respects the principles of gender equality and anti-discrimination.

2. Employees' Welfare

Our Group has always adhered to the people-oriented business philosophy, located employees' interests at an important level of company operations, and paid attention to the physical and mental health of all employees and other welfare needs. The Group respects employees' efforts, not only providing good career development, but also providing good salary and benefits for all employees. The Group has a comprehensive welfare system and carefully considers the actual needs of its employees. In addition to strictly complying with the "Labour Law of the People's Republic of China" for employees to purchase social insurance, provident fund, unemployment, and work-related injury protection, the Group has taken the initiative to obtain additional commercial insurance to provide employees with more comprehensive transportation, accidents, and medical insurance, so that employees can have comfort with comprehensive protection. PKU Resources provides Spring Festival leave with a longer period than the state's statutory holiday, a 10-day paid sick leave and lunch allowance to provide employees with more warmhearted and comfortable protection. In addition, the Group further extends its care to the employees' family needs, setting up maternal and child rooms, employee lounges, and organizing infant care lectures and seminars on students entering middle schools from primary schools. It can be seen from the above that the Group regards its employees as an important value creator of the Group. It carefully cares for the needs of employees in all aspects and provides more benefits to employees through actual resource input. It enhances the sense of belonging and cohesion of employees, enhances team morale, and enhances corporate cohesion and vitality.

3. Training and Development

The Group deeply understands that self-development and raising self-value of employees can effectively enhance team strength, enhance business performance standards, and create longer-term and sustainable value for the Group. Therefore, PKU Resources has always been dedicated to provide employees with different levels and types of professional training to suit the individual needs, aiming to enhance the diversified professional skills of the employees, and at the same time lead the employees to better integrate into the company culture, enterprise system, and enhance the overall competitiveness of individuals and the Group. The Group has developed a series of training programs to meet the needs of different departments, including professional skills, general skills, and team leadership organization skills, covering the newly recruited employees to the management level, and strives to improve the general and professional knowledge of employees on all levels in all aspects. Among them, "Leveraging the Emerging Trends to Develop Our Future" seminar attracted nearly 290 people from all over the Group and greatly enhanced the team's communication and understanding of the Group's development direction and policies in the coming year. In addition, the Group launched three new employee training programs to help new employees better integrated into the Group's rules and regulations, corporate culture and strategy.

In response to the different professional needs of various departments, PKU Resources has organized different training programs:

- "Property Management Basic Knowledge Training" lets the property department colleagues obtain the basic knowledge of property management and improve the team's knowledge skill level and service quality at the same time.

- "Integration of Real Estate Industry and Urban Environment under the New Situation" allows real estate project staff to have a deeper understanding of the status quo in the industry and help improve team professionalism and business capabilities.

- "Integration of Tendering and Procurement, from Business Tax to Value-Added Tax and Real Estate Tendering and Procurement Management under the Group's Enhanced Monitoring" enhanced professionalism of the tendering and procurement business lines and promoted the standardization of tendering and procurement management.

4. Health and Safety

The Group has always paid close attention to the health and safety of employees. The Group is convinced that the health and safety of employees are closely related to the execution of work. Only healthy employees with positive and healthy minds can devote full energy to the work of the Group and create more value for the Group. The Group has therefore formulated a series of working standards to regulate the operation safety of employees and workers of contractors in the process of real estate development and construction. In addition, the Group is very concerned about the physical health of its employees. It provides free medical examinations for employees, organizes free clinic activities, and organizes badminton competitions. It also strengthens employees' awareness of health and protects their physical health.

III. OPERATING PRACTICE

1. Green Operation and Walk with Low Carbon-Emission

The Group insists on green procurement. In the process of purchasing raw materials, we prefer products with low carbon emission and low levels of environmental damage in the production process; in the procurement of materials such as steel, cement, and aluminium alloys, we strictly comply with the requirements of the state standard; during the procurement of decoration materials, paints, and other materials, the suppliers that have passed the qualification review must be ISO 14001 environmental management system certified. The suppliers must provide products that meet the requirements of the state's environmental protection management requirement and we prefer the new type of low carbon emission, environmental friendly and green building materials.

2. Product Quality

The Group regards quality as the lifeline of the corporation and the concept of "product + quality" as the basis for the survival of the corporation. The Group has always been committed to the research and development of innovative and high-quality real estate products to enhance customers' product experience, keep pace with the times, keep up with customer needs, and innovate and refine new products. The Group attaches great importance to product quality and upholds ingenuity and craftmanship to create first-class real estate that meets customer expectations. While adhering to the local government's quality specifications for the real estate construction industry, in order to maintain high quality, the Group strives for perfection and excellence in every aspect of production, formulates a series of strict standards, regulates output, and continuously improves product quality. Customer-oriented and customer-prioritised, the Group has a professional engineering quality monitoring team to control the quality of real estate products and provide customers protection.

3. Anti-corruption

The Group resolutely opposes all corruption and smuggling frauds. The Group has formulated a series of rules and regulations covering all aspects, from business departments to engineering construction management, in order to strictly eliminate all forms of corruption and bribery. Clearly regulating employees' behaviour includes "Rules Governing the Management of Tender for the Construction of Construction Projects" and "Rules Governing the Management of Tender for Marketing of Construction Projects." Among them, in the "Rules Governing Reimbursement by Staff", various types of employees' reimbursement contents are regulated in detail, and carefully stipulated rules for reimbursement of travel expenses. The Group always requires that all employees be required by the highest ethical standards and a high degree of professional integrity to maintain the positive image of the Group.

IV. CHARITY

Relying on Peking University, the Group have been dedicated to contributing to society while promoting the continuous development of enterprises, participating in the public construction of welfare in culture, education, and health, and actively utilizing the advantages of the Group to promote the progress of social civilization. The Group focuses on the society and are committed to sharing corporate technological and cultural development achievements with the community, taking the initiative to enter the community and participate in the construction of public civilization.

1. Charity Education – "PKU Resources Library"

The Group will be responsible for fulfilling its social responsibilities, hoping to contribute to the education of the old town districts. In July 2017, the "PKU Resources Library" aided by PKU Resources study aid program was formally put into use. The Love Library has comprehensive facilities such as a library, a reading room, and an electronic resource reading room. The library collects more than ten thousand books, greatly enriching the reading resources of children in the Jinggangshan area, enlightening their cultural thinking, broadening their horizons, and giving them more opportunities to get in touch with rest of the world and thus cultivate excellent talents for the country. In addition, the support of the Group does not stop at a single donation. The Group also provides long-term assistance plans, establishes a "Love Helping Party Member Base", organizes voluntary school-assistance activities, and promotes poverty alleviation work in schools, in an ad-hoc basis. The PKU Resources study aid program has sent support and student assistance materials to more than one thousand students in impoverished mountainous areas in the past year. It has fostered and supported mountain education with a warm heart and built a platform for social enterprise integration with its own resources. We spare no effort to contribute to social welfare.

2. Build dreams to grow and win the future – 2017 PKU Resources "PKU ReSOURCES Project"

The Group focus on children's growth and parent-child education. In July 2017, the "PKU ReSOURCES Growth" campaign on a series of seminar on parenting education was officially kicked off, and a series of activities spread throughout the country across multiple cities. As an important part of PKU Resources' "PKU ReSOURCES Project," "PKU ReSOURCES Growth" focuses on parent-child education and communication, family growth education, focusing on high-quality education, cultivating outstanding talents, and building children's self-confident childhood, and relying on the profound cultural resources of Peking University, promoting the development of parent-child education through cross-border cooperation. The program invites education experts to hold topic sharing and conduct multi-city tour events. It uses vivid cases to explain parent-child education methods in a simple and easily understood way.

3. Green Charity and Travel with the Earth – "Green Travel, Ecological Kunshan"

While adhering to the green operation, the Group actively organizes and participates in various types of green charity activities, strives to convey the green concepts, enhances the environmental protection awareness of all parties, and contributes to the construction of an ecological civilization.

Every year's September 22 is the World Car Free Day. As the major eco-lake town of western Kunshan City, PKU Resources•Jiujin Yihe has successfully carried out green riding activities. It called on the citizens of Kunshan to pay attention to the traffic environment and use practical actions to protect the environment that we rely on for our livelihoods.

On that day, the bike team formed by the participants rendered a beautiful urban landscape. This green travel event awakens the public's attention to health and ecological environment in Kunshan, promotes the citizens' conscious development of civilized travel habits, enhances the quality of residents, and further promotes the establishment of the ecological health community at PKU Resources.

Award ceremony of "Innovation Leads the Future 2017" International Youth Technology and Entrepreneurship Competition global finals

4. Innovation Leads the Future – 2017 International Youth Technology and Entrepreneurship Competition

The Group focuses on youth entrepreneurship. The Group's Peking University Science and Technology Park has been using "Innovation Leads the Future" as its core service brand to help promote corporate growth and entrepreneurial development, and to provide technical and financial support to small and medium-sized start-up organizations. Under the guidance of the government, Peking University Science and Technology Park, in conjunction with social capital, established industrial incubation funds to promote the development of start-up projects. In addition, the Group has also organized the International Youth Entrepreneurship Competition since 2014 to provide support for a series of innovative companies such as funding, project training, mentoring, and technical exchanges. The Group has spared no effort to support start-up companies, further promotes the development of national innovative technologies, foster potential new types of enterprises, and responds to the call of national innovation and development.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr Cheung Shuen Lung, aged 61, 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 47, 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 41, 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 42, 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 39, 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 52, 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 57, 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 54, 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 45, 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) ; (ii) HongGuang Lighting Holdings Company Limited (stock code: 8343), a company listed on the GEM; (iii) Founder since March 2017; and (iv) Wing Chi Holdings Limited (Stock code: 6080), a company listed on the Main Board, since September 2017. 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 57, 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. He has extensive experience and knowledge in the area of urban planning and real estate development and operation.

Mr Xia Ding, aged 51, 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 28 years of knowledge and experience in engineering management and real estate development and operation.

Mr Yang Dong, aged 47, 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 26 years of knowledge and experience in project management and real estate development and operation.

Mr Yang Ruifeng, aged 45, is the manager of Kaifeng Botao Property Development Co., Limited (開封博濤房地產開發有限公司) and Kaifeng Boming Property Development Co., Limited (開封博明房地產開發有限公司) since November 2017, both companies being subsidiaries of the Company. Mr Yang obtained a master's degree in engineering management from Tianjin University. Before joining the Company, Mr Yang has worked in a number of property development companies, including Huayuan Property Co., Ltd. and China Jinmao Holdings Group Limited. He possesses 20 years of knowledge and experience in operation management and real estate development and operation.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2017.

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 2017 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 54 to 136.

The directors do not recommend the payment of any dividend in respect of the year.

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 sections headed "Management Discussion and Analysis" on pages 15 to 20 of the annual report.

The financial risk management objectives and policies of the Group are set out in note 41 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 15 to 20 and "Financial Highlights" on page 140 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 29 to 37 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 139 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 12 and 13 to the financial statements, respectively. Further details of the Group's investment properties are set out on pages 137 to 138 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 29 and 30 to the financial statements, respectively.

CONVERSION OF CONVERTIBLE BONDS

On 27 December 2017, the Company received from Founder Information (Hong Kong) Limited (the "Subscriber"), the substantial shareholder of the Company and holder of the convertible bonds of the Company, a conversion notice in respect of the exercise of the subscription rights attached to the convertible bonds to convert an aggregate of HK$184,000,000 of the principal amount of the convertible bonds at the conversion price of HK$0.43 per conversion share. Accordingly, 427,906,976 conversion shares will be allotted and issued to the Subscriber pursuant to the terms and conditions of the convertible bonds. The conversion shares was allotted and issued to the Subscriber on 28 December 2017. Please refer to the Company's announcement dated 27 December 2017 for details.

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

At 31 December 2017, the Company had no reserves available for distribution. However, the Company's share premium account, in the amount of approximately RMB2,182,454,000, 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 less than 30% of the total purchase for the year.

None of the directors of the Company or any of their associates or any shareholders (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 Shi Hua (appointed on 31 March 2017)
Ms Liao Hang (appointed on 31 March 2017)
Mr Zheng Fu Shuang
Mr Wei Jun Min (resigned on 31 March 2017)
Mr Xie Ke Hai (resigned on 31 March 2017)

Independent, non-executive directors:

Mr Li Fat Chung
Ms Wong Lam Kit Yee
Mr Chan Chung Kik, Lewis (appointed on 31 March 2017)
Mr Fung Man Yin, Sammy (resigned on 31 March 2017)

In accordance with the Company's Bye-laws, Mr Cheung Shuen Lung, Ms Wong Lam Kit Yee and Mr Chan Chung Kik, Lewis 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 38 to 40 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 financial year. 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 2017, 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 584,984,000 shares through Starry Nation Limited, a company 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, a company which is ultimately beneficially owned by Mr Zheng Fu Shuang.

Save as disclosed above, as at 31 December 2017, 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 31 December 2017, 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	–	–
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	–	–

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
北大資源地產集團有限公司 (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 Property Group Company Limited.

4. Peking University Resources Property Group 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 2017, 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 10 March 2015, 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 two years ended 31 December 2017.

Information products of approximately RMB148,313,000 (2016: RMB130,546,000) 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 10 March 2015, the Company and Peking Founder entered into a master purchase agreement, pursuant to which the Group would purchase certain software products until 31 December 2017.

During the year, software products of approximately RMB55,847,000 (2016: RMB54,408,000) 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 Group (the "Master Property Management Service Agreement"), pursuant to which PKU Resources Group and its associates 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 Group, pursuant to which PKU Resources Group and its associates agree to provide pre-sale property management services to the Group for a term of three years ended 31 December 2019.

During the year, property management service fees of approximately RMB37,471,000 (2016: RMB16,724,000) 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 27 August 2015, 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 ended 31 December 2017. The annual caps for the service fees to be paid by the Entrustor to the Entrustee for the services under the agreement for each of the two years ending 31 December 2016 and 2017 is RMB40,000,000.

During the year, consultancy services of approximately RMB37,651,000 (2016: RMB18,757,000) 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.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event of the Group after the reporting period are set out in note 42 to the financial statement.

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.

ON BEHALF OF THE BOARD

Cheung Shuen Lung
Chairman

Hong Kong
26 March 2018

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the 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 54 to 136, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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

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 RMB35,568.3 million (after provision for impairment) constituted a significant portion of the total assets as at 31 December 2017, and net impairment losses of RMB188.5 million were recorded during the year ended 31 December 2017.

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 recoverable amounts of the properties under development and properties held for sale of the Group.

Relevant disclosures are included notes 3, 18 and 19 to the financial statements.

How our audit addressed the key audit matter

We understood the Group's accounting policies of provision for impairment of properties under development and properties held for sale. In assessing the recoverable amounts 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 also 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 the management's methodology at the year end.

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 2017, the Group incurred total borrowing costs of RMB1,776.4 million (before capitalisation), of which an aggregate amount of RMB1,687.1 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 3 and 7 to the 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 the 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 also assessed the methodology applied for the Group's capitalisation policy and re-calculated the capitalisation amounts of borrowing costs during the year based on the management's methodology.

KEY AUDIT MATTERS *(continued)*

Key audit matter

Provision for impairment of trade receivables

Trade receivables with an aggregate amount of RMB1,080.2 million (after provision for impairment) constituted a significant portion of the total assets of the Group as at 31 December 2017 and the Group was exposed to credit risk thereof. When determining whether a trade receivable is collectable, significant management judgements are involved in considering various factors, including the ageing of the balance, existence of disputes, recent historical payment patterns and other available information concerning the creditworthiness of the customer.

Relevant disclosures are included in notes 3 and 21 to the financial statements.

How our audit addressed the key audit matter

We assessed management's processes and controls relating to the monitoring of trade receivables to identify collection risks and understood management's assessment on the recoverability of trade receivables. We examined the ageing analysis of trade receivables and the cash receipts from customers after the year end as well as checked the underlying documents supporting the recoverability of the outstanding balances on a sampling basis. We also assessed the methodology applied for the Group's provisioning policy and evaluated the adequacy of the provision for impairment of trade receivables.

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.

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.

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

(continued)

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
26 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
REVENUE	5	**16,246,608**	13,216,611
Cost of sales		**(14,339,123)**	(12,334,520)
Gross profit		**1,907,485**	882,091
Other income and gains	5	**341,588**	48,952
Selling and distribution expenses		**(441,064)**	(398,290)
Administrative expenses		**(362,267)**	(287,649)
Other expenses and losses		**(15,424)**	(41,061)
Finance costs	7	**(89,379)**	(108,867)
Share of loss of an associate		**(2,649)**	(4,355)
PROFIT BEFORE TAX	6	**1,338,290**	90,821
Income tax expense	10	**(832,710)**	(479,498)
PROFIT/(LOSS) FOR THE YEAR		**505,580**	(388,677)
Attributable to:			
Owners of the parent		**333,451**	(235,992)
Non-controlling interests		**172,129**	(152,685)
		505,580	(388,677)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		**RMB5.56 cents**	RMB(3.94) cents
Diluted		**RMB5.20 cents**	RMB(3.94) cents

	2017 RMB'000	2016 RMB'000 (Restated)
PROFIT/(LOSS) FOR THE YEAR	**505,580**	(388,677)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**33,848**	(43,692)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**33,848**	(43,692)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**33,848**	(43,692)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**539,428**	(432,369)
Attributable to:		
Owners of the parent	**368,332**	(280,543)
Non-controlling interests	**171,096**	(151,826)
	539,428	(432,369)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	**31 December 2017 RMB'000**	31 December 2016 RMB'000 (Restated)	1 January 2016 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	12	**109,172**	110,252	82,548
Investment properties	13	**715,343**	423,917	305,769
Prepaid land lease payments	14	**11,609**	12,172	12,391
Goodwill	15	**–**	–	–
Other intangible assets	16	**1,076**	1,112	859
Investment in an associate	17	**7,093**	10,386	16,515
Total non-current assets		**844,293**	557,839	418,082
CURRENT ASSETS				
Properties under development	18	**29,844,496**	32,154,397	28,341,702
Properties held for sale	19	**5,723,850**	4,021,977	3,118,795
Inventories	20	**525,197**	355,175	274,225
Trade and bills receivables	21	**1,233,939**	927,735	700,725
Prepayments, deposits and other receivables	22	**1,983,981**	1,443,306	1,418,608
Prepaid tax		**645,908**	496,084	305,891
Restricted cash	23	**2,468,704**	1,858,282	1,025,554
Cash and cash equivalents	24	**3,835,855**	2,125,101	1,557,836
Total current assets		**46,261,930**	43,382,057	36,743,336
CURRENT LIABILITIES				
Trade and bills payables	25	**3,728,007**	4,277,160	3,307,235
Other payables and accruals	26	**20,045,881**	14,955,031	12,104,807
Interest-bearing bank and other borrowings	27	**18,127,086**	9,120,536	3,188,397
Tax payable		**694,363**	422,804	133,930
Total current liabilities		**42,595,337**	28,775,531	18,734,369
NET CURRENT ASSETS		**3,666,593**	14,606,526	18,008,967
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,510,886**	15,164,365	18,427,049

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	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)	1 January 2016 RMB'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,510,886**	15,164,365	18,427,049
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	27	**2,123,071**	13,348,895	15,982,327
Long term payable		**–**	–	150,593
Deferred tax liabilities	28	**162,304**	129,387	205,377
Total non-current liabilities		**2,285,375**	13,478,282	16,338,297
Net assets		**2,225,511**	1,686,083	2,088,752
EQUITY				
Equity attributable to owners of the parent				
Issued capital	29	**545,335**	509,505	509,505
Reserves	31	**1,430,913**	1,098,411	1,378,954
		1,976,248	1,607,916	1,888,459
Non-controlling interests		**249,263**	78,167	200,293
Total equity		**2,225,511**	1,686,083	2,088,752

Cheung Shuen Lung
Director

Zeng Gang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent												
	Issued capital RMB'000 (Restated)	Share premium account RMB'000 (Restated)	Merger reserve RMB'000 (Restated)	Employee share-based compensation reserve RMB'000 (Restated)	Contributed surplus RMB'000 (Restated)	Non-controlling interest reserve RMB'000 (Restated)	Exchange fluctuation reserve RMB'000 (Restated)	General reserve RMB'000 (Restated)	Other reserve RMB'000 (Restated)	Accumulated losses RMB'000 (Restated)	Total RMB'000 (Restated)	Non-controlling interests RMB'000 (Restated)	Total equity RMB'000 (Restated)
At 1 January 2016	509,505	2,107,666	(238,675)	38,602	551,764	(134,812)	(55,545)	51,951	110,618	(1,052,615)	1,888,459	200,293	2,088,752
Loss for the year	–	–	–	–	–	–	–	–	–	(235,992)	(235,992)	(152,685)	(388,677)
Other comprehensive income/(loss) for the year:													
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(44,551)	–	–	–	(44,551)	859	(43,692)
Total comprehensive loss for the year	–	–	–	–	–	–	(44,551)	–	–	(235,992)	(280,543)	(151,826)	(432,369)
Capital contributions from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	29,700	29,700
Transfer of employee share-based compensation reserve upon the expiry of share options	–	–	–	(38,602)	–	–	–	–	–	38,602	–	–	–
Transfer to general reserve	–	–	–	–	–	–	–	31,506	–	(31,506)	–	–	–
At 31 December 2016	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

continued/...

	Note	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 (restated)		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	29	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

* These reserve accounts comprise the consolidated reserves of RMB1,430,913,000 (2016: RMB1,098,411,000 (restated)) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,338,290**	90,821
Adjustments for:			
Finance costs	7	**89,379**	108,867
Share of loss of an associate		**2,649**	4,355
Interest income	5	**(28,610)**	(20,905)
Fair value gains on investment properties, net	5	**(244,506)**	(3,864)
Depreciation	6	**20,018**	25,341
Recognition of prepaid land lease payments	6	**536**	561
Amortisation of other intangible assets	6	**385**	277
Loss on disposal of items of property, plant and equipment, net	6	**54**	143
Impairment/(reversal of impairment) of trade receivables	6	**4,547**	(8,130)
Write-back of trade payables	6	**(41)**	(3,335)
Write-back of other payables	6	**(6,614)**	–
Provision/(reversal of provision) against obsolete inventories	6	**5,336**	(3,731)
Impairment of properties under development, net	6	**113,593**	20,531
Impairment of properties held for sale, net	6	**74,950**	292,294
		1,369,966	503,225
Decrease/(increase) in properties under development		**3,817,148**	(1,861,287)
Increase in properties held for sale		**(1,776,823)**	(1,195,476)
Increase in inventories		**(175,358)**	(77,219)
Increase in trade and bills receivables		**(310,751)**	(218,880)
Increase in prepayments, deposits and other receivables		**(540,648)**	(25,040)
Increase in restricted cash		**(610,422)**	(832,728)
Increase/(decrease) in trade and bills payables		**(549,112)**	973,260
Increase in other payables and accruals		**5,095,635**	2,473,408
Decrease in long term payable		**–**	(150,593)
Effect of foreign exchange rate changes, net		**47,403**	(62,556)
Cash generated from/(used in) operations		**6,367,038**	(473,886)
Interest received		**28,610**	20,905
Interest paid		**(1,774,616)**	(1,851,534)
Mainland China corporate income tax paid		**(446,027)**	(227,648)
Land appreciation tax paid		**(230,497)**	(226,817)
Net cash flows from/(used in) operating activities		**3,944,508**	(2,758,980)

continued/...

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
Net cash flows from/(used in) operating activities		**3,944,508**	(2,758,980)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	12	**(11,559)**	(12,047)
Purchases of other intangible assets	16	**(349)**	(563)
Purchases of investment properties	13	**–**	(2,327)
Proceeds from disposal of items of property, plant and equipment		**2,658**	481
Proceeds from disposal of other intangible assets		**–**	33
Dividend income from an associate		**–**	2,390
Net cash flows used in investing activities		**(9,250)**	(12,033)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other loans		**21,277,219**	13,057,596
Repayment of bank and other loans		**(23,495,629)**	(9,758,889)
Capital contributions from non-controlling shareholders of subsidiaries		**–**	29,700
Net cash flows from/(used in) financing activities		**(2,218,410)**	3,328,407
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,716,848**	557,394
Cash and cash equivalents at beginning of year		**2,125,101**	1,557,836
Effect of foreign exchange rate changes, net		**(6,094)**	9,871
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,835,855**	2,125,101
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**3,835,855**	2,125,101
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**3,835,855**	2,125,101

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 2017, 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").

* *For identification purposes only*

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 Direct	Indirect	Principal activities
Beijing Founder Century Information System Co., Ltd. ("PRC Century")#	PRC/Mainland China	Registered 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 ("Hubei Management")#	PRC/Mainland China	Registered 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	Registered RMB10,000,000	-	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		Principal activities
			Direct	Indirect	
Qingdao Boya Real Estate Co., Limited^	PRC/Mainland China	Registered RMB30,000,000	-	70	Property development
Tianjin Boya Properties Co., Limited^	PRC/Mainland China	Registered RMB50,000,000	-	60	Property development
Chengdu Hangmei Property Development Co., Limited^	PRC/Mainland China	Registered RMB30,000,000	-	70	Property development
Kunshan Hi-Tech Electronic Arts Creative Industry Development Co., Limited ("Kunshan Hi-Tech")^	PRC/Mainland China	Registered RMB200,000,000	-	51	Property development
Dongguan Yihui Property Co., Limited ("Dongguan Yihui")^	PRC/Mainland China	RMB30,000,000	-	100	Property development
Tianhe Property Development Co., Limited@	PRC/Mainland China	Registered RMB300,000,000	-	90	Property development
Changsha Henglong Property Development Co., Limited ("Changsha Henglong")^	PRC/Mainland China	Registered RMB10,000,000	-	63	Property development
Yongqin Limited	British Virgin Islands/ Hong Kong	Ordinary HK$2	100	-	Property investment
Chongqing Yingfeng Property Co., Limited ("Chongqing Yingfeng")#	PRC/Mainland China	RMB80,000,000	-	100	Property development
Foshan Peking University Resources Property Co., Limited ("Foshan Resources")@	PRC/Mainland China	RMB100,000,000	-	51	Property development
Wuhan Tianhe Jincheng Property Development Co., Limited ("Wuhan Tianhe Jincheng")^	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 ("Changsha Longxin")@	PRC/Mainland China	RMB30,000,000	-	70	Property development
Chengdu Lihui Property Co., Limited ("Chengdu Lihui")@	PRC/Mainland China	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 ("Chongqing Yingrun")@	PRC/Mainland China	RMB642,600,000	-	70	Property development
Chongqing Yingpu Investment Co., Limited ("Chongqing Yingpu")^	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 ("Qingdao Huafu")^	PRC/Mainland China	RMB50,000,000	-	70	Property development
Guiyang Henglong Property Co., Limited ("Guiyang Henglong")^	PRC/Mainland China	RMB50,000,000	-	70	Property development
Kaifeng Botao Property Development Co., Limited ("Kaifeng Botao")^	PRC/Mainland China	RMB50,000,000	-	100	Property development
Kaifeng Boming Property Development Co., Limited ("Kaifeng Boming")^	PRC/Mainland China	RMB20,000,000	-	100	Property development
Kunming Fangyuan Botai Zhiye Company Limited ("Kunming Fangyuan Botai")^	PRC/Mainland China	RMB50,000,000	-	85	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		Principal activities
			Direct	Indirect	
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

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 Yongqin Limited, 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 2017. 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.

2.1 BASIS OF PREPARATION (continued)

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. CHANGE IN PRESENTATION CURRENCY

The consolidated financial statements of the Group have been presented in Hong Kong dollar ("HK$"). During the year, having considered that (i) most of the Group's transactions are denominated and settled in RMB; and (ii) the change in the presentation currency could also reduce the impact of any fluctuations in the exchange rate of HK$ against RMB, which is not due to the operations and beyond the control of the Group, on the consolidated financial statements of the Group, in order to enable the shareholders of the company to have a more accurate picture of the Group's financial performance, the board of directors of the Company considers that it is more appropriate to use RMB as its presentation currency for its consolidated financial statements.

The change of presentation currency has been accounted for in accordance with HKAS 21 *The Effects of Changes in Foreign Exchange Rates* and such change has been applied retrospectively in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The following methodology was used to re-present the comparative figures as at 1 January 2016 and 31 December 2016 and for the year ended 31 December 2016, originally reported in HK$, in RMB:

(a) Income and expenditure were translated at the average rates of exchange prevailing for the relevant period;

(b) Assets and liabilities were translated at the closing rates of exchange at the end of the relevant period;

(c) Share capital and other reserves were translated at the applicable historical rates; and

(d) All resulting exchange differences were recognised in other comprehensive income.

2.2. CHANGE IN PRESENTATION CURRENCY (continued)

The relevant exchange rates used are as follows:

Year ended 31 December 2016	HK$1=RMB
Average rate	0.8585
Closing rate	0.8929
Year ended 31 December 2015	HK$1=RMB
Average rate	0.8145
Closing rate	0.8475

The change in presentation currency mainly impacted the carrying amount of exchange fluctuation reserve, changing it from HK$79,080,000 and HK$213,799,000 to RMB55,545,000 and RMB100,096,000 as at 1 January 2016 and 31 December 2016, respectively.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 33 to the financial statements.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group had no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group had no disposal group held for sale as at 31 December 2017.

2.4 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 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 19	*Employee Benefits*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 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.

The HKICPA issued amendments to HKFRS 2 in August 2016 that 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. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has determined that the provision for impairment will have no significant changes upon the initial adoption of the standard.

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.

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

HKFRS 15, issued in July 2014, 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 standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The expected changes in accounting policies, as further explained below, will have a material impact on the Group's financial statements from 2018 onwards. During 2017, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15.

The Group's principal activities consist of the distribution of information products, property development and property investment. The expected impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

(a) Sale of completed properties

During the year and in prior years, the Group accounted for sales 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 pursuant to the sales agreement, and the collectability of related receivables is reasonably assured. Under HKFRS 15, the sale of completed properties for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to obtain payment from the purchasers and the collection of the consideration is probable. The Group has determined that when HKFRS 15 is adopted, there will be no impact on the revenue recognition from the sale of completed properties based on the current contracts terms.

For contract where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a significant financing component. The discount rate reflects the credit characteristics of the borrower in the arrangement. The Group has determined that when HKFRS 15 is adopted, there would be financial costs recognised in the consolidated statement of profit or loss.

Under HKFRS 15, incremental costs of obtaining a contracts (i.e., costs that would not have been incurred if the contract had not been obtained) are recognised as an 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 determined that when HKFRS 15 is adopted, there would be no significant impact on the profit or loss of the Group.

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

(b) Variable consideration on the distribution of information products

The Group provides a right of return, trade discounts or volume rebates for some of the sales contracts of information products with customers. Currently, the Group recognises revenue from the sale of goods measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, revenue recognition is deferred until the uncertainty is resolved. Under HKFRS 15, a transaction price is considered variable if a customer is provided with a right of return, trade discounts or volume rebates. The Group is required to estimate the amount of consideration to which it will be entitled in the sale of its information products and the estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group has decided to use the expected value method to estimate the goods that will be returned as this method better predicts the amount of variable consideration to which the Group will be entitled. The Group will present a refund liability and an asset for the right to recover products from customers separately in the consolidated statement of financial position upon the adoption of HKFRS 15.

(c) Presentation and disclosure

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by HKFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

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

HKFRS 16, issued in May 2016, 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 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. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 36(b) to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB20,583,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

HKFRS 17, issued in May 2017, replaces HKFRS 4, which was brought in as an interim standard in 2004. HKFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. HKFRS 17 solves the comparison problems created by HKFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements.

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

Amendments to HKAS 40, issued in April 2017, 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 should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 19, issued in February 2018, require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements, but do not address the accounting for 'significant market fluctuations' in the absence of a plan amendment, curtailment or settlement.

Amendments to HKFRS 28, issued in October 2017, clarify that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using HKFRS 9. In applying HKFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying this standard.

HK(IFRIC)-Int 22, issued in June 2017, 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. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, 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.

2.5 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 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.

2.5 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 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.

2.5 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 and investment properties), 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.

2.5 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.

2.5 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.

2.5 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

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:

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 other expenses and losses in the statement of profit or loss.

Derecognition of financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any 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 assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not 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 and losses in the statement of profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, 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, net of directly attributable transaction costs.

Subsequent measurement

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

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

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

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the 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 30 to the financial statements.

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Foreign currencies

These financial statements are presented in RMB, which is the Group's presentation currency. The functional currency of the Company is the HK$ 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).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of the subsidiaries and the associate not established in the PRC 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 the PRC 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.

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.

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:

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.

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 for trade receivables

The Group maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. Further details are included in note 21 to the financial statements.

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 28 to the financial statements.

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 estimate 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 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 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 loss 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)

Year ended 31 December 2016

	Distribution of information products RMB'000 (Restated)	Property development RMB'000 (Restated)	Property investment RMB'000 (Restated)	Total RMB'000 (Restated)
Segment revenue				
Sales to external customers	4,942,853	8,261,692	12,066	13,216,611
Other revenue	3,749	20,354	3,944	28,047
	4,946,602	8,282,046	16,010	13,244,658
Segment results	37,243	222,055	13,446	272,744
Reconciliation:				
Interest income				20,905
Corporate and unallocated expenses				(93,961)
Finance costs				(108,867)
Profit before tax				90,821
Segment assets	2,367,400	38,992,750	912,834	42,272,984
Reconciliation:				
Elimination of intersegment receivables				(2,812,555)
Corporate and other unallocated assets				4,479,467
Total assets				43,939,896
Segment liabilities	1,398,570	19,875,971	770,207	22,044,748
Reconciliation:				
Elimination of intersegment payables				(2,812,555)
Corporate and other unallocated liabilities				23,021,620
Total liabilities				42,253,813
Other segment information:				
Share of loss of an associate	4,355	–	–	4,355
Investment in an associate	10,386	–	–	10,386
Fair value gains on investment properties, net	–	–	3,864	3,864
Reversal of impairment of trade receivables	8,130	–	–	8,130
Reversal of provision against inventories	3,731	–	–	3,731
Impairment of properties under development, net	–	20,531	–	20,531
Impairment of properties held for sale, net	–	292,294	–	292,294
Depreciation and amortisation	1,744	24,177	258	26,179
Capital expenditure*	3,120	11,817	–	14,937

* 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

	2017 RMB'000	2016 RMB'000 (Restated)
Mainland China	**16,193,538**	13,182,818
Hong Kong	**53,070**	33,793
	16,246,608	13,216,611

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

(b) Non-current assets

	2017 RMB'000	2016 RMB'000 (Restated)
Mainland China	**837,200**	547,453
Hong Kong	**7,093**	10,386
	844,293	557,839

The non-current asset information above is based on the locations of the 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 (2016: Nil).

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Note	2017 RMB'000	2016 RMB'000 (Restated)
Revenue			
Sale of goods		**7,610,511**	4,942,853
Sales of properties		**8,615,323**	8,261,692
Gross rental income		**20,774**	12,066
		16,246,608	13,216,611
Other income			
Bank interest income		**28,526**	20,905
Other interest income		**84**	–
Government grants*		**15,147**	–
Others		**53,325**	24,183
		97,082	45,088
Gains			
Fair value gains on investment properties, net	13	**244,506**	3,864
		341,588	48,952

* 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	2017 RMB'000	2016 RMB'000 (Restated)
Cost of inventories sold		**7,380,708**	4,777,428
Cost of properties sold		**6,764,536**	7,247,998
Provision/(reversal of provision) against inventories		**5,336**	(3,731)
Impairment of properties under development, net	18	**113,593**	20,531
Impairment of properties held for sale, net		**74,950**	292,294
Cost of sales		**14,339,123**	12,334,520
Auditor's remuneration		**3,467**	2,576
Depreciation	12	**20,018**	25,341
Less: Depreciation capitalised in properties under development		**(5,514)**	(5,849)
		14,504	19,492
Amortisation of prepaid land lease payments	14	**536**	561
Amortisation of other intangible assets	16	**385**	277
Loss on disposal of items of property, plant and equipment*		**54**	143
Impairment/(reversal of impairment) of trade receivables*	21	**4,547**	(8,130)
Write-back of trade payables		**(41)**	(3,335)
Write-back of other payables		**(6,614)**	–
Operating lease rentals in respect of land and buildings		**33,418**	28,120
Foreign exchange losses*		**10,823**	49,048
Employee benefit expense (including the directors' remuneration – note 8):			
Wages and salaries		**271,180**	250,178
Pension scheme contributions**		**13,559**	8,389
		284,739	258,567

* Impairment/(reversal of impairment) of trade receivables, net loss on disposal of items of property, plant and equipment and net foreign exchange losses are included in "Other expenses and losses" in the consolidated statement of profit or loss.

** At 31 December 2017, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2016: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Interest on bank loans and other loans	**1,358,865**	1,626,185
Interest on loans from related companies#	**407,270**	573,797
Interest on loans from non-controlling shareholders	**–**	17,040
Interest on discounted bills	**10,310**	11,329
Total interest expense	**1,776,445**	2,228,351
Less: Interest capitalised	**(1,687,066)**	(2,119,484)
	89,379	108,867

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:

	2017 RMB'000	2016 RMB'000 (Restated)
Fees	**328**	325
Other emoluments:		
Salaries, allowances and benefits in kind	**–**	172
	328	497

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:

	2017 RMB'000	2016 RMB'000 (Restated)
Mr Li Fat Chung	**109**	108
Ms Wong Lam Kit Yee	**109**	108
Mr Chan Chung Kik, Lewis*	**82**	–
Mr Fung Man Yin, Sammy*	**28**	60
Ms Cao Qian	**–**	49
	328	325

* Mr Fung Man Yin, Sammy resigned as an independent non-executive director of the Company and Mr Chan Chung Kik, Lewis was appointed as an independent non-executive director of the Company with the effect from 31 March 2017.

There were no other emoluments payable to the independent non-executive directors during the year (2016: 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
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**	–	–	–	–	–	–
	–	–	–	–	–	–

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

* Mr Shi Hua and Ms Liao Hang were appointed as executive directors of the Company with the effect from 31 March 2017.

** Mr Wei Jun Min and Mr Xie Ke Hai resigned as executive directors of the Company with the effect from 31 March 2017.

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

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

	Fees RMB'000 (Restated)	Salaries, allowances and benefits in kind RMB'000 (Restated)	Performance related bonuses RMB'000 (Restated)	Equity-settled share option expense RMB'000 (Restated)	Pension scheme contributions RMB'000 (Restated)	Total remuneration RMB'000 (Restated)
2016						
Executive directors:						
Mr Cheung Shuen Lung	–	–	–	–	–	–
Mr Zeng Gang	–	–	–	–	–	–
Mr Wei Jun Min	–	–	–	–	–	–
Mr Xie Ke Hai	–	–	–	–	–	–
Ms Sun Min	–	–	–	–	–	–
Mr Shi Hua	–	–	–	–	–	–
Mr Zheng Fu Shuang	–	–	–	–	–	–
Mr Fang Hao	–	91	–	–	–	91
Mr Zhou Bo Qin	–	81	–	–	–	81
	–	172	–	–	–	172

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 (2016: five) highest paid employees who are neither a director nor the chief executive of the Company are as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Salaries, allowances and benefits in kind	**4,539**	5,249
Performance related bonuses	**3,768**	7,593
Pension scheme contributions	**106**	108
	8,413	12,950

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	
	2017	2016
RMB1,000,001 to RMB2,000,000	**5**	1
RMB2,000,001 to RMB3,000,000	**–**	3
RMB3,000,001 to RMB4,000,000	**–**	1
	5	5

10. INCOME TAX

	2017 RMB'000	2016 RMB'000 (Restated)
Current – Hong Kong		
Charge for the year	**210**	356
Overprovision in prior years	**–**	(1)
Current – Mainland China		
Charge for the year	**390,571**	307,320
Underprovision in prior years	**446**	39
PRC LAT	**407,032**	245,431
Deferred (note 28)	**34,451**	(73,647)
Total tax charge for the year	**832,710**	479,498

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2016: 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/(loss) 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:

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 previous periods	–	–	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

10. INCOME TAX (continued)

2016

	Hong Kong		Mainland China		Total	
	RMB'000 (Restated)	%	RMB'000 (Restated)	%	RMB'000 (Restated)	%
Profit/(loss) before tax	(51,403)		142,224		90,821	
Tax at the statutory tax rate	(8,482)	16.5	35,556	25.0	27,074	29.8
Loss attributable to an associate	719	(1.4)	–	–	719	0.8
Income not subject to tax	(5)	–	(5)	–	(10)	–
Expenses not deductible for tax	8,030	(15.6)	2,548	1.8	10,578	11.6
Tax losses utilised from the previous periods	–	–	(87,071)	(61.2)	(87,071)	(95.9)
Tax losses not recognised	1,676	(3.3)	258,957	182.0	260,633	287.2
Temporary differences not recognised	–	–	83,464	58.7	83,464	91.9
Adjustments in respect of current tax of previous periods	(1)	–	39	–	38	–
LAT	–	–	245,431	172.6	245,431	270.2
Tax effect of LAT	–	–	(61,358)	(43.1)	(61,358)	(67.6)
Tax charge/(credit) at the Group's effective rate	1,937	(3.8)	477,561	335.8	479,498	528.0

There is no tax expense attributable to an associate (2016: share of tax credit of RMB10,000 (restated)) included in "Share of loss of an associate" in the consolidated statement of profit or loss.

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent of RMB333,451,000 (2016: loss of RMB235,992,000 (restated)), and the weighted average number of ordinary shares of 5,992,938,063 (2016: 5,988,248,671) in issue during the year.

The calculation of the diluted earnings per share amount for the year ended 31 December 2017 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 calculations of basic and diluted earnings/(loss) per share are based on:

	2017 RMB'000	2016 RMB'000 (Restated)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	**333,451**	(235,992)

	Number of shares	
	2017 RMB'000	2016 RMB'000
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings/(loss) per share calculation	**5,992,938,063**	5,988,248,671
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds classified as equity	**423,217,584**	–
	6,416,155,647	5,988,248,671

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2016 in respect of a dilution as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amount presented.

12. 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 2017						
At 31 December 2016 and at 1 January 2017:						
Cost (restated)	80,354	31,629	44,226	24,015	6,045	186,269
Accumulated depreciation (restated)	(8,557)	(20,136)	(31,185)	(16,139)	–	(76,017)
Net carrying amount (restated)	71,797	11,493	13,041	7,876	6,045	110,252
At 1 January 2017, net of accumulated depreciation (restated)	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 18)	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

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000 (Restated)	Furniture, fixtures and office equipment RMB'000 (Restated)	Motor vehicles RMB'000 (Restated)	Leasehold improvements RMB'000 (Restated)	Construction in progress RMB'000 (Restated)	Total RMB'000 (Restated)
31 December 2016						
At 1 January 2016:						
Cost	38,217	27,723	44,714	20,066	4,442	135,162
Accumulated depreciation	(136)	(14,701)	(24,357)	(13,420)	–	(52,614)
Net carrying amount	38,081	13,022	20,357	6,646	4,442	82,548
At 1 January 2016, net of accumulated depreciation	38,081	13,022	20,357	6,646	4,442	82,548
Additions	–	5,289	1,079	4,076	1,603	12,047
Transfer from properties under development (note 18)	42,137	–	–	–	–	42,137
Disposals	–	(622)	(2)	–	–	(624)
Depreciation provided during the year	(8,421)	(6,041)	(8,033)	(2,846)	–	(25,341)
Exchange realignment	–	(155)	(360)	–	–	(515)
At 31 December 2016, net of accumulated depreciation	71,797	11,493	13,041	7,876	6,045	110,252
At 31 December 2016:						
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

As at 31 December 2017, two of the Group's buildings with an aggregate carrying amount of RMB45,830,000 (2016: RMB37,967,000 (restated)) did not have building ownership certificates registered under the name of the subsidiaries of the Group.

13. INVESTMENT PROPERTIES

	2017 **RMB'000**	2016 RMB'000 (Restated)
Carrying amount at 1 January	**423,917**	305,769
Additions	**–**	2,327
Transfer from properties under development (note 18)	**56,108**	105,407
Net gains from fair value adjustments (note 5)	**244,506**	3,864
Exchange realignment	**(9,188)**	6,550
Carrying amount at 31 December	**715,343**	423,917

The Group's investment properties consist of one residential and seven commercial properties. The Group's investment properties were revalued on 31 December 2017 based on valuations performed by 北京經緯東元資產評估有限公司 (Beijing Jingwei Dongyuan Assets Appraisal Co., Ltd*) ("BJD"), independent professionally qualified valuers, at RMB715,343,000.

As at 31 December 2017, certain of the Group's investment properties, with an aggregate amount of RMB250,000,000 (2016: RMB109,000,000 (restated)) 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 summary details of which are included in note 36(a) to the financial statements.

Further particulars of the Group's investment properties are included on pages 137 and 138.

* *For identification purposes only*

13. 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 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**

	Fair value measurement as at 31 December 2016 using			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) RMB'000 (Restated)	Significant observable inputs (Level 2) RMB'000 (Restated)	Significant unobservable inputs (Level 3) RMB'000 (Restated)	Total RMB'000 (Restated)
Commercial properties	–	–	422,687	422,687
Residential properties	–	–	1,230	1,230
	–	–	423,917	423,917

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 (2016: Nil).

13. 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 2016 (restated)	304,619	1,150
Additions (restated)	2,327	–
Transfer from properties held for sale (restated)	105,407	–
Net gains from fair value adjustments recognised in other income and gains in profit or loss (restated)	3,784	80
Exchange realignment (restated)	6,550	–
Carrying amount at 31 December 2016 and 1 January 2017 (restated)	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	713,966	1,377

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	
			2017	2016
Residential properties	Market approach	Adjustment on market unit price (per sq.m.)	**–2.0% to–1.0%**	–9.4% to–4.8%
Commercial properties	Income approach	Adjustment on market rental (per sq.m. and per month)	**–10.0% to–5.0%**	–28.7% to–11.0%
		Adopted yield	**5.0% to 5.5%**	5.0% to 6.0%
	Market approach	Adjustment on market unit price (per sq.m.)	**–12.9% to 3.1%**	–15.5% to–9.0%

13. 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 economical 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.

14. PREPAID LAND LEASE PAYMENTS

	2017 RMB'000	2016 RMB'000 (Restated)
Carrying amount at 1 January	**12,537**	13,098
Recognised during the year	**(536)**	(561)
Carrying amount at 31 December	**12,001**	12,537
Current portion included in prepayments, deposits and other receivables	**(392)**	(365)
Non-current portion	**11,609**	12,172

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

15. GOODWILL

	2017 RMB'000	2016 RMB'000 (Restated)
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.

16. OTHER INTANGIBLE ASSETS

	Computer software RMB'000
31 December 2017	
Cost at 1 January 2017, net of accumulated amortisation (restated)	**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**
31 December 2016	
Cost at 1 January 2016, net of accumulated amortisation (restated)	859
Additions (restated)	563
Amortisation provided during the year (restated)	(277)
Disposal (restated)	(33)
At 31 December 2016 (restated)	1,112
At 31 December 2016:	
Cost (restated)	1,920
Accumulated amortisation (restated)	(808)
Net carrying amount (restated)	1,112

17. INVESTMENT IN AN ASSOCIATE

	2017 RMB'000	2016 RMB'000 (Restated)
Share of net assets	**7,093**	10,386

Particulars of the Group's associate are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group	Principal activities
MC.Founder Limited*	Ordinary shares	Hong Kong	36.69	Investment holding and distribution of mobile phones and data products

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

The Group's shareholding in the associate is held through a direct wholly-owned subsidiary of the Company.

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

	2017 RMB'000	2016 RMB'000 (Restated)
Share of the associate's loss and total comprehensive loss for the year	**2,649**	4,355
Dividend received	**–**	2,390
Exchange realignment	**(644)**	616
Carrying amount of the Group's investment in an associate	**7,093**	10,386

18. PROPERTIES UNDER DEVELOPMENT

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
Carrying amount at 1 January		**32,154,397**	28,341,702
Additions		**3,803,341**	8,344,908
Transfer to investment properties	13	**(56,108)**	(105,407)
Transfer to properties held for sale		**(5,933,423)**	(4,364,138)
Transfer to property, plant and equipment	12	**(10,118)**	(42,137)
Impairment	6	**(113,593)**	(20,531)
Carrying amount at 31 December		**29,844,496**	32,154,397
Properties under development expected to be completed within normal operating cycle and classified as current assets and expected to be recovered:			
Within one year		**12,998,473**	6,211,054
After more than one year		**16,846,023**	25,943,343
		29,844,496	32,154,397

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

As at 31 December 2017, certain of the Group's properties under development with an aggregate carrying amount of approximately RMB12,832,387,000 (2016: RMB24,781,876,000 (restated)) were pledged to banks and financial institutions to secure loans granted to the Group (note 27).

19. 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 2017, certain of the Group's properties held for sale with an aggregate carrying amount of approximately RMB606,051,000 (2016: RMB347,706,000 (restated)) were pledged to banks and financial institutions to secure loans granted to the Group (note 27).

20. INVENTORIES

	2017 RMB'000	2016 RMB'000 (Restated)
Trading stocks	**525,197**	355,175

21. TRADE AND BILLS RECEIVABLES

	2017 RMB'000	2016 RMB'000 (Restated)
Trade receivables	**1,097,940**	845,116
Bills receivable	**153,698**	95,771
	1,251,638	940,887
Impairment	**(17,699)**	(13,152)
	1,233,939	927,735

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 for 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 as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Within 6 months	**1,166,990**	908,425
7 to 12 months	**12,386**	15,997
13 to 24 months	**54,563**	3,313
	1,233,939	927,735

21. TRADE AND BILLS RECEIVABLES (continued)

The movements in provision for impairment of trade receivables are as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
At 1 January	**13,152**	21,282
Impairment losses recognised, net	**4,547**	(8,130)
At 31 December	**17,699**	13,152

Included in the above provision for impairment for trade receivables is a provision for individually impaired trade receivables of RMB17,699,000 (2016: RMB13,152,000 (restated)) with a carrying amount before provision of RMB106,616,000 (2016: RMB32,754,000 (restated)). The individually impaired trade receivables relate to customers that were in financial difficulties.

The ageing analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Neither past due nor impaired	**1,098,681**	864,675
Past due but not impaired:		
Less than 1 month past due	**22,320**	30,540
1 to 3 months past due	**17,154**	10,829
Over 3 months past due	**6,867**	2,089
	1,145,022	908,133

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

Receivables that were past due but not impaired relate to a number of individual customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

21. TRADE AND BILLS RECEIVABLES (continued)

Financial assets that are not derecognised in their entirety

At 31 December 2017, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB31,040,000 (2016: RMB7,475,000 (restated)) 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 RMB31,040,000 as at 31 December 2017 (2016: RMB7,475,000 (restated)).

Financial assets that are derecognised in their entirety

At 31 December 2017, 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 RMB204,227,000 (2016: RMB87,695,000 (restated)). The Derecognised Bills had a maturity from one to 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.

At 31 December 2017, no bills receivable of the Group (2016: RMB52,008,000 (restated)) were pledged to banks to secure certain of the Group's bills payable (2016: RMB63,330,000 (restated)) (note 25).

Included in the Group's trade and bills receivables are amounts due from fellow subsidiaries of approximately RMB73,567,000 (2016: RMB23,791,000 (restated)), which are repayable on credit terms similar to those offered to the major customers of the Group.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000 (Restated)
Prepayments	**1,384,625**	717,425
Deposits	**314,703**	298,724
Other receivables	**284,653**	427,157
	1,983,981	1,443,306

Included in the Group's other receivables are amounts due from fellow subsidiaries and the immediate holding company amounting to RMB82,697,000 (2016: RMB37,663,000 (restated)) and nil (2016: RMB150,787,000 (restated)), respectively, which are unsecured, interest-free and have no fixed terms of repayment.

23. 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.

24. CASH AND CASH EQUIVALENTS

	2017 RMB'000	2016 RMB'000 (Restated)
Cash and bank balances	**3,835,855**	2,125,101

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB3,718,274,000 (2016: RMB2,026,776,000 (restated)). 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 2017, included in the Group's cash and cash equivalents were cash and bank balances of RMB1,409,701,000 (2016: RMB1,504,000 (restated)) 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.

25. TRADE AND BILLS PAYABLES

	2017 RMB'000	2016 RMB'000 (Restated)
Trade payables	**3,493,493**	3,941,468
Bills payable	**234,514**	335,692
	3,728,007	4,277,160

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

	2017 RMB'000	2016 RMB'000 (Restated)
Within 6 months	**3,631,682**	4,242,717
Over 6 months	**96,325**	34,443
	3,728,007	4,277,160

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

At 31 December 2017, no bills payable of the Group (2016: RMB63,330,000 (restated)) were secured by the pledge of the Group's bills receivable (2016: RMB52,008,000 (restated)) (note 21).

Included in the Group's trade and bills payables are amounts due to fellow subsidiaries of approximately RMB24,490,000 (2016: RMB20,663,000 (restated)), which are repayable on credit terms similar to those offered by other similar suppliers of the Group.

26. OTHER PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000 (Restated)
Other payables	**3,996,053**	4,102,264
Accruals	**14,776**	16,446
Receipt in advance	**16,023,012**	10,807,240
Deferred income	**12,040**	29,081
	20,045,881	14,955,031

Other payable are non-interest-bearing and 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 RMB802,892,000, RMB1,527,712,000 and RMB387,552,000 (2016: RMB1,704,251,000 (restated), RMB1,126,157,000 (restated) and RMB325,085,000 (restated)), respectively, which are unsecured, interest-free and have no fixed terms of repayment.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate %	**Maturity**	**RMB'000**	Effective interest rate %	Maturity	RMB'000 (Restated)
Current						
Bank loans–secured	**7.0**	**2018**	**550,000**	4.5–5.9	2017	249,100
Bank loans–secured[@]	**–**	**–**	**–**	LPR+20%–30%	2017	188,753
Bank loans–unsecured	**4.6–5.7**	**2018**	**454,897**	–	–	–
Bank loans–unsecured[@]	**LPR+3%–15%**	**2018**	**170,000**	–	–	–
Other loans–secured[#]	**5.8–8.1**	**2018**	**12,605,244**	7.3–10.4	2017	5,758,500
Other loans–unsecured[*]	**4.0–12.0**	**2018**	**356,945**	7.8–12.0	2017	1,535,683
Other loans–unsecured[*@]	**LPR+38%**	**2018**	**200,000**	–	–	–
Other loans–unsecured[#]	**6.7–8.8**	**2018**	**3,790,000**	10.4–12.0	2017	1,278,500
Other loans–unsecured[^]	**–**	**–**	**–**	12.0	2017	110,000
			18,127,086			9,120,536
Non-current						
Bank loans–secured	**7.0**	**2019**	**210,000**	–	–	–
Bank loans–secured[@]	**LPR+10%**	**2019**	**199,500**	LPR+10%–30%	2018–2019	160,000
Other loans–secured[#]	**7.3–7.8**	**2019**	**850,000**	6.5–8.7	2018–2019	9,066,000
Other loans–unsecured*	**7.5–12.0**	**2020–2022**	**863,571**	12.0	2018–2019	4,122,895
			2,123,071			13,348,895
			20,250,157			22,469,431

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

\# The balances represent borrowings from financial institutions.

^ The balance represents amounts due to non-controlling shareholders.

@ The balances represent loans with floating interest rates.

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

	2017 RMB'000	2016 RMB'000 (Restated)
Analysed into:		
Bank loans repayable:		
Within one year	**1,174,897**	437,853
In the second year	**409,500**	100,000
In the third to fifth years, inclusive	**–**	60,000
	1,584,397	597,853
Other loans repayable:		
Within one year	**16,952,189**	8,682,683
In the second year	**850,000**	12,813,288
In the third to fifth years, inclusive	**863,571**	375,607
	18,665,760	21,871,578
	20,250,157	22,469,431

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 RMB13,729,387,000 (2016: RMB24,781,876,000 (restated));

b) the pledge of certain of the Group's properties held for sale amounting to RMB606,051,000 (2016: RMB347,706,000 (restated));

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

d) 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 RMB18,221,344,000 (2016: RMB12,678,170,000 (restated)), and PKU Resources has provided properties as securities to the Group's loans amounting to RMB2,090,000,000 (2016: Nil) as at the end of the reporting period.

(b) Except for the bank and other borrowings amounting to approximately RMB13,082,000 (2016: Nil) which are denominated in United States dollars, all bank and other borrowings are denominated in RMB.

28. DEFERRED TAX

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

	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 2016 (restated)	10,115	12,435	182,827	205,377
Deferred tax charged/(credited) to the statement of profit or loss during the year (restated) (note 10)	3,337	2,132	(79,116)	(73,647)
Exchange realignment (restated)	(2,343)	–	–	(2,343)
At 31 December 2016 and 1 January 2017 (restated)	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	65,964	17,196	79,144	162,304

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

	2017 RMB'000	2016 RMB'000 (Restated)
Tax losses	**2,239,453**	1,604,536
Deductible temporary differences	**261,903**	348,014
	2,501,356	1,952,550

The Group has tax losses arising in Hong Kong of RMB66,065,000 (2016: RMB66,030,000 (restated)) 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 RMB2,173,388,000 (2016: RMB1,538,506,000 (restated)) 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.

28. DEFERRED TAX (continued)

At 31 December 2017, 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 of the Company, 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 RMB1,707,913,000 at 31 December 2017 (2016: RMB992,726,000 (restated)).

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

29. SHARE CAPITAL

Shares

	2017 **HK$'000**	2016 HK$'000
Authorised:		
15,000,000,000 (2016: 15,000,000,000) ordinary shares of HK$0.10 each	**1,500,000**	1,500,000

	2017		2016	
	HK$'000	**RMB'000 (equivalent)**	HK$'000	RMB'000 (equivalent)
Issued and fully paid:				
6,416,155,647 (2016: 5,988,248,671) ordinary shares of HK$0.10 each	**641,616**	**545,335**	598,825	509,505

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

	Number of shares in issue
At 1 January 2016, 31 December 2016 and 1 January 2017	5,988,248,671
Conversion of convertible bonds (note)	427,906,976
At 31 December 2017	6,416,155,647

29. SHARE CAPITAL (continued)

Shares (continued)

	Share capital	premium account	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2016, 31 December 2016 and 1 January 2017 (restated)	509,505	2,107,666	2,617,171
Conversion of convertible bonds	35,830	74,788	110,618
At 31 December 2017	545,335	2,182,454	2,727,789

Note: In December 2017, Founder Information converted the convertible bonds issued by the Company (note 31) 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 30 to the financial statements.

30. 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.

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.

30. SHARE OPTION SCHEME (continued)

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:

	2017		2016	
	Weighted average exercise price HK$ per share	**Number of share options '000**	Weighted average exercise price HK$ per share	Number of share options '000
At 1 January	–	–	0.910	147,057
Expired during the year	–	–	0.910	(147,057)
At 31 December	–	–	0.910	–

31. 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 pages 58 to 59 of the financial statements.

The employee share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in note 2.5 to the financial statements. The amount is either to be transferred to the share premium account when the related options are exercised, or be transferred to accumulated losses should the related options expire or be forfeited.

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 therefor.

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 29 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.

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

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

	2017	2016
Percentage of equity interest held by non-controlling interests		
Kunshan Hi-Tech	**49%**	49%

	2017 **RMB'000**	2016 RMB'000 (Restated)
Profit/(loss) for the year allocated to non-controlling interests		
Kunshan Hi-Tech	**111,347**	(70,324)
Accumulated balances of non-controlling interests at the reporting date		
Kunshan Hi-Tech	**289,126**	177,779

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

	2017 **RMB'000**	2016 RMB'000 (Restated)
Revenue	**500,065**	826,861
Total expenses	**(272,826)**	(970,378)
Profit/(loss) for the year	**227,239**	(143,517)
Total comprehensive income/(loss) for the year	**227,239**	(143,517)
Current assets	**2,792,386**	993,016
Non-current assets	**226,516**	108,937
Current liabilities	**(1,799,350)**	(420,146)
Non-current liabilities	**(629,499)**	(318,993)
Net cash flows from operating activities	**481,083**	353,836
Net cash flows used in investing activities	**(1,799)**	(69,058)
Net cash flows used in financing activities	**(158,748)**	(243,000)
Net increase in cash and cash equivalents	**320,536**	41,778

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank and other loans RMB'000
At 1 January 2017 (restated)	22,469,431
Changes from financing cash flows	(2,218,410)
Foreign exchange movement	(864)
At 31 December 2017	20,250,157

34. CONTINGENT LIABILITIES

As at 31 December 2017, 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 RMB4,406,356,000 (2016: RMB3,220,282,000 (restated)). 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 2017 (2016: Nil).

35. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in note 27 to the financial statements.

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 13 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 non-cancellable operating leases with its tenants falling due as follows:

	2017 **RMB'000**	2016 RMB'000 (Restated)
Within one year	**33,664**	18,005
In the second to fifth years, inclusive	**74,240**	49,561
After five years	**38,203**	18,624
	146,107	86,190

(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 non-cancellable operating leases falling due as follows:

	2017 **RMB'000**	2016 RMB'000 (Restated)
Within one year	**10,384**	12,240
In the second to fifth years, inclusive	**10,199**	7,402
	20,583	19,642

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36(b) above, the Group had the following capital commitments at the end of the reporting period:

	2017 RMB'000	2016 RMB'000 (Restated)
Contracted, but not provided for:		
Properties under development	**8,487,177**	6,291,263

38. 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	2017 RMB'000	2016 RMB'000 (Restated)
Transactions with fellow subsidiaries:			
Sales of goods**	(i)	**150,136**	130,546
Purchases of goods**	(i)	**56,652**	54,408
Service fee income*	(i)	**37,651**	18,757
Rental income	(i)	**157**	73
Service fee expenses**	(i)	**39,571**	16,724
Interest income	(ii)	**84**	903
Interest expenses	(iii)	**407,270**	590,837
Transactions with an intermediate holding company:			
Sales of goods*	(i)	**180**	6

* 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 with Founder Finance, which are unsecured and bear interest at rates of 0.455% to 1.495% per annum.

38. RELATED PARTY TRANSACTIONS (continued)

Transactions and commitments with related parties (continued)

(a) (continued)

Notes: (continued)

(iii) The interest expenses were attributable to the loans from PKU Resources, which are unsecured and bear interest at rates of 7.5% to 12% per annum; a loan from Founder HK, which is unsecured and bears interest at a rate of 6% per annum; a loan from Peking Founder, which is unsecured and bears interest at a rate of 4.48% per annum; a loan from Founder Finance, which is unsecured and bears interest at a rate of 6.003% per annum; and loans from Founder Factoring, which are unsecured and bear interest at rates of 4% to 7.5% per annum.

(b) During the year, the Group obtained from PKU Resources, Founder HK, Peking Founder, Founder Finance and Founder Factoring short-term and long-term loans with aggregate amounts of RMB7,757,883,000 (2016: RMB632,689,000 (restated)) and RMB1,874,305,000 (2016: RMB3,201,454,000 (restated)), respectively. Further details of these loans are set out in notes 27 and 38(a)(iii) of the financial statements.

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

	2017 **RMB'000**	2016 RMB'000 (Restated)
Short term employee benefits	**1,127**	2,064
Salaries, allowances and benefits in kind	**3,712**	3,798
Total compensation paid to key management personnel	**4,839**	5,862

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

39. 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:

	2017 RMB'000	2016 RMB'000 (Restated)
Financial assets – Loans and receivables		
Trade and bills receivables	**1,233,939**	927,735
Financial assets included in prepayments, deposits and other receivables	**599,356**	725,881
Restricted cash	**2,468,704**	1,858,282
Cash and cash equivalents	**3,835,855**	2,125,101
	8,137,854	5,636,999
Financial liabilities – Financial liabilities at amortised cost		
Trade and bills payables	**3,728,007**	4,277,160
Financial liabilities included in other payables and accruals	**3,996,053**	4,102,264
Interest-bearing bank and other borrowings	**20,250,157**	22,469,431
	27,974,217	30,848,855

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, 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 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.

41. 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, 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 27 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 RMB'000**
2017		
RMB	**100**	**(5,695)**
RMB	**(100)**	**5,695**

	Increase/ (decrease) in basis points %	Decrease/ (increase) in profit before tax RMB'000 (Restated)
2016		
RMB	100	(3,488)
RMB	(100)	3,488

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

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 21 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.

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:

	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**

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	2016		
	Within 1 year RMB'000 (Restated)	Over 1 year RMB'000 (Restated)	Total RMB'000 (Restated)
Trade and bills payables	4,277,160	–	4,277,160
Financial liabilities included in other payables and accruals	4,102,264	–	4,102,264
Interest-bearing bank and borrowings	10,860,978	14,231,338	25,092,316
	19,240,402	14,231,338	33,471,740

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 2017 and 31 December 2016.

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:

	2017 RMB'000	2016 RMB'000 (Restated)
Interest-bearing bank and other borrowings	**20,250,157**	22,469,431
Total equity attributable to owners of the parent	**1,976,248**	1,607,916
Debt to equity ratio	**10.25**	13.97

42. EVENT AFTER THE REPORTING PERIOD

In January 2018, a subsidiary of the Group received notification from Kaifeng Municipal People's Government of China ("Kaifeng Municipal Government") that as part of the Acquired Land is within the Free Trade Zone and/or the adjacent areas of the Free Trade Zone, Kaifeng Municipal Government intends to repurchase the land use rights of 784.03 mu land out of the Acquired Land with a consideration according to government planning. As of the reporting date, the transition price has not been confirmed and delivery has not been completed.

43. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the change of presentation currency during the year, the comparative figures in the consolidated financial statements have been restated from HK$ to RMB, and a third statement of financial position as at 1 January 2016 has been presented. Certain comparative figures have been reclassified and restated to conform with the current year's presentation.

44. 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:

	2017 RMB'000	2016 RMB'000 (Restated)
NON-CURRENT ASSETS		
Investments in subsidiaries	**844,982**	900,811
Total non-current assets	**844,982**	900,811
CURRENT ASSETS		
Prepayments, deposits and other receivables	**1,196,673**	1,409,952
Cash and cash equivalents	**56,241**	26,963
Total current assets	**1,252,914**	1,436,915
CURRENT LIABILITIES		
Other payables and accruals	**52,791**	167,327
Total current liabilities	**52,791**	167,327
NET CURRENT ASSETS	**1,200,123**	1,269,588
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,045,105**	2,170,399
Net assets	**2,045,105**	2,170,399
EQUITY		
Issued capital	**545,335**	509,505
Reserves	**1,499,770**	1,660,894
Total equity	**2,045,105**	2,170,399

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

Note:

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

	Note	Share premium account RMB'000	Employee share-based compensation reserve 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 2016 (restated)		2,107,666	38,602	561,056	88,862	110,618	(746,360)	2,160,444
Loss for the year (restated)		–	–	–	–	–	(615,832)	(615,832)
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations (restated)		–	–	–	116,282	–	–	116,282
Transfer of employee share-based compensation reserve upon the expiry of share options (restated)		–	(38,602)	–	–	–	38,602	–
At 31 December 2016 and at 1 January 2017 (restated)		**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	29	**74,788**	**–**	**–**	**–**	**(110,618)**	**–**	**(35,830)**
At 31 December 2017		**2,182,454**	**–**	**561,056**	**70,308**	**–**	**(1,314,048)**	**1,499,770**

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 therefor. 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.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 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 Centre 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

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

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				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)	(Restated)	(Restated)
REVENUE	**16,246,608**	13,216,611	6,356,887	4,954,590	2,398,201
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**333,451**	(235,992)	(193,612)	(170,975)	(42,118)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)	(Restated)	(Restated)
TOTAL ASSETS	**47,106,223**	43,939,896	37,161,418	35,668,583	17,130,480
TOTAL LIABILITIES	**(44,880,712)**	(42,253,813)	(35,072,666)	(33,563,395)	(15,869,850)
NON-CONTROLLING INTERESTS	**(249,263)**	(78,167)	(200,293)	(734,505)	(275,579)
	1,976,248	1,607,916	1,888,459	1,370,683	985,051

FINANCIAL HIGHLIGHTS

31 December 2017

	2017 RMB'million	2016 RMB'million	+/(-) Change
FINANCIAL PERFORMANCE			
Revenue	**16,247**	13,217	22.9%
Gross profit margin	**11.7%**	6.7%	
Profit/(loss) for the year	**506**	(389)	
KEY FINANCIAL INDICATORS			
Cash and cash equivalents	**3,836**	2,125	80.5%
Net current assets	**3,667**	14,607	(74.9%)
Total assets	**47,106**	43,940	7.2%
Total liabilities	**44,881**	42,254	6.2%
Interest-bearing bank and other borrowings	**20,250**	22,469	(9.9%)
Total equity	**2,226**	1,686	32.0%
Current ratio (times)	**1.09**	1.51	
Gearing ratio	**9.10**	13.3	
Basic earnings/(loss) per share (RMB cents)	**5.56**	(3.94)	
Diluted earnings/(loss) per share (RMB cents)	**5.20**	(3.94)	

北大资源

PKU RESOURCES