PKU RESOURCES

北大資源(控股)有限公司

PEKING UNIVERSITY RESOURCES (HOLDINGS) COMPANY LIMITED

科 創 產 業 服 務 商

北大资源

PKU RESOURCES

(Incorporated in Bermuda with limited liability)

Stock Code : 00618

2019

ANNUAL REPORT

CONTENTS

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.

As at the date of this annual report, the Group's operation area has covered 18 cities of China and the Group started construction of 4 projects with 29 projects under construction in aggregate and a total of 32 projects on sale. In the future, the Group will be mainly engaged in the real estate investment business.

BACKGROUND OF SUBSTANTIAL SHAREHOLDERS

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

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

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

Independent non-executive directors

Mr Chan Chung Kik, Lewis
Mr Lau Ka Wing
Mr Lai Nga Ming, Edmund

COMMITTEES

Audit Committee

Mr Chan Chung Kik, Lewis *(Chairman)*
Mr Lau Ka Wing
Mr Lai Nga Ming, Edmund

Remuneration Committee

Mr Lau Ka Wing *(Chairman)*
Mr Cheung Shuen Lung
Mr Lai Nga Ming, Edmund

Nomination Committee

Mr Cheung Shuen Lung *(Chairman)*
Mr Chan Chung Kik, Lewis
Mr Lai Nga Ming, Edmund

COMPANY SECRETARY

Ms Cheang Yee Wah Eva

AUTHORISED REPRESENTATIVES

Mr Cheung Shuen Lung
Mr Zeng Gang

AUDITOR

Ernst & Young
Certified Public Accountants

LEGAL ADVISERS

Clifford Chance LLP

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
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
4th floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Hong Kong branch share registrar and transfer office

Tricor Tengis Limited
Level 54, 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

PROPERTY DEVELOPMENT PROJECTS

PROJECT LOCATIONS

1 TIANJIN

PKU Resources • Yuefu
PKU Resources • Yuecheng
Tuanbo Project • Park 1898

2 QINGDAO, SHANDONG

PKU Resources Square

3 XINING, QINGHAI

Boya Financial Plaza

4 KAIFENG, HENAN

PKU Resources • Wei Ming Mansion
PKU Resources • Phrase 1 of Block C, Wei Ming Mansion (Kaifeng 39 Mu)
PKU Resources • Wei Ming Yangzhe
Resources Rui Cheng • Wei Ming 1898

5 KUNSHAN, JIANGSU

PKU Resources • Jiujin Yihe
PKU Resources • Yihe Tianyue (Qian Deng Project)

6 HANGZHOU, ZHEJIANG

PKU Resources • Wei Ming Mansion

7 WUHAN, HUBEI

PKU Resources • Shanshui Nianhua
Founder International Financial Building (Zhongbei Road Project)

8 EZHOU, HUBEI

PKU Resources • Lianhu Jincheng

9 YICHANG, HUBEI

Changjiang International Cultural Plaza

10 CHANGSHA, HUNAN

PKU Resources • Time
PKU Resources • Ideal Home

11 ZHUZHOU, HUNAN

PKU Resources • Emerald Park

12 CHENGDU, SICHUAN

PKU Resources • Yannan International
PKU Resources • Xishanyue
PKU Resources • Park 1898
PKU Resources • Yihe Emerald Mansion
PKU Resources • Yihe Yajun
Xinfan Project
Boya City Plaza (Xinchuan Science & Technology Park 35 Mu Project)

13 CHONGQING

PKU Resources • Jiangshan Mingmen
PKU Resources • Yannan
PKU Resources • Boya
PKU Resources • Yuelai
PKU Resources • Zijing Mansion (Tea Garden 155 Mu)

14 KUNMING, YUNNAN

Kunming Botai City

15 YUXI, YUNNAN

Yuxi Project (Resources Rui Cheng • Yihe Jiujin)

16 FOSHAN, GUANGDONG

PKU Resources • Boya Binjiang

17 DONGGUAN, GUANGDONG

Boya Gongguan 1898
Yihe Emerald Park (Park 1898)

18 GUIYANG, GUIZHOU

PKU Resources • Dream City
Duyun Project
Quanhu Project

TIANJIN

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share
PKU Resources • Yuefu	Tianjin	Residential/Commercial	271,382	70%
PKU Resources • Yuecheng	Tianjin	City Complex Integrating Residential/Commercial/ Office/Apartment	437,646	60%
Tuanbo Project • Park 1898	Tianjin	Residential/Commercial	67,640	100%

QINGDAO, SHANDONG

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share
PKU Resources Square	Qingdao, Shandong	Commercial/Office	140,690	70%

XINING, QINGHAI

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share
Boya Financial Plaza	Xining, Qinghai	Commercial/Office	417,311	–

KAIFENG, HENAN

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share
PKU Resources • Wei Ming Mansion	Kaifeng, Henan	Commercial/Residential	323,596	100%
PKU Resources • Phrase 1 of Block C, Wei Ming Mansion (Kaifeng 39 Mu)	Kaifeng, Henan	Commercial/Residential	79,410	100%
PKU Resources • Wei Ming Yangzhe	Kaifeng, Henan	Commercial/Residential	162,200	100%
Resources Rui Cheng• Wei Ming 1898	Kaifeng, Henan	Commercial/Residential	217,600	100%

KUNSHAN, JIANGSU

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share
PKU Resources • Jiujin Yihe	Kunshan, Jiangsu	Residential/Commercial	725,848	51%
PKU Resources • Yihe Tianyue (Qian Deng Project)	Kunshan, Jiangsu	Residential/Commercial	207,816	100%

HANGZHOU, ZHEJIANG

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share
PKU Resources • Wei Ming Mansion	Hangzhou, Zhejiang	Commercial/Office	193,884	100%

WUHAN, HUBEI

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share
PKU Resources • Shanshui Nianhua	Wuhan, Hubei	Residential	234,482	70%
Founder International Financial Building (Zhongbei Road Project)	Wuhan, Hubei	Commercial/Office	204,671	100%

EZHOU, HUBEI

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share
PKU Resources • Lianhu Jincheng	Ezhou, Hubei	Residential	778,167	90%

YICHANG, HUBEI

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share
Changjiang International Cultural Plaza	Yichang, Hubei	Residential/Commercial/ Office building space	239,860	–

CHANGSHA, HUNAN

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share
PKU Resources • Time	Changsha, Hunan	Commercial/Office	132,352	63%
PKU Resources • Ideal Home	Changsha, Hunan	Residential/Commercial	189,639	70%

ZHUZHOU, HUNAN

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share
PKU Resources • Emerald Park	Zhuzhou, Hunan	Residential	554,148	82%

CHENGDU, SICHUAN

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share
PKU Resources • Yannan International	Chengdu, Sichuan	Residential/Commercial	540,273	70%
PKU Resources • Xishanyue	Chengdu, Sichuan	Residential	72,752	70%
PKU Resources • Park 1898	Chengdu, Sichuan	Residential	218,384	70%
PKU Resources • Yihe Emerald Mansion	Chengdu, Sichuan	Residential/Commercial	216,759	80%
PKU Resources • Yihe Yajun	Chengdu, Sichuan	Residential	286,351	70%
Xinfan Project	Chengdu, Sichuan	Commercial/Office	213,316	70%
Boya City Plaza (Xinchuan Science & Technology Park 35 Mu Project)	Chengdu, Sichuan	Commercial/Office	140,826	51%

CHONGQING

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share
PKU Resources • Jiangshan Mingmen	Chongqing	Residential/Commercial	671,572	100%
PKU Resources • Yannan	Chongqing	Residential	723,382	70%
PKU Resources • Boya	Chongqing	Residential/Commercial	517,671	70%
PKU Resources • Yuelai	Chongqing	Residential/Commercial	402,393	70%
PKU Resources • Zijing Mansion (Tea Garden 155 Mu)	Chongqing	Residential/Commercial	209,337	100%

KUNMING, YUNNAN

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share
Kunming Botai City	Kunming, Yunnan	Residential/Commercial/Office	425,530	85%

YUXI, YUNNAN

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share
Yuxi Project (Resources Rui Cheng • Yihe Jiujin)	Yuxi, Yunnan	Residential/Commercial	482,490	100%

FOSHAN, GUANGDONG

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share
PKU Resources • Boya Binjiang	Foshan, Guangdong	Residential/Commercial	914,183	51%

DONGGUAN, GUANGDONG

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share
Boya Gongguan 1898	Dongguan, Guangdong	Residential/Commercial	31,277	100%
Yihe Emerald Park (Park 1898)	Dongguan, Guangdong	Residential/Commercial	188,403	100%

GUIYANG, GUIZHOU

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share
PKU Resources • Dream City	Guiyang, Guizhou	Commercial residential	1,039,781	70%
Duyun Project	Guiyang, Guizhou	Residential/Commercial	346,586	-
Quanhu Project	Guiyang, Guizhou	Residential/Commercial	108,237	10%

INVESTMENT PROPERTY OVERVIEW

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2019, the global economy has slowed down with increased uncertainties. Against the backdrop of complex overseas and domestic environment, the Chinese economy focused on the supply-side structural reform, promoted high-quality development, continued to carry out work in relation to the "six steady growth", thereby maintaining continuous sound economic development and achieving significant progress in the three critical battles, which marked a major step in its journey of reform and opening-up with year-on-year GDP growth of 6.1%.

On the whole, the policy environment of China's real estate market was tightening in general. Real estate enterprises were under intense funding pressure and there was great pressure of destocking of products despite the proactive efforts made in the launch of new projects to enhance cash inflow. The sentiment of the land market remained low with accelerated restructuring of the industry and higher level of market concentration due to uneven sales performances among enterprises. In 2019, the sales area of commodity housing nationwide amounted to 1,715.58 million square meters, representing a year-on-year decrease of 0.1%, while the sales of commodity housing amounted to RMB15,972.5 billion, representing a year-on-year growth of 6.5%, signifying that the industry has entered into a stage of in-depth adjustment.

OVERALL PERFORMANCE

The Group reported a loss for the year ended 31 December 2019 of approximately RMB1,693.3 million (year ended 31 December 2018: profit of RMB796.6 million). The Group's revenue for the current financial year was maintained at approximately RMB24.1 billion (year ended 31 December 2018: RMB24.9 billion). The Group's gross profit has decreased by 34.7% to approximately RMB2,101.6 million (year ended 31 December 2018: RMB3,217.4 million) mainly due to decrease in gross profit margin of property development business ("Property Development Business") of the Group.

The loss for the year was mainly due to the net results of:

a. an increase in impairment of property under development and property held for sale, net incurred from the realizable net values of certain property projects based on the assessment of the prevailing market conditions, by RMB2,395.4 million to RMB3,268.6 million (year ended 31 December 2018: RMB873.2 million);

b. a decrease in gross profit margin from last financial year's 12.9% to current financial year's 8.7% attributable to the impairment of properties under development and properties held for sale, net;

c. a decrease in other income and gains by 10.7% to RMB173.2 million (year ended 31 December 2018: RMB193.9 million) attributable to net decrease in fair value gains on investment properties and gain on disposal of properties under development in prior year;

d. an increase in total selling and distribution expenses and administrative expenses by 14.1% to RMB1,105.1 million (year ended 31 December 2018: RMB968.2 million) attributable to the increase in sales agency fee and commission of Property Development Business;

e. a decrease in impairment losses on financial assets by 9.2% to RMB71.7 million (year ended 31 December 2018: RMB79.0 million) attributable to decrease in impairment of trade and other receivables;

f. a decrease in other expenses and losses by 96.5% to RMB4.5 million (year ended 31 December 2018: RMB128.2 million) attributable to decrease in claim penalty on late delivery of completed properties;

g. an increase in finance cost by RMB663.7 million to approximately RMB824.3 million (year ended 31 December 2018: RMB160.7 million) attributable to increase in interest rate and average bank and other borrowings and decrease in interest capitalised of those subsidiaries with their property development projects completed during the year; and

h. an increase in income tax expenses by 53.8% to approximately RMB1,960.6 million (year ended 31 December 2018: RMB1,275.0 million) as a result of increase in profit of certain subsidiaries for the year.

Basic and diluted loss per share attributable to equity holders of the Company for the year ended 31 December 2019 were RMB37.75 cents (year ended 31 December 2018: earnings of RMB11.16 cents).

OPERATING REVIEW

Real Estate Business

Property Development

The turnover of the Property Development Business for the current financial year was approximately RMB15,216.7 million (year ended 31 December 2018: RMB17,129.9 million). The segment results recorded a profit of approximately RMB1,182.8 million (year ended 31 December 2018: RMB2,205.1 million). The decline in segment revenue was due to decrease in average selling price as a result of different city mix and product mix in the delivery portfolio as compared with that of last year. The decline in segment results was due to the increase in impairment of properties under development and properties held for sale, net.

In 2019, the Group focused on major regions and attempted to expand into the prime cities adjacent to its targeted cities. During the year, the Group won the bid for certain land parcels with a total site area of approximately 447,421 square meters. On 15 February 2019, Kaifeng Boyuan Property Development Co., Limited* (開封博元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), both being indirect wholly-owned subsidiaries of the Company, won the bid for the land use rights to the land offered for sale in Kaifeng with a site area of approximately 190,000 square meters at a total consideration of approximately RMB1.424 billion (equivalent to approximately HK$1.653 billion). On 17 May 2019, Peking University Resources Group Investment Company Limited* (北大資源集團投資有限公司), an indirect wholly-owned subsidiary of the Company, won the bid for the land use rights to the state-owned construction land offered for sale in Tianjin with a site area of approximately 40,900 square meters at a total consideration of approximately RMB172.1 million (equivalent to approximately HK$200.2 million). On 21 May 2019, Chongqing Yingfeng Property Co., Ltd.* (重慶盈豐地產有限公司), an indirect wholly-owned subsidiary of the Company, won the bid for the land use rights to three parcels of state-owned construction land offered for sale in Yuxi with a site area of approximately 131,758 square meters at a total consideration of approximately RMB1.188 billion (equivalent to approximately HK$1.382 billion). On 25 July 2019, Chengdu Xiangcheng Smart Housing Industry Development Co., Ltd.* (成都香城智慧家居產業發展有限公司), an indirect subsidiary of the Company, participated in the bid for the land use rights to the state-owned construction land offered for sale in Chengdu, Sichuan, the People's Republic of China (the "PRC") and won the bid for the land use rights to one parcel of state-owned construction land offered for sale in Chengdu with a site area of approximately 84,763.35 square meters at a total consideration of approximately RMB457 million (equivalent to approximately HK$519 million).

In 2019, the Group started construction of 4 new projects with 29 projects under construction in aggregate and a total of 32 projects on sale. As at 31 December 2019, the area of the Group's properties held for sales, properties under development and areas pending construction were approximately 0.95 million square meters, 5.12 million square meters and 1.41 million square meters, respectively, totaling 7.48 million square meters.

In view of the current changes in the industry and the macro-economy, the Group continued to focus on the property development business in the major regions, adopted a prudent and sound investment strategy, so as to further solidify its operation capability, constantly enhance product competitiveness and enhance the ability of sales proceeds collection.

* *For identification purposes only*

Contracted Sales

As at 31 December 2019, the Group realised a contracted sales of approximately RMB14.52 billion and sold an accumulated contracted area of approximately 1.3971 million square meters, with an average selling price of approximately RMB10,393 per square meter.

Property Investment

The property investment business of the Group recorded an increase in turnover by 15.3% to approximately RMB34.9 million (year ended 31 December 2018: RMB30.2 million) and segment profit of approximately RMB30.8 million (year ended 31 December 2018: RMB50.5 million) during the current financial year. The increase in segment revenue was mainly attributed to the increase in rentable floor area due to transfer from properties under development during prior year and the increase in average unit value of properties as a result of the improvement on infrastructure during the year. The decrease in segment results was mainly due to decrease in fair value gains on investment properties attributable to lower appreciation rate of those leasable commercial properties during the year.

Distribution Business

Distribution of Information Products

The Distribution Business recorded a turnover of approximately RMB8,880.0 million representing an increase of 14.6% as compared to last financial year (year ended 31 December 2018: RMB7,751.7 million). The segment results recorded a loss of RMB15.7 million (year ended 31 December 2018: profit of RMB55.8 million). The decline in segment results was due to increase in operating cost and impairment of other receivables.

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, Microsoft, Corning, Lenovo, Huawei and DELL. The increase in turnover during the current financial year is mainly attributable to the launch of new products of existing and new products lines during the current financial year.

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

PROSPECTS

Real Estate Business

Looking forward to 2020, the Board believes that with the spread of the impact of Coronavirus Disease 2019 ("COVID-19"), the global economy will continue to slow down. The proactive anti-epidemic measures taken by the Chinese government will have positive impact on the rapid recovery of the economy, and a series of economy stimulus policies will also be promulgated after the epidemic. The long-term trend of steady progress of the Chinese economy will remain unchanged and will continue to be exposed to strategically important opportunities. The year 2020 marks the conclusion of the building of a moderately prosperous society in all respects and the "13th Five-year" plan of China. As an important pillar supporting the national economy, the real estate industry is likely to remain stable. The regulatory policies of the real estate market will focus on the adjustment and optimization of the supply structure with a view to leading back to a rational land market and hence ensuring stable and sound development. The credit environment will remain stable and moderately loosened in general; however, the financing channels will remain tightened with more frequent inter-industry mergers and restructuring. Meanwhile, development opportunities will arise for industry-city integrations and health products with a focus on the big healthcare sector.

The Group will keep abreast with the direction of national policy and market changes to actively cope with the epidemic and carry out its production and operation in an orderly manner in a bid to minimize the impact of the epidemic on the Group's business. Consistently focusing on the development of first- and second-tier cities as well as some of the third-tier cities experiencing strong growth, the Group will promote the light asset operation model and increase the access to and reserve of industry-city integration projects. Under the guidance of the strategy of "One Body, Two Wings and Three Cores" in practice, the Group will push ahead with the establishment of core big healthcare and technology IPs and implement the strategy towards becoming a "technology and innovation services provider".

Distribution Business

The outbreak of COVID-19 had a significant adverse impact on the global economy and consumer confidence. Amid the aforesaid economic uncertainties, the Group will continue to adopt a prudent approach to run its business operations. The Distribution Business will continuously refine its product structure to avoid product overlapping and minimize market risk. The Group will focus on the distribution of information products with better trading terms and explore more profitable value-added service business. Moreover, the management will also place stronger emphasis on operating cash flow, stringent control on working capital such as trade receivables and payables and inventory and cost management. The Group will continue to look for alliance with other international information products suppliers and investment opportunities.

EMPLOYEE

The Group has developed its human resources policies and procedures based on performance and contributions of employees. The Group ensures that the remuneration level of its employees are competitive and employees are rewarded on a performance basis within the general framework of the Group's salary and bonus systems. The Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance. The Group adopts share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group's operations. The Group had not granted any share options to its eligible directors and employees during the current financial year. The Group has 1,205 employees as at 31 December 2019 (31 December 2018: 1,458).

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

During the current financial year, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Mainland China. As at 31 December 2019, the Group had approximately RMB12,913.0 million interest-bearing bank and other borrowings (31 December 2018: RMB15,232.0 million), of which approximately RMB480.0 million (31 December 2018: RMB395.0 million) were floating interest bearing and RMB12,433.0 million (31 December 2018: RMB14,837.0 million) were fixed interest bearing. The borrowings, which were subject to little seasonality, consisted of mainly bank loans, trust receipt loans and loans from certain subsidiaries and associates of Peking Founder, and borrowings from financial institutions. Peking Founder is the substantial shareholders of the Company. Almost all of interest-bearing bank and other borrowings are denominated in Renminbi ("RMB"), of which RMB12,654.9 million (31 December 2018: RMB10,140.0 million) were repayable within one year and RMB258.1 million (31 December 2018: RMB5,092.0 million) were repayable within two years. The Group's banking facilities were secured by corporate guarantee given by the Company, Peking Founder and PKU Resources, and certain properties under development, properties held for sale, the Group's stakes and assignment of return arising from the Group's certain properties under development and properties held for sale. The decrease in bank and other borrowings was mainly attributed to the repayment of bank loans for Property Development Business during the current financial year. The decrease in other payables and accruals by 11.1% to RMB16,438.8 million (31 December 2018: RMB18,500.6 million) was due to decrease in contract liabilities arising from sale of properties.

As at 31 December 2019, the Group recorded total assets of approximately RMB38,541.4 million (31 December 2018: RMB42,661.2 million) which were financed by liabilities of approximately RMB37,437.8 million (31 December 2018: RMB39,656.5 million), non-controlling interests of approximately RMB962.8 million (31 December 2018: RMB336.2 million) and equity attributable to owners of the parent of approximately RMB140.8 million (31 December 2018: RMB2,668.5 million). The decrease in equity was attributable to loss for the current financial year. The Group's net asset value per share as at 31 December 2019 was RMB0.17 (31 December 2018: RMB0.47). The decrease in net asset value per share was attributable to the loss for the current financial year. The Group had total cash and cash equivalents and restricted cash of approximately RMB2,514.5 million as at 31 December 2019 (31 December 2018: RMB5,477.2 million). As at 31 December 2019, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total equity, was 11.7 (31 December 2018: 5.1) while the Group's current ratio was 1.01 (31 December 2018: 1.21). As at 31 December 2019, the capital commitments for contracted, but not provided for, properties under development were approximately RMB4,517.1 million (31 December 2018: RMB14,348.8 million).

Treasury policies

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

Exposure to fluctuations in exchange rates and related hedges

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

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2019.

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 2019 (31 December 2018: 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 2019, properties under development of approximately RMB10,299.9 million (31 December 2018: RMB7,214.0 million), properties held for sale of approximately RMB6,081.9 million (31 December 2018: RMB1,430.7 million), property, plant and equipment of approximately RMB24.8 million (31 December 2018: Nil), investment properties of approximately RMB179.6 million (31 December 2018: Nil), bank deposits of approximately RMB25.1 million (31 December 2018: RMB94.8 million), certain equity interests of certain subsidiaries and the assignment of returns arising from certain properties under development and properties held for sale of the Group were pledged to banks to secure general banking facilities granted, as deposits for construction of the relevant properties and as guarantees deposits for certain mortgage loans granted by banks to purchasers of the Group's properties.

Contingent liabilities

As at 31 December 2019, 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 RMB6,254.0 million (31 December 2018: RMB5,369.4 million). This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of the building ownership certificates which are generally available within one to two years after the purchasers take possession of the relevant properties. The fair value of the guarantees is not significant and the directors of the Company consider that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made for the guarantees in the consolidated financial statements for the year ended 31 December 2019 (31 December 2018: Nil).

Events after the reporting period

(a) The Assessment of the Impact of the COVID-19

Since the outbreak of COVID-19 in January 2020, the prevention and control of the COVID-19 has been going on throughout the country. The Group will earnestly implement the requirements of the Notice on Further Strengthening Financial Support for Prevention and Control of COVID-19, which was issued by the People's bank of China, the Ministry of Finance, the CBIRC, China Securities Regulatory Commission and State Administration of Foreign Exchange, and strengthen financial support for the epidemic prevention and control.

The COVID-19 has certain impacts on the business operation of the Group. The degree of the impact depends on the situation of the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies.

The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this announcement, the assessment is still in progress.

(b) The Judicial Restructuring of Peking Founder

In February 2020, Bank of Beijing Co., Ltd. applied to the First Intermediate People's Court of Beijing (the "Court") to initiate judicial restructuring of Peking Founder on the grounds that Peking Founder was unable to repay its debt and obviously lacked the ability of repayment. The Court accepted the application made by Bank of Beijing Co., Ltd. for the initiation of restructuring procedure against Peking Founder, and appointed Peking Founder's liquidation team as the administrator of Peking Founder. Peking Founder's liquidation team consists of, among others, the People's Bank of China, the Ministry of Education of the PRC, relevant financial regulators and relevant departments of Beijing Municipal Government.

The Company is independent from Peking Founder in respect of business, personnel, assets, institutions and finance, and will endeavour to ensure the stability in its operation and management. The ongoing reorganisation procedure of Peking Founder may have impact on the shareholding structure of the Company.

Save as disclosed above, there are no significant subsequent events after the end of reporting period.

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 2019.

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 2019.

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 Chan Chung Kik, Lewis, Mr Lau Ka Wing and Mr Lai Nga Ming, Edmund. To the best 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 42 to 43 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 counsels 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 2019. Additional Board meetings were held when necessary. Due notices 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 during the year are as follows:

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

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

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

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, all directors are encouraged to participate in continuous professional development trainings to develop and refresh their knowledge and skills. The Company updates the directors on the latest updates regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

All directors have participated in continuous professional development and have provided to the Company the records of the training they received during the year ended 31 December 2019. The individual training record of each director received for the year ended 31 December 2019 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 directors' duties
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	✓	✓

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 directors, the Company's policies and practices in compliance with legal and regulatory requirements, the Model Code, and the CG Code and disclosure in this Corporate Governance Report.

CHAIRMAN AND CHIEF EXECUTIVE

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

NON-EXECUTIVE DIRECTORS

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

All of the three independent non-executive directors have appropriate professional qualifications or accounting or related financial management expertise. 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 2019, 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 2019 is set out in Note 8 to the Company's 2019 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 2019 by band is set out below:

Remuneration Bands	Number of Senior Management
RMB1,000,001 to RMB2,000,000	2
RMB3,000,001 to RMB4,000,000	2

NOMINATION COMMITTEE

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

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

Out of the nine directors comprising the Board, two of them are women. Three of the nine directors are independent non-executive directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of age, cultural and educational background, professional expertise and skills. The Board endeavours to steer forward and ensure that the Board has a balance of skills, experience and diversity of aspects appropriate to the requirements of the Company's business.

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

Selection Criteria

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

(a) Character and integrity;

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

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

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

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

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

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

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

Nomination Procedures

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

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

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

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

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

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

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

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

In 2019, 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 directors and the succession planning for directors.

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

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

AUDIT COMMITTEE

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

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

In 2019, 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 during the year are as follows:

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

During the year, the internal audit department has carried out an overview on the effectiveness of the risk management and internal control systems of the Group. Based on the risk-based approach, the internal audit department continuously review and monitor the sufficiency of the risk control measures of every business unit of the Group and to examine if relevant measures have been implemented. The procedures involve assuring the existence of related risks in the first place, then assessing the levels to which the potential risks are attributed based on the following two risk factors, i.e., the level of significance of the risk and the possibility of occurrence. No material internal control aspects of any significant problems were identified. With reference to the assessment of the internal audit department, both the Audit Committee and the Board conducted review of the risk management and internal control systems maintained by the Group including the financial, operational and compliance controls and risk management functions for the year ended 31 December 2019 and were satisfied that the risk management and internal control systems of the Group had functioned effectively and were adequate during the year.

INSIDE INFORMATION DISCLOSURE POLICY

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

AUDITOR'S REMUNERATION

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

	RMB'000
Audit services	4,180
Other professional services:	
Agreed-upon procedures on interim results	800
Limited assurance services on continuing connected transactions	40
Compliance and tax advisory services	111
	951
Total	5,131

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors of the Company acknowledge their responsibility for the preparation of the financial statements of the Group for the financial year ended 31 December 2019 which give a true and fair view of the state of affairs of the Company and of the Group on a going concern basis in accordance with the statutory requirements and applicable accounting standards. The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 53 to 57 of this annual report.

COMPANY SECRETARY

Ms Cheang Yee Wah Eva ("Ms Cheang"), who is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, and the applicable laws, rules and regulations were followed, has been the company secretary of the Company since 11 May 2018. Ms Cheang has taken relevant professional trainings which are in compliance with Rule 3.29 of the Listing Rules for the year ended 31 December 2019.

COMMUNICATION WITH SHAREHOLDERS

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

The Company's annual general meeting (the "AGM") is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Company's performance. Separate resolutions will be proposed for each substantially separate issue at the AGM. Directors of the Company, including the Chairmen of the Board and Board committees and Board committee members, and the Company's external auditor attended the 2019 AGM and were available to answer questions from shareholders.

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

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

Shareholders may direct their questions about their shareholdings to the Company's Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or contact the Customer Service Hotline of the Company's Registrar at (852) 2980 1333. Shareholders may send their enquiries to the Board or the company secretary in written form to the head office and principal place of business in Hong Kong of the Company.

SHAREHOLDERS' RIGHTS

Convene a Special General Meeting

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

Put forward proposals at shareholders' meetings

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

DIVIDEND POLICY

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

CONSTITUTIONAL DOCUMENTS

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

ABOUT THIS REPORT

This Environmental, Social and Governance ("ESG") report is prepared in compliance with the ESG Reporting Guide set out in Appendix 27 of the Main Board Listing Rules of Hong Kong Exchanges and Clearing Limited ("HKEX"), covering the environmental and social policy, measure and performance of Peking University Resources (Holdings) Company Limited and its subsidiaries ("the Group" or "Peking University Resources"). The Group always takes the initiative to undertake social responsibility and allocate resources on sustainable development. Therefore, the Group is pleased to disclose such initiatives in the ESG report in order to increase stakeholder understanding and confidence in the Group.

The report scope covers the distribution business and real estate business of all operational regions from 1 January 2019 to 31 December 2019. Meanwhile, the environmental key performance indicators cover the businesses operated by Beijing headquarters. The Group will continue to optimise the report scope and thus improving operational transparency in the future. This ESG report encompasses Chinese and English versions, which make clear the understanding of the Group's hard work on the vision, strategy and practice of sustainability development. Both versions have been uploaded to the website of HKEX and the Group. For business details, please refer to the other parts of the 2019 Annual Report.

PREFACE

The Group is always striving for supreme quality and customer recognition. The three main product series of the Group, which are "City+ Yiye (宜業)", "City+ Yiju (宜居)" and "City+ Yixiang (宜享)", could totally show the Group's well-established product system and its corporate core value of "sincerity, concentration, creativity, profession". The Group puts much efforts into community harmony and improving life quality through innovative technology. In order to create value for shareholders and contribute to sustainability, the Group actively upholds the concept of sustainability throughout its entire operation progress. The Group takes the initiative to bear the environmental and social responsibilities to reduce its negative impacts due to its operation.

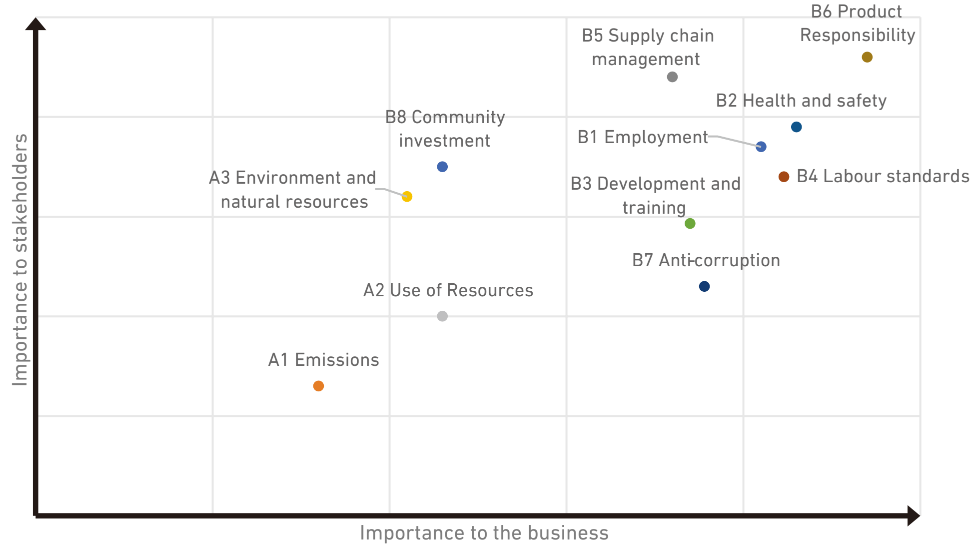
The Group pays attention to the demands and expectations of its shareholders in the course of developing business. The Group values the trust and support from shareholders as they are critical to the Group's sustainable development. The Group has set up and managed smooth communication channels for both internal and external stakeholders. Through regular and effective communications, stakeholders can better understand the Group's input and achievements. Meanwhile, the Group can also access stakeholders' opinions, so it can adjust policies or products to respond to comments and suggestions.

Stakeholder Communication Mechanism

Types of Stakeholder	Main Communication Channels
Customers and Owners	Customer satisfaction survey, customer complaint channel, project's community activity and social media
Shareholders	Annual general meeting, Investor meeting, company visit and information disclosure of the listed companies
Suppliers and Contractors	Procurement and tendering process, regular supplier assessment, plant inspection and supplier conference and meeting
Employees	Meeting and conference, team-building activity, employee training and regular appraisal
Peer Companies	Corporate culture exchange, industry exhibition and exchange, external training and benchmarking
Governmental Authorities	Government project, government visit and guidance, government updates, participation in policymaking and suggestions
Public and Community	Public opinion and media monitoring, information disclosure, community investment and media communication

Every year, the Group prepares a list of sustainability topics and reviews the performance of each topic. The Group also identifies the relevance of the topic for the business development of the Group, and which are of notable interest to stakeholders. With the opinions from the stakeholders, the management would determine the material topics to be disclosed in the ESG report to better improve the sustainability performance by utilizing the resources.

ESG Issues Materiality Matrix



ENVIRONMENTAL PROTECTION

Facing the challenges from climate change and dynamic economic situation, the Group is deeply aware of the significance of strengthening the Group's resilience. Formulating and implementing related policies can help to minimize the negative effects and better cope with environmental issues.

Green Office

The Group integrates green concepts into its business planning and daily operations. As our offices are the main working places for the staff of the Group, green office management is of paramount importance of the Group's environmental management system. The Group has set up "Office Management Rule", not only including working guidelines for every department, but also various green office measures to cultivate the employees' environmental awareness. To minimize carbon emission generated by office operation, the Group includes every aspect of office operation into the "Office Management Rule", encompassing areas such as water conservation, office greening, recycling and waste disposal. Employees have been consistently abiding to the "Office Management Rule", actively implementing energy- and resource-saving measures.

Measures include but are not limited to:

- Reducing the use of paper and promoting paperless meeting;
- Purchasing energy-saving electronic appliances;
- Encouraging employees to take stairs and reduce usage of the elevator;
- Encouraging employees to choose green commuting mode, such as car-pooling and bike-sharing;
- Making full use of sunlight and LED lighting;
- Monitoring electricity and water consumption of office area.

The Group firmly believes that environmental protection can be embedded in our everyday life, so the Group pays special attention to office greening and recycling. For office greening, the Group plants in office areas, shaping harmonious and aesthetic working environments for our employees by purifying the air, and specialists are employed to manage the plants in good conditions.

In addition to reducing waste generation, the Group strives to achieve full recycling by setting up multiple recycling points, increasing recycling categories and employing recycling firms. The Group also ensures the electronic waste is handled by the Group's assigned professional recycling company to lessen the burden to the environment.

Green Building

The Group has placed great emphasis on developing green and low-carbon buildings. It takes account of ecology, energy conservation, waste reduction and health from the stage of site selection, through design, construction, operation, maintenance, renovation to demolition. It makes use of technology and innovation to explore the state-of-the-art building design and technology, as well as product manufacturing and interior decoration services. The Group believes that with the latest technology, it can help to lower resource and energy consumption, which can reduce pollution as much as possible. This creates a new low-carbon lifestyle for the customers and owners.

With respect to green building, the Group strives to fully utilise the natural resources. For site selection, the Group takes local climate and available natural resources into design consideration to minimize the impacts on the environment. The Group analyses the convenience of the selected site and available amenities in the surrounding area, ensuring that the basic needs are fulfilled, such as there is no difficulties to source water and electricity.

The Group is also committed to reducing carbon emissions generated by building operation in the future. It incorporates sustainable development elements to the buildings from the inside to outside; for instance, we orient the buildings according to sun and wind direction, and setting up versatile recreational facilities and outdoor activity area to promote low carbon lifestyle. The Group's real estate products adopt the concept of sponge city, utilising rainwater recycling facilities for water resources management, not only preventing flooding, but also reusing rainwater for irrigation purposes, such that the sewage of the projects is discharged through the drainage network and undergoes sewage treatment, so the treatment of sewage and the rainwater are separated. The Group insists on constructing high-quality, environmentally friendly and healthy buildings.

Showcase of PKU Resources Project

PKU Resources • Lianhu Jincheng

The project is located at the Lake of Honglian in Hubei, covering an area of about 560,000 square meters, the gross floor area (GFA) is about 820,000 square meters. The planning is based on the entire Lake of Honglian resort system. The project includes residential, tourism and commercial as a comprehensive property form. The positioning of the project is residential with functional facilities such as tourism, leisure and resort. The planning is to match the vision and the planning of Honglian Lake New Tourism City. Therefore, the project consists of villas, single-family townhouse, medium-rise and high-rise residential areas and commercial areas to create a relaxed resort community. The project utilizes the natural resources to improve the living quality while the Group has also set up measures to protect the environment, striking a balance between business development and environment protection.

The project enjoys a marvellous view of the lake, and the architectural design of the project has been adjusted to ensure the best living experience. Selecting building material is one of the important elements, such as double-glazed glass can reduce the amount of sun and heat entering the building while it does not affect the view.

Green Construction

During the construction process, the Group endeavours to strike a balance between product quality and environmental protection. The Group always prepares a construction plan for procurement for optimal delivery schedule of materials to site to avoid unnecessary wastage.

Project Design

The Group always includes consideration of soil, water, ecological restoration and biodiversity of the site before project design starts. Much research and analysis about the site environment must be done in advance in order to devise the best design in terms of such consideration as land use, plant species and building direction.

Construction Material

The Group only considers environmental-friendly construction materials which are in accordance with national standards, including steel, cement and aluminium alloy. The Group also ensures every employee at the site are well-trained with sufficient practical skills and knowledge to reduce material waste. The construction waste will be recycled if possible or disposed of by assigned construction partner.

Dust and Noise Control

Considering the impacts of the construction may be caused to the local environment, the Group has certain policies for dust and noise control, such as mandating the use of dust control devices and vehicle washing facilities.

Sewage Discharge

The Group requires the sewage from the construction sites can only be discharged after sedimentation and must be discharged to municipal drainage system.

Environmental Performance

	Category	Emission in 2018 (kg)	Emission in 2019 (kg)
Exhaust gas	Sulphur oxides	0.22	0.19
	Nitrogen oxides	134.00	103.33
	Particulate matter	13.00	9.90

Scope	GHG emission in 2018 (kg CO_2 -e)	GHG emission in 2019 (kg CO_2 -e)
Scope 1: Direct GHG Emissions	41,295	34,327
Scope 2: Energy Indirect GHG Emissions	456,044	300,337
Scope 3: Other Indirect GHG Emissions	2,309	2,145
Total GHG emission	499,648	336,809
GHG intensity (kg CO_2 -e/employee)	1,465	230

	Category	Energy consumption of 2018 (1,000 kWh)	Energy consumption of 2019 (1,000 kWh)
Energy use	Direct energy	135	126
	Indirect energy	526	340
	Total energy consumption	661	466
	Energy intensity (1,000 kWh/employee)	1.94	0.32
Resource use	Total water consumption (tonne)	3,819	3,549
	Water consumption intensity (tonne/employee)	11	2.4

Remarks:

1. As the main businesses of the Group are real estate business and distribution business, there is no material usage of packaging materials or production of hazardous waste. For non-hazardous waste, as the Group has offices set up in many regions, the Group will keep collecting all the necessary data and will disclose the relevant quantity in future issues of ESG reports.

2. The total GHG emission in 2019 is 336,809 kg CO_2-e, which is around 33% less comparing to 2018. The main source of the change is the decrease of indirect energy consumption. The policy formulated by the Group and its consistent practice contribute to the decrease of electricity consumption. The Group will continue to work on increasing energy efficiency and reducing GHG emission, setting concrete goals based on past years' data.

WORKING ENVIRONMENT QUALITY

The Group understands and believes in the importance of a healthy and safe work environment. Therefore, a safeguarded occupational environment and a good employment relationship are the issues that both the Group and employees are concerned with. The Group reviews and optimises its internal human resources and management system on a regular basis.

Labour Standard

The Group strictly complies with relevant laws and regulations, including Employment Ordinance (Cap. 57 of the Laws of Hong Kong), Labour Contract Law of the People's Republic of China, Production Safety Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases and the Regulations on Minimum Wages. The Group formulated a series of internal policies stated in the employee handbook, to protect employees' lawful rights in terms of employment, promotion, resignation, demission, working hours, leaves and holidays, salaries, diversification, equal opportunities and benefits.

Discrimination, child labour and forced labour in any form are strictly prohibited. In the recruitment process, the Group always verifies the applicants' identity to ensure compliance with the legal working age, and avoid child labour and forced labour. The Group also puts great emphasis on fair opportunities and welfare, and strictly complies with the Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong), the Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong), etc. Every employee is treated equally regardless of gender, age, and nationality.

Salary Policy – Peking University Resources Compensation Management Rule

- The specific salary plan, overall salary adjustment range, labour cost budget and implementation should be reported to the Board for approval;
- With reference to the requirements of the labour law, the annual salary system or hourly rate system is implemented for different positions;
- Clearly list out the component of salary;
- The salary data and information are only controlled by the corporate person-in-charge, human resources department and salary management personnel. Members of other management teams and department heads can only access limited data.

Recruitment Policy – Peking University Resources Recruitment Management Rule

- The Group analyses business development plans, changes in the external market and other relevant factors and establish relevant posts and next year's recruitment plan at the end of each year;
- The human resources department is responsible for reviewing the employment needs of various departments and implementation of the recruitment plan, including the number of personnel to be recruited, the required professional ability of the personnel to be recruited, and the elements of the recruitment channel to be adopted;
- Candidates are interviewed by the human resources department, and a written test is conducted for each selected candidate. For elementary, middle and senior management positions, practical evaluation is required;
- Candidates for human resources, finance, law, procurement and other related positions will go through the background check process.

Dismissal Policy – Peking University Resources Termination Management Rule

- The supervisor of the employee who has resigned and the staff of the human resources department shall conduct at least one resignation interview with the employee;
- Before conducting resignation interviews, staff of the human resources department should arrange resignees to fill out the resignation questionnaire;
- The interviewers shall keep a written record of the resignation interview.

Leaves and Holidays policy – Peking University Resources Management Rule on Leave Supervision

- Implement a five days a week and eight hours a day working system. The working hours of employees in special positions (such as front desk clerks and drivers) shall be stipulated separately due to their positions;
- Employees who are having overseas business trip should fill out the "Peking University Resources (Holdings) Company Limited Approval Form for Going Abroad for Business" and seek approval according to the relevant procedure;
- Employees have the right to take public holidays and paid annual leave.

Welfare and Benefit Policy – Peking University Resources Benefit Management Rule

- Provide the following benefits according to law:

  (1) Social insurance: basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance, maternity insurance;

  (2) Housing provident fund; and

  (3) Other statutory benefits.

- Purchase comprehensive medical insurance, personal accident insurance, major illness insurance, traffic accident insurance for employees and comprehensive medical insurance for employees' children who are under 18.
- Provide work lunch subsidy for RMB 20 per person per day, marriage bonus, birthday gift, Funeral allowance and other allowance.

The Group conducts regular reviews every year to re-examine and improve the arrangements of staff recruitment, training, promotion, salary adjustment and dismissal. The Group strictly complies with relevant laws and regulations and has not found any non-compliance in the reporting period.

Employee Welfare

The Group values staff as our precious asset and puts most emphasis on the interests of employees. The Group not only pays attention to the physical and mental health of employees but also their career development. By reviewing and improving the promotion system regularly, the Group established a comprehensive staff system to enable employees to have a better understanding of the Group's welfare and salary system. The Group also considers various risks that may be faced by employees in the work environment, not only purchasing social insurance for all full-time employees, but also covering their children. The Group has always been people-oriented and committed to every employee.

The Group keeps improving the facilities, including the setting up of staff lounges, maternal and child rooms, and strikes to provide employees with a caring and healthy work environment. The Group will organise various festival celebration activities, team building activities, department exchange and so on to let employees have more interactions with others as it believes it is one of the key elements to create a harmonious and productive working atmosphere.

Employee Development and Training

The Group emphasizes product quality, upholding "carving crafts with ingenuity". Employees are encouraged to study and learn. The Group focuses on the employment concept of "selection, employment, education, promotion and preservation". Hence, education is one of the Group's main focuses, therefore the Group has designed different trainings for different departments' needs. New employees must participate in employment training, such as "Induction Training" and "Growth Programme for New Staff", so that new employees can adapt to the Group's atmosphere quickly. For existing employees, the Group is committed to training their leadership, professional capabilities, general abilities, etc., facilitating their career development. Employees and talents are the strength of the Group's development. The Group's continuous training system creates equal development opportunities for employees and takes training as a driving force to enhance employees' general and business ability.

During the reporting period, the Group organized a total of 28 internal training courses for different employment levels and departments, there are totally 1,208 employees participated those courses. The Group will continue to improve the vocational training system. In accordance with "Peking University Resources Staff Training Management Rule". The human resources department would respond to the annual business strategy and the needs for human resources every year, and thus formulate the most suitable annual employee education and training plan every year. The human resources department would conduct questionnaires and interviews in order to better formulate staff training programs.

Training Objective	Training Course Examples	Target Employee
Employee Management	Peking University Resources 2nd Customer Relationship Development Forum	Customer relations department
	Client Relationship Management System 2nd Training	Customer relations department
	Peking University Resources 2019 1st Induction Training	New employees
Business Knowledge and Technology	Commercialization of Saleable Communities and Case study	Sales department
	Communication and Selling Skills Training Course	Marketing frontline employee
	Design Department Business Writing Training	Design department
	Seminar on Cost Control of the Whole Process of Electromechanical Design	Research and development department
Management Theory	19th Management Trainee Training	Management Trainees
	Innovation, Empowerment, and Transformation – Human Resources and Administration Conference	Human resources department
Business Ideas Exchange	Peking University Resources 2nd Design Development Forum	Research and development department
	Peking University Resources 2019 Design Seminar	Research and development department
	Jiangxintang (匠心堂) – Sharing Gathering	Research and development department
	Jiangxintang (匠心堂) – Industry Lecture	All employees

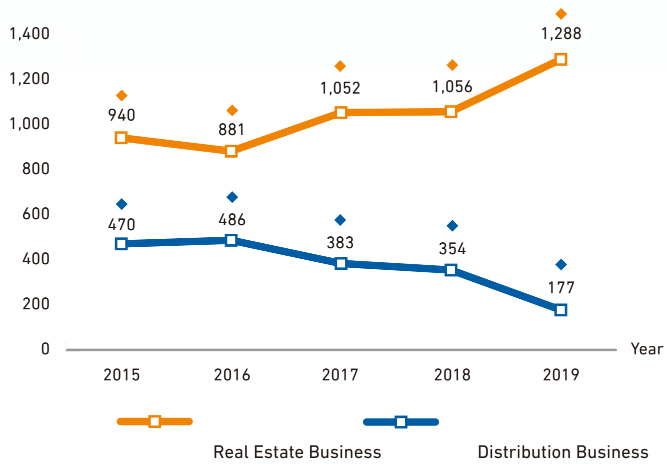
Health and Safety

The Group values much on the safety and health of employees, abides by the laws and regulations such as the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong) and the Labour Law of the People's Republic of China, providing the employees with a safe and comfortable working environment. The Group provides a fixed working place, and has established a strict set of construction guidelines which were implemented at the construction site to help ensure the safety of all employees during construction. The Group assigns specific personnel to perform monthly routine inspections for the safety and site environment check. The Group has always been taking precautions as the main measure, and it emphasises safety education and technical training of employees. This can ensure all employees involved in the whole operational progress to have profound knowledge and skills in the applied technology or processes. Employees have to pass safety training and assessment before they continue their work. The number of accident causing serious injury or deaths due to work in 2019 were zero, and the number of working days lost due to work-related injuries was also zero.

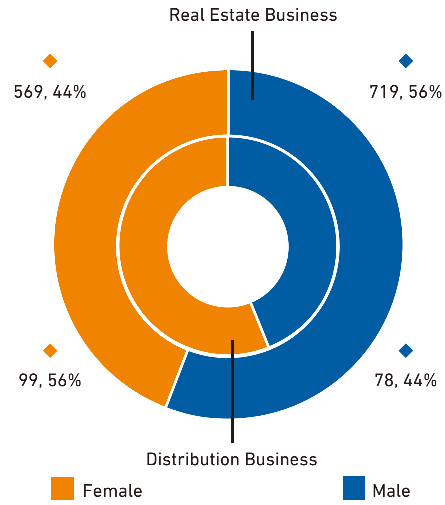
Apart from purchasing commercial insurance for work-related injuries for employees, the Group also arranges a comprehensive body check for each employee regularly and formed a medical team for patients in need. To ensure a good physical and mental health of our employees, the Group organizes badminton competitions regularly, which not only helps better connection among employees, but also helps to improve their physical fitness and achieve the work-life balance.

Employment and Labour Statistics

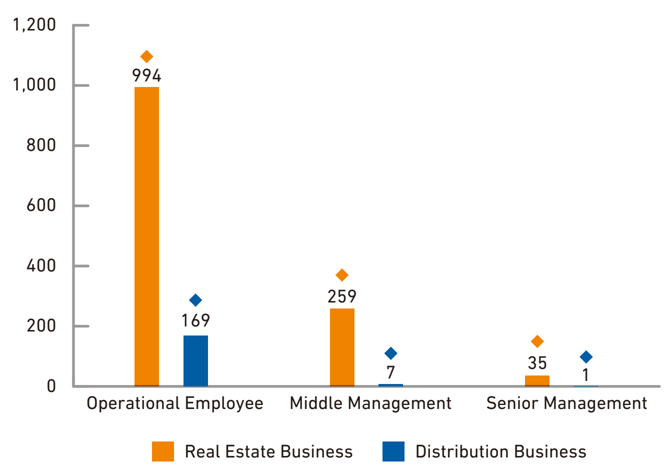
Number of Employees by Business Segments



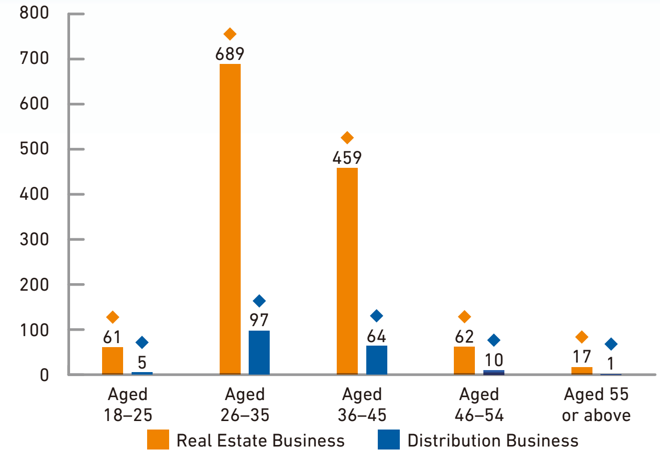
Number of Employees by Gender



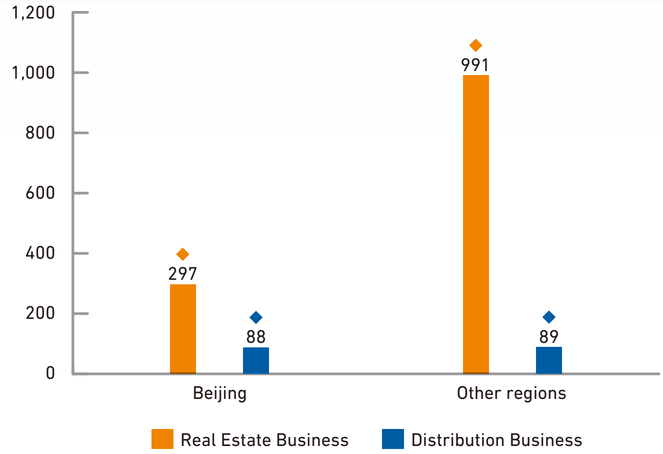
Number of Employees by Employment Type



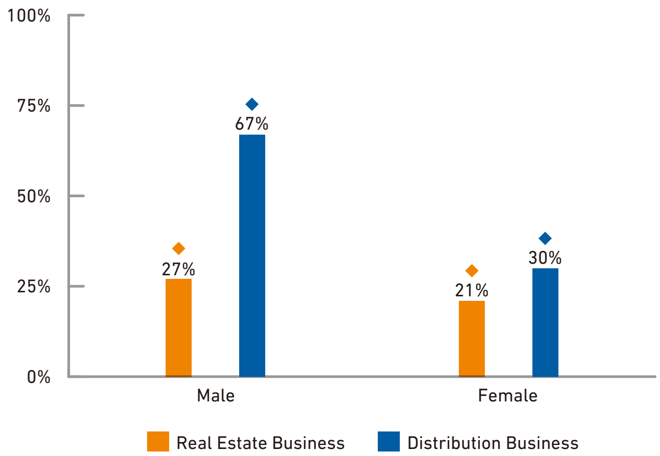
Number of Employees by Employment Type



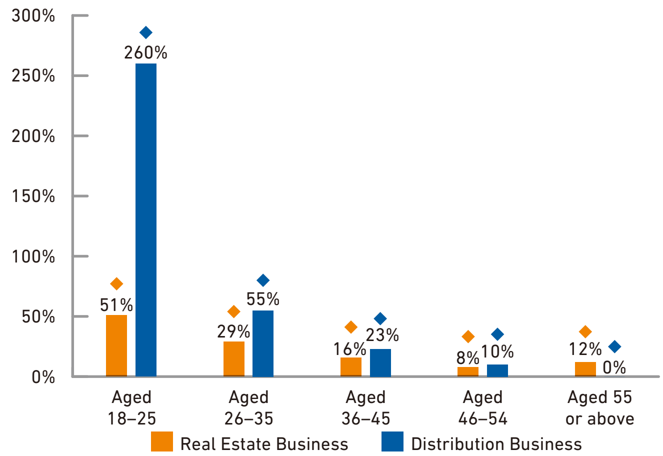
Number of Employees by Region



Turnover Rate of Employees by Gender



Turnover Rate of Employees by Age Group



Average hours of training completed by employees and the ratios of trained employees

Business nature	Employment type	Average hours of training of male employee (hour)	Ratio of trained male employee	Average hours of training of female employee (hour)	Ratio of trained female employee
Real Estate Business	General staff	61.0	99%	28.0	98%
	Middle management	40.0	100%	36.0	94%
	Senior management	80.0	87%	69.0	71%
Distribution Business	General staff	50.5	95%	22.4	97%
	Middle management	204.3	100%	117.0	100%
	Senior management	N/A	100%	95.0	100%

OPERATING PRACTICES

Product Responsibility

The Group has always been focusing on the importance of product quality, and "quality + resources" has been the core business strategy of the Group since 2016. The Group still keeps its hard work on product quality during its rapid development. Peking University Resources ensures good management from land development to property management services, aiming to provide the best experience for customers.

To assure the quality of materials, the Group selects suppliers rigorously, and has established a clear supplier assessment management for supplier selection. The procurement department comprehensively assess the prospective suppliers from several dimensions, such as environmental risk, social risk, product quality, qualification, production plant capability, operational indices of the past three years, existing customer bases, production tool and equipment and relevant engineering. The selected supplier is required to submit a list of company management information. The standard procedure ensures that the selected suppliers meet the Group's quality standards. The procurement department will conduct production plant inspection to better understand the selected supplier's background. After two more rounds of evaluation and interviews, the qualified suppliers will join the Group's supply chain. In addition, the suppliers shall comply with relevant laws and regulations, including regulations or requirements related to environment and labour rules in order to reduce environmental and social risks.

Thereafter, the Group will conduct quality assessments, communication feedback and other actions regularly, so as to review the list of suppliers and inspect the quality of the project to maintain the best suppliers. Currently, the Group has 303 suppliers from 58 regions in China on the list.

The Group is committed to building the best residence in the pursuit of perfection. Before the project sale, every detail must meet the Group's quality standard. Throughout the project development process, there are daily, weekly and monthly inspection management system. At the same time, a third-party contractor is employed to conduct engineering and delivery evaluation of the manufacturers in order to prevent leakage and cracking. Prior to project completion acceptance, the customer relations department and the project department will undertake a detailed inspection of the common areas and public equipment and facilities. When there are any problems, the Group have enough time to deal with the problems found. Before centralized delivery of the house, the Group will conduct a comprehensive internal inspection, ensuring it meets the standard functions and standard contract clauses. After delivery, a customer satisfaction survey would be conducted to collect opinions and experiences so that the subsequent projects could have better service and quality. The percentage of sold products that are required to be recovered due to problems of safety or health issue is zero this year.

Customers can provide their feedbacks to the Group through customer satisfaction surveys and direct contact, etc. After a complaint is received, the customer relations department will follow up the complaint and report it within a specified time. The staff is required to complete an investigation within the period specified in the Group's guidelines and meanwhile inform the customer of relevant progress and result.

Protection of Intellectual Property Rights and Consumer Data

The Group deeply understands the importance of protecting intellectual property. Regardless of project or product design, the Design department will pay attention to the registered design in the market and be aware of whether there is infringement of rights. The Group also strictly abides by the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, which mandates all departments should treat customer information cautiously and comprehend the importance of personal data and relevant laws, including but not limited to the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong). The Group's regulations restrict the disclosure of customer information to any third party, including partnering manufacturers, without prior consent of customer. The Group will continue to strengthen the relevant protection measures for customers' personal information and implement process specifications with higher transparency.

Anti-Corruption

The Group has zero tolerance to any corruption or fraud and strictly abide by the laws and regulations such as the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) and the Anti-Corruption Law of the People's Republic of China. The Group's legal department has set up specific risk control position for supervision and has established integrity rules and regulations, from business department operation to project construction management, including detailed provisions for bidding, reimbursement and other contents. The Group also educates the employees of anti-commercial bribery and integrity regularly through new employment training, middle to senior management training and special lectures. The Group strives to maintain the integrity image and there was no corruption lawsuits in the reporting period.

For any suspected corruption, relevant rules such as "Peking University Resources Reward and Penalty Management Rule", "Peking University Resources Reporting Management Rule" and "Peking University Resources Investigation Work Guideline" should be followed for investigation. If any employee discovers or suspects any violation of the code of behaviour, a report could be made through a specific mailbox, telephone, e-mail, or at a specified location during reception time. All reports will be recorded in a conversation transcript. After receiving the report, the Group will initiate investigation strictly without disclosing the identity of the reporter and report content, and the Group will set up a responsible investigation team to collect relevant evidence and information in a fair, justified, independent and efficient manner.

COMMUNITY INVESTMENT

The Group understands its operation would impact the environment and society. Therefore, the Group always likes to devote itself into community contribution. Through organising the Group's charity events and cooperation with different organizations or government authorities, the Group focuses on areas of education and poverty alleviation.

Bayu Homestay Development Poverty Alleviation Project

The Group undertook this Chongqing Government's project, which was designed to promote homestay tourism and help less well-off people. When the first phase of the project was completed and put into operation in 2019 as expected, it would help local farmers to remove themselves from poverty and facilitate the integrated development of the tourism industry. In the future, the Group will contribute to community development and meet public expectation as always.

AWARDS IN 2019

In May 2019, the Group is glad to be awarded as "2019 Best 100 China Real Estate Listed Companies with Strongest Comprehensive Strengths", "2019 Best 5 China Real Estate Listed Companies with Strongest Innovation Capability", "2019 China TOP10 Listed Real Estate Company – Financial stability" and "2019 China TOP10 Listed Real Estate Company – Worth Focusing by Capital Market". The Group will keep being humble and innovative to perform better in the future.

EXECUTIVE DIRECTORS

Mr Cheung Shuen Lung, aged 64, 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 50, is an executive director and president of the Company since July 2016. He is the chief executive officer of 北大資源集團有限公司 (Peking University Resources Group Co., Ltd.*) ("PKU Resources Group"), 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 43, is an executive director of the Company since June 2016. She is the vice president and chief financial officer of Peking Founder. She is the director of Founder Technology Group Corporation (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. She 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. She has extensive knowledge and experience in financial management.

Mr Ma Jian Bin, aged 44, 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 41, 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. She is the director of associated companies of Peking Founder. She 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 54, 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). He 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. He has over 20 years' experience in the radio film and television business in the PRC. He 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 Chan Chung Kik, Lewis, aged 47, is an independent non-executive director of the Company since March 2017. He served as an independent non-executive director of Shandong Xinhua Pharmaceutical Company Limited (山東新華製藥股份有限公司), a company listed on the Main Board (stock code: 719) and the Shenzhen Stock Exchange (stock code: 000756) from May 2014 to June 2018. He also serves as the independent non-executive director of (i) HongGuang Lighting Holdings Company Limited, a company which was previously listed on the GEM (stock code: 8343) in December 2016 and was subsequently transferred to the Main Board (stock code: 6908) in November 2019, since December 2016; (ii) Founder since March 2017; (iii) Wing Chi Holdings Limited (stock code: 6080), a company listed on the Main Board, since September 2017; and (iv) Eternity Technology Holdings Limited (stock code: 1725), a company listed on the Main Board, since July 2018. He 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 ("HKICPA") and a member of CPA Australia. He has extensive experience in auditing, accounting and corporate finance.

Mr Lau Ka Wing, aged 36, is an independent non-executive director of the Company since April 2020. He is the sole proprietor of Lau Ka Wing Certified Public Accountant since March 2015, and a practicing director of Unity CPA Limited since August 2019. He is an independent non-executive director of (i) Green Energy Group Limited (stock code: 979), a company listed on Main Board, since February 2020; and (ii) Founder, since April 2020. He joined HLB Hodgson Impey Cheng Limited in February 2006 and left as a manager in October 2014. He obtained a Bachelor of Arts (Honours) in Accountancy and a Master of Corporate Governance from The Hong Kong Polytechnic University in 2005 and 2016, respectively. He is currently a fellow member of the HKICPA, an associate of the Hong Kong Institute of Chartered Secretaries and an associate of the Institute of Chartered Secretaries and Administrators. He is experienced in the accounting and audit fields.

Mr Lai Nga Ming, Edmund, aged 36, is an independent non-executive director of the Company since April 2020. He is the company secretary of Luxxu Group Limited (stock code: 1327), a company listed on Main Board. He is an independent non-executive director of Founder since April 2020. He received a Bachelor of Arts (Honours) in Accountancy from The Hong Kong Polytechnic University and is a member of HKICPA. He has accumulated extensive experience in auditing and accounting by working in various international firms of Certified Public Accountants, listed and multinational companies in Hong Kong such as Grant Thornton Hong Kong, BDO Hong Kong and SDM Group Holdings Limited (stock code: 8363), a company listed on the GEM of the Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

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

Mr Xia Ding, aged 52, is the president of Chongqing Peking University Resources Investment Co., Ltd., a subsidiary of the Company, since April 2013. He obtained a bachelor degree in Industrial and Civil Construction from Chongqing Construction Engineering University (now merged into Chongqing University). Before joining the Company, he 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 30 years of knowledge and experience in engineering management and real estate development and operation.

Mr Yang Dong, aged 49, 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*. He obtained a bachelor's degree in industrial and civil construction from Guizhou University of Technology. Before joining the Company, he 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 28 years of knowledge and experience in project management and real estate development and operation.

Mr He Jinwei, aged 37, is the manager of Kaifeng Botao Property Development Co., Limited* (開封博濤房地產開發有限公司), Kaifeng Boming Property Development Co., Limited* (開封博明房地產開發有限公司) and Kaifeng Boyuan Property Co., Limited* (開封博元房地產開發有限公司) since December 2018, all companies of which are the subsidiaries of the Company. He obtained a master's degree in management science and engineering from Huazhong University of Science and Technology. Before joining the Company, he has worked in a number of property development companies, including Sichuan Blue Light He Jun Industry Company Limited* (四川藍光和駿實業有限公司), Chengdu Longfor Real Estate* (成都龍湖地產) and Chengdu Vanke Real Estate* (成都萬科房地產). He possesses 12 years of knowledge and experience in sales management and real estate development and operation.

* *For identification purposes only*

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2019.

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 loss for the year ended 31 December 2019 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 58 to 156.

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 section headed "Management Discussion and Analysis" on pages 12 to 19 of the annual report.

The financial risk management objectives and policies of the Group are set out in note 43 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 12 to 19 and "Financial Highlights" on page 160 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 41 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 159 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on pages 157 to 158 of the annual report.

SHARE CAPITAL AND SHARE OPTIONS

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

MANAGEMENT CONTRACT

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

DISTRIBUTABLE RESERVES

In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution or payment of dividends to shareholders provided that, immediately following such distribution or payment, the Company is able to pay off its debts as and when they fall due. As at 31 December 2019, the Company's reserves available for distribution comprised contributed surplus of approximately HK$1,666,532,000. The Company's share premium account, with a balance of approximately HK$318,000 as at 31 December 2019, 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 39% of the total purchase for the year and purchase from the largest include therein amounted 22%.

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

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr Cheung Shuen Lung *(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

Subsequent to the end of the reporting period, on 1 April 2020, Mr Li Fat Chung and Ms Wong Lam Kit Yee resigned as independent non-executive directors of the Company and Mr Lau Ka Wing and Mr Lai Nga Ming, Edmund were appointed as independent non-executive directors of the Company.

In accordance with the Company's Bye-laws, Mr Zeng Gang, Ms Liao Hang, Mr Chan Chung Kik, Lewis, Mr Lau Ka Wing and Mr Lai Nga Ming, Edmund 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 42 to 44 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' EMOLUMENTS

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

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors is currently in force and was in force throughout the year ended 31 December 2019. 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 2019, the interests and short positions of the directors in the share capital, underlying shares and debenture of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

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

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

Short positions in ordinary shares of the Company:

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

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

Save as disclosed above, as at 31 December 2019, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2019, none of the directors of the Company had any interest in a business (other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or any member of the Group) which is considered to compete or is likely to compete, either directly or indirectly, with the businesses of the Group.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 31 December 2019, so far it is known to the directors of the Company, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

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

* *For identification purposes only*

			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
北大資源集團控股有限公司 (Peking University Resources Group Holdings Co., Ltd.*)	3	Through a controlled corporation	3,950,134,407	61.57	–	–
北大資源集團城市開發有限公司 (Peking University Resources Group City Development Company Limited*)	4	Through a controlled corporation	3,950,134,407	61.57	–	–
北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder")	5	Through a controlled corporation	3,950,134,407	61.57	–	–
Founder Information (Hong Kong) Limited ("Founder Information")	6	Directly beneficially owned	3,850,134,407	60.01	–	–
		Through a controlled corporation	100,000,000	1.56	–	–
Mr Zheng Fu Shuang	7	Through a controlled corporation	785,003,000	12.23	100,000,000	1.56
Shine Crest Group Limited	8	Through a controlled corporation	584,984,000	9.12	100,000,000	1.56
Starry Nation Limited		Directly beneficially owned	584,984,000	9.12	100,000,000	1.56
Rongtong Fund Management Co. Ltd.	9	Through a controlled corporation	575,076,000	8.96	–	–
Rongtong Ronghai No. 10 SNIA QDII		Directly beneficially owned	575,076,000	8.96	–	–

* *For identification purposes only*

Notes:

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

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

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

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

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

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

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

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

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

Save as disclosed above, so far it is known to the directors of the Company, as at 31 December 2019, 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 and debenture" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

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

(a) On 26 October 2018, the Company entered into a master sales agreement with Peking Founder to govern the sale of information products to Peking Founder and its subsidiaries (collectively "Peking Founder Group") for the three years ended 31 December 2020. Further details of the transaction were set out in the announcement of master sales agreement of the Company dated 26 October 2018.

Information products of approximately RMB846,000 (2018: RMB26,811,000) were sold to Peking Founder Group, The directors consider that the sales of products were made according to published prices and conditions similar to those offered to other customers of the Group.

(b) On 26 October 2018, the Company and Peking Founder entered into a master purchase agreement, pursuant to which the Company would purchase certain software products from Peking Founder Group until 31 December 2020. Further details of the transaction were set out in the announcement of master purchase agreement of the Company dated 26 October 2018.

During the year ended 31 December 2019, software products of approximately RMB29,563,000 (2018: RMB16,150,000) 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 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 announcement of 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 agree to provide pre-sale property management services to the Group for the three years ended 31 December 2019.

On 28 November 2019, the Company renewed the Master Property Management Service Agreement with PKU Resources Group, pursuant to which PKU Resources Group agree to provide pre-sale property management services to the Group for the three years ending 31 December 2022. Further details of the transaction were set out in the announcement of Master Property Management Service Agreement of the Company dated 28 November 2019.

During the year ended 31 December 2019, property management service fees of approximately RMB31,774,000 (2018: RMB41,127,000) were paid to PKU Resources Group. The directors considered that the provision of property management services by PKU Resources Group was made in accordance with the Master Property Management Service Agreement.

(d) On 7 June 2018, the Company entered into the Master Entrusted Management and Consultancy Agreement with PKU Resources Group pursuant to which the Company would provide services to PKU Resources Group and its associates for the three years ending 31 December 2020. Further details of the transaction were set out in the announcement of new technical support service agreement of the Company dated 7 June 2018.

During the year ended 31 December 2019, consultancy services of approximately RMB83,640,000 (2018: RMB91,218,000) were charged to PKU Resources Group. The directors considered that the charges were made according to published prices and conditions similar to those offered to other customers of the Group.

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

ON BEHALF OF THE BOARD

Cheung Shuen Lung
Chairman

Hong Kong
23 June 2020

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 58 to 156, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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.

Material uncertainty related to going concern

We draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group incurred a net loss of RMB1,693,326,000 for the year ended 31 December 2019, and had net current assets of RMB331,727,000 which included properties under development with an aggregate amount of RMB10,791,048,000 expected to be completed within normal operating cycle and recovered after one year as at 31 December 2019. Peking University Founder Group Company Limited ("Peking Founder") owns 81.64% effective interest of the immediate holding company of the Company and has provided corporate guarantees to certain of the Group's borrowings. In 2019, Peking Founder defaulted on its bond redemption of RMB2,000,000,000 and the Group also defaulted its loan repayments of RMB1,211,770,000. These defaults caused breaches of loan covenants of the Group's borrowings, resulting in borrowings of RMB11,147,071,000 becoming repayable on demand as at 31 December 2019. These conditions, together with other matters as set forth in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

In addition to the matters described in the *Material uncertainty related to going concern* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

KEY AUDIT MATTERS (continued)

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

Key audit matter	How our audit addressed the key audit matter
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 RMB30,092,189,000 (after loss allowance for impairment) constituted a significant portion of the total assets as at 31 December 2019, and net impairment losses of RMB3,268,639,000 were recorded during the year ended 31 December 2019. The assessment process of impairment provision is complex because it involves significant management judgements and estimates regarding, among others, available selling prices and budgeted property development costs, which could affect the net realisable values of the properties under development and properties held for sale of the Group. Relevant disclosures are included notes 2.4 *Summary of Significant Accounting Policies*, 3 *Significant Accounting Judgements and Estimates*, 19 *Properties under Development* and 20 *Properties Held for Sale* to the consolidated financial statements.	We understood and assessed the Group's accounting policies for provision for impairment of properties under development and properties held for sale. In assessing the net realisable values of the Group's properties under development and properties held for sale, we evaluated the appropriateness of the available selling price amounts obtained from comparable properties and examined the budgets of property development costs. We assessed the methodology applied for the Group's provisioning policy and re-calculated the provision for impairment amounts of properties under development and properties held for sale based on management's methodology at the year end. We reviewed relevant disclosures included in the consolidated financial statements.
Capitalisation of borrowing costs The financial sources of the Group's property development operation mostly come from interest-bearing borrowings. During the year ended 31 December 2019, the Group incurred total borrowing costs of RMB3,069,835,000 (before capitalisation), of which an aggregate amount of RMB2,245,486,000 was capitalised in properties under development and properties held for sale. The capitalisation of borrowing costs is complex because it involves the assessment of qualifying assets, the usage of borrowing funds and the capitalisation period. Relevant disclosures are included in notes 2.4 *Summary of Significant Accounting Policies* and 7 *Finance Costs* to the consolidated financial statements.	We understood the status of the Group's properties under development and properties held for sale. We examined the loan agreements and obtained direct external confirmations from banks, financial institutes or other relevant entities to evaluate the borrowing balances. We evaluated management's assessment of qualifying assets with respect to the Group's properties under development, and checked the usage of borrowing funds and the capitalisation period on a sampling basis. We assessed the methodology applied for the Group's capitalisation policy and re-calculated the capitalisation amounts of borrowing costs during the year based on management's methodology. We reviewed relevant disclosures included in the consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provision for impairment of trade receivables Trade receivables with an aggregate amount of RMB1,155,000,000 (after loss allowance for impairment) constituted a significant portion of the total assets of the Group as at 31 December 2019 and the Group was exposed to credit risk thereof. The Group recognised an impairment of RMB9,800,000 based on the expected credit loss approach. The measurement of expected credit losses requires the application of significant judgement and estimates, such as the expected future cash flows and forward-looking factors specific to the debtors and the economic environment. Relevant disclosures are included in notes 2.4 *Summary of Significant Accounting Policies*, 3 *Significant Accounting Judgements and Estimates* and 22 *Trade and Bills Receivables* to the consolidated financial statements.	Our audit procedures included the assessment of the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimate of expected credit losses. We assessed the reasonableness of management's expected credit loss allowance by examining the information used by management to form such judgement and estimates, including checking the accuracy of the historical default information, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information. We evaluated the reasonableness of the Group's loss allowance for impairment of trade receivables by reference to the Group's subsequent collection of the trade receivables. We reviewed relevant disclosures included in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(continued)

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
23 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**24,131,590**	24,911,870
Cost of sales		**(22,029,951)**	(21,694,519)
Gross profit		**2,101,639**	3,217,351
Other income and gains	5	**173,230**	193,922
Selling and distribution expenses		**(483,688)**	(438,201)
Administrative expenses		**(621,412)**	(530,012)
Impairment losses on financial assets, net		**(71,670)**	(78,962)
Other expenses and losses, net		**(4,464)**	(128,203)
Finance costs	7	**(824,349)**	(160,687)
Share of losses of associates		**(2,017)**	(3,522)
PROFIT BEFORE TAX	6	**267,269**	2,071,686
Income tax expense	10	**(1,960,595)**	(1,275,040)
PROFIT/(LOSS) FOR THE YEAR		**(1,693,326)**	796,646
Attributable to:			
Owners of the parent		**(2,421,877)**	716,310
Non-controlling interests		**728,551**	80,336
		(1,693,326)	796,646
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**RMB(37.75) cents**	RMB11.16 cents
Diluted		**RMB(37.75) cents**	RMB11.16 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
PROFIT/(LOSS) FOR THE YEAR	**(1,693,326)**	796,646
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of non-Mainland China entities' investments	**(46,670)**	(127,209)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(46,670)**	(127,209)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of the Company	**40,082**	103,942
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**40,082**	103,942
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(6,588)**	(23,267)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(1,699,914)**	773,379
Attributable to:		
Owners of the parent	**(2,428,783)**	692,258
Non-controlling interests	**728,869**	81,121
	(1,699,914)	773,379

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**94,470**	89,907
Investment properties	14	**757,166**	750,851
Right-of-use assets	15(b)	**28,248**	–
Prepaid land lease payments	15(a)	**–**	11,217
Goodwill	16	**–**	–
Other intangible assets	17	**6,508**	7,849
Investments in associates	18	**4,662**	6,648
Deferred tax assets	31	**213,941**	231,574
Other non-current assets	23	**50,000**	50,000
Total non-current assets		**1,154,995**	1,148,046
CURRENT ASSETS			
Properties under development	19	**17,626,739**	23,278,793
Properties held for sale	20	**12,465,450**	7,960,058
Inventories	21	**651,171**	532,635
Trade and bills receivables	22	**1,276,186**	1,193,440
Prepayments, other receivables and other assets	23	**1,942,541**	2,269,555
Prepaid tax		**594,591**	487,085
Other current assets	24	**315,227**	314,450
Restricted cash	25	**957,536**	1,574,545
Cash and cash equivalents	26	**1,556,977**	3,902,631
Total current assets		**37,386,418**	41,513,192
CURRENT LIABILITIES			
Trade and bills payables	27	**5,462,358**	4,294,818
Other payables and accruals	28	**16,438,769**	18,500,596
Interest-bearing bank and other borrowings	29	**12,654,876**	10,140,002
Lease liabilities	15	**9,596**	–
Tax payable		**2,384,772**	1,375,860
Provision	30	**104,320**	116,308
Total current liabilities		**37,054,691**	34,427,584
NET CURRENT ASSETS		**331,727**	7,085,608
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,486,722**	8,233,654

continued/...

	Notes	2019 RMB'000	2018 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,486,722**	8,233,654
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**258,079**	5,091,990
Lease liabilities	15	**8,480**	–
Deferred tax liabilities	31	**116,523**	136,974
Total non-current liabilities		**383,082**	5,228,964
Net assets		**1,103,640**	3,004,690
EQUITY			
Equity attributable to owners of the parent			
Issued capital	32	**545,335**	545,335
Reserves	34	**(404,540)**	2,123,171
		140,795	2,668,506
Non-controlling interests		**962,845**	336,184
Total equity		**1,103,640**	3,004,690

Cheung Shuen Lung
Director

Zeng Gang
Director

	Attributable to owners of the parent										
	Issued capital RMB'000	Share premium account RMB'000	Merger reserve RMB'000	Contributed surplus RMB'000	Non-controlling interest reserve RMB'000	Exchange fluctuation reserve RMB'000	General reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	545,335	2,182,454	(238,675)	551,764	(134,812)	(65,215)	157,494	(1,022,097)	1,976,248	249,263	2,225,511
Profit for the year	–	–	–	–	–	–	–	716,310	716,310	80,336	796,646
Other comprehensive income/(loss) for the year:											
Exchange differences on translation of non-Mainland China entities' investments	–	–	–	–	–	(127,994)	–	–	(127,994)	785	(127,209)
Exchange differences on translation of financial statements of the Company	–	–	–	–	–	103,942	–	–	103,942	–	103,942
Total comprehensive income/(loss) for the year	–	–	–	–	–	(24,052)	–	716,310	692,258	81,121	773,379
Transfer to general reserve	–	–	–	–	–	–	153,334	(153,334)	–	–	–
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	–	5,800	5,800
At 31 December 2018	545,335	2,182,454*	(238,675)*	551,764*	(134,812)*	(89,267)*	310,828*	(459,121)*	2,668,506	336,184	3,004,690

	Attributable to owners of the parent										
	Issued capital RMB'000	Share premium account RMB'000	Merger reserve RMB'000	Contributed surplus RMB'000	Non-controlling interest reserve RMB'000	Exchange fluctuation reserve RMB'000	General reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	545,335	2,182,454*	(238,675)*	551,764*	(134,812)*	(89,267)*	310,828*	(459,121)*	2,668,506	336,184	3,004,690
Profit/(loss) for the year	–	–	–	–	–	–	–	(2,421,877)	(2,421,877)	728,551	(1,693,326)
Other comprehensive income/(loss) for the year:											
Exchange differences on translation of non-Mainland China entities' investments	–	–	–	–	–	(46,988)	–	–	(46,988)	318	(46,670)
Exchange differences on translation of financial statements of the Company	–	–	–	–	–	40,082	–	–	40,082	–	40,082
Total comprehensive income/(loss) for the year	–	–	–	–	–	(6,906)	–	(2,421,877)	(2,428,783)	728,869	(1,699,914)
Reduction of share premium	–	(2,182,196)	–	2,182,196	–	–	–	–	–	–	–
Transfer of contributed surplus to set off against accumulated losses	–	–	–	(1,337,733)	–	–	–	1,337,733	–	–	–
Transfer to general reserve	–	–	–	–	–	–	216,203	(216,203)	–	–	–
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	–	2,700	2,700
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(104,908)	(104,908)
Final 2018 dividend	–	–	–	(98,928)	–	–	–	–	(98,928)	–	(98,928)
At 31 December 2019	545,335	258*	(238,675)*	1,297,299*	(134,812)*	(96,173)*	527,031*	(1,759,468)*	140,795	962,845	1,103,640

* These reserve accounts comprise the consolidated deficits of RMB404,540,000 (2018: reserves of RMB2,123,171,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**267,269**	2,071,686
Adjustments for:			
Finance costs	7	**824,349**	160,687
Share of losses of associates		**2,017**	3,522
Interest income	5	**(46,135)**	(26,298)
Fair value loss/(gain) on investment properties, net	5,6	**560**	(24,310)
Depreciation of property, plant and equipment	6	**14,724**	16,271
Depreciation of right-of-use assets/amortisation of land lease payments		**9,284**	392
Amortisation of other intangible assets	6	**3,537**	2,385
Loss on disposal of property, plant and equipment	6	**94**	42
Impairment of trade receivables, net	6	**9,843**	53,039
Impairment of financial assets included in prepayments, other receivables and other assets	6	**61,827**	25,923
Provision/(reversal of provision) against inventories	6	**21,682**	(1,389)
Impairment of properties under development, net	6	**917,744**	315,352
Impairment of properties held for sale, net	6	**2,350,895**	557,888
		4,437,690	3,155,190
Increase in properties under development		**(8,319,125)**	(6,119,974)
Decrease in properties held for sale		**8,439,244**	11,926,721
Increase in inventories		**(140,218)**	(6,049)
Increase in trade and bills receivables		**(92,589)**	(12,540)
Decrease in prepayments, other receivables and other assets		**269,157**	2,953
Decrease in restricted cash		**547,260**	894,159
Increase in other current assets		**(777)**	(314,450)
Increase in trade and bills payables		**1,167,540**	566,811
Decrease in other payables and accruals		**(3,539,978)**	(1,568,342)
Increase/(decrease) in provision		**(11,988)**	116,308
Effect of foreign exchange rate changes, net		**(7,948)**	(32,657)
Cash generated from operations		**2,748,268**	8,608,130
Interest received		**41,773**	26,298
Interest paid		**(1,627,103)**	(2,801,229)
Hong Kong profits tax paid		**(1,056)**	(128)
Mainland China corporate income tax paid		**(802,621)**	(364,178)
Land appreciation tax paid		**(258,589)**	(327,735)
Net cash flows from operating activities		**100,672**	5,141,158

continued/...

	Notes	2019 RMB'000	2018 RMB'000
Net cash flows from operating activities		**100,672**	5,141,158
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	13	**(19,855)**	(9,151)
Purchases of other intangible assets	17	**(2,196)**	(1,522)
Proceeds from disposal of property, plant and equipment		**474**	535
Investment in an associate		**–**	(3,000)
Increase in other non-current assets		**–**	(50,000)
Net cash flows used in investing activities		**(21,577)**	(63,138)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other loans		**18,142,140**	27,433,730
Repayment of bank and other loans		**(20,463,210)**	(32,451,895)
Principal portion lease payments	36(c)	**(7,847)**	–
Dividends paid		**(96,607)**	–
Dividends paid to non-controlling shareholders		**(71,810)**	–
Capital contributions from non-controlling shareholders of a subsidiary		**2,700**	5,800
Decrease in restricted cash for securing borrowings		**69,749**	–
Net cash used in financing activities		**(2,424,885)**	(5,012,365)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,345,790)**	65,655
Cash and cash equivalents at beginning of year		**3,902,631**	3,835,855
Effect of foreign exchange rate changes, net		**136**	1,121
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,556,977**	3,902,631
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**1,556,977**	3,902,631
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**1,556,977**	3,902,631

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 2019, the Company was owned as to approximately 60.01% by Founder Information (Hong Kong) Limited, which was in turn owned effectively as to approximately 81.64% by 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"). In the opinion of the directors, the ultimate holding company is 北大資產經營有限公司 (Peking University Asset Management Company Limited*), which is established in the People's Republic of China (the "PRC").

Information about subsidiaries

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

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

* *For identification purposes only*

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	RMB30,000,000	–	70	Property development
Tianjin Boya Properties Co., Limited^	PRC/Mainland China	RMB50,000,000	–	60	Property development
Chengdu Hangmei Property Development Co., Limited^	PRC/Mainland China	RMB30,000,000	–	70	Property development
Kunshan Hi-Tech Electronic Arts Creative Industry Development Co., Limited ("Kunshan Hi-Tech")^	PRC/Mainland China	RMB200,000,000	–	51	Property development
Dongguan Yihui Property Co., Limited^	PRC/Mainland China	RMB30,000,000	–	100	Property development
Tianhe Property Development Co., Limited@	PRC/Mainland China	RMB300,000,000	–	90	Property development
Changsha Henglong Property Development Co., Limited^	PRC/Mainland China	RMB10,000,000	–	63	Property development
Yongqin Limited ("YQ")	British Virgin Islands/ Hong Kong	Ordinary HK$2	100	–	Property investment
Chongqing Yingfeng Property Co., Limited#	PRC/Mainland China	RMB80,000,000	–	100	Property development
Foshan Peking University Resources Property Co., Limited@	PRC/Mainland China	RMB100,000,000	–	51	Property development
Wuhan Tianhe Jincheng Property Development Co., Limited^	PRC/Mainland China	RMB50,000,000	–	70	Property development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

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

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Kunming Fangyuan Botai Zhiye Company Limited^	PRC/Mainland China	RMB50,000,000	–	85	Property development
Chengdu Jinyi Yuanhang Property Development Co., Limited^	PRC/Mainland China	RMB30,000,000	–	80	Property development
Zhuzhou Lixiangcheng Property Development Co., Limited^	PRC/Mainland China	RMB50,000,000	–	82	Property development
Kunshan Fangshi Property Development Co., Limited^	PRC/Mainland China	RMB50,000,000	–	100	Property development
Kaifeng Boyuan Property Co., Limited^	PRC/Mainland China	RMB20,000,000	–	100	Property development
Yuxi Runya Property Co., Limited^	PRC/Mainland China	RMB10,000,000	–	100	Property development

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

^ Registered as a limited liability company under PRC law

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

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

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") 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.

Going concern basis

The Group incurred a net loss of RMB1,693,326,000, including net impairment of properties under development and properties held for sale with an aggregate amount of RMB3,268,639,000, for the year ended 31 December 2019, and had net current assets of RMB331,727,000 which included properties under development with an aggregate amount of RMB10,791,048,000 expected to be completed within normal operating cycle and recovered after one year as at 31 December 2019.

In 2019, Peking Founder defaulted on its bond redemption of RMB2,000,000,000 and the Group also defaulted its loan repayments of RMB1,211,770,000, resulting in borrowings of RMB11,147,071,000 becoming repayable on demand as at 31 December 2019 because these defaults caused breaches of loan covenants of the Group's borrowings. Of the borrowings repayable on demand of RMB11,147,071,000, there were borrowings of RMB2,307,917,000 reclassified from non-current liabilities to current liabilities as at 31 December 2019. In February 2020, Bank of Beijing applied to The First Intermediate People's Court of Beijing for the initiation of reorganisation procedures against Peking Founder, details of which are included in the Company's announcement dated 18 February 2020.

In November and December 2019, the Group received (1) a pre-litigation property attachment, which aimed to freeze the bank account balances or impound or seize other equivalent assets of the borrower with the equivalent amount of the borrowings in concern, issued by Xining City Intermediate People's Court of Qinghai Province in relation to borrowings of RMB2,320,000,000, (2) legal proceedings in Dongguan City Third People's Court of Guangdong Province requiring the repayment of principal, interest and default penalty of a loan amounting to RMB1,061,770,000 which was subsequently changed to RMB773,656,000, and (3) an application for arbitration of a securities conflict case requiring the payment of principal involved in relevant securities and the expected revenue amounting to RMB496,991,000. Based on the latest information available to the Group, the plaintiff applying for the pre-litigation property attachment did not initiate further legal proceedings against the Group and Dongguan City Third People's Court of Guangdong Province has terminated the trial because the reorganisation procedure against Peking Founder is in process, while only the application for arbitration of a securities conflict case is ongoing as of the date of approval of these financial statements.

As further explained in note 29 to the financial statements, as at 31 December 2019 and up to the date of approval of these financial statements, the Group's borrowings with aggregate amounts of RMB1,177,076,000 and RMB3,476,319,000, respectively, were overdue.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt regarding the Group's ability to continue as a going concern.

In view of such circumstances, the board of directors of the Company has given careful consideration to the future liquidity of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Subsequent to the balance sheet date, the Group extended the maturity dates of three loans with an aggregate amount of RMB877,000,000 as at 31 December 2019 from 2020 to 2021. In addition, the Group has submitted written loan extension applications to two lenders for an aggregate loan amount of RMB1,902,786,000, as well as has been in active verbal negotiation with ten lenders to explore the possibility of loan extension with an aggregate amount of RMB2,994,519,000. The board of directors of the Company is also of the view that the Group will carry on its operation and deliver its properties to customers as usual, and therefore the advances received with an aggregate amount of RMB9,654,247,000 as of 31 December 2019 will not result in direct cash outflow (i.e., refunds) notwithstanding that the reorganisation procedure against Peking Founder is yet to be finalised.

2.1 BASIS OF PREPARATION (continued)

Going concern basis (continued)

The board of directors of the Company has reviewed the Group's cash flow forecast prepared by the management of the Group which covered the period up to 31 December 2020. The board of directors of the Company is of the opinion that, taking into account of the loan extension, the current operation of the Group as well as the possible outcome of the reorganisation procedure against Peking Founder, the Group will have sufficient financial resources to continue as a going concern.

Should the Group fail to achieve the aforementioned matters, it might not be able to continue as a going concern, and adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than what they are currently recorded in the consolidated statement of financial position as at 31 December 2019. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various buildings and land use rights. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application when applying HKFRS 16 at 1 January 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Financial impact at 1 January 2019

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) RMB'000
Assets	
Increase in right-of-use assets	23,564
Decrease in prepaid land lease payments	(11,217)
Decrease in prepayments, other receivables and other assets	(392)
Increase in total assets	11,955
Liabilities	
Increase in lease liabilities	11,955
Increase in total liabilities	11,955

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	20,028
Less: Commitments relating to short-term leases and those leases with remaining lease term ending on or before 31 December 2019	(6,997)
	13,031
Weighted average incremental borrowing rate as at 1 January 2019	9.54%
Discounted operating lease commitments and lease liabilities as at 1 January 2019	11,955

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group assessed the tax positions and concluded that the interpretation did not have any significant impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 No mandatory effective date yet determined but available for adoption

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

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

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

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

Amendments to HKAS 1 clarify the criteria for determining whether to classify a liability as current or non-current. The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments clarify the situations that are considered settlement of a liability. The amendments to HKAS 1 are required to be applied for annual periods beginning on or after 1 January 2022. The amendments must be applied retrospectively in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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

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

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

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

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

Business combinations and goodwill

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

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

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

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

Fair value measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018: leasehold property under an operating lease) 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" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	36 to 42 years
Buildings	1 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance 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 profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

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

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

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

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

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

General approach

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

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

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

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

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

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Income tax

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

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

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

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, and 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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 from contracts with customers

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

(a) Sale of information products

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

(b) Property development

Revenue from the sale of properties is recognised on delivery of the properties. For a contract for which the period between the time the customer pays for the good or property and when the Group transfers that promised good or property to the customer is at least more than one year will be considered for the effects of a financing component. Contract liabilities will be accrued on the long-term advances received based on the length of time between the customer's payment and the delivery of property to the customer and the prevailing interest rates in the market.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

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

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

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

(c) The costs are expected to be recovered.

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

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

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

Share-based payments

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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.

2.4 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.

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.

Foreign currencies

These financial statements are presented in RMB, which is the Group's presentation currency. The functional currency of the Company is Hong Kong dollars while 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

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

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

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

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

Classification between investment properties and properties held for sale

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Variable consideration for returns

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

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

The Group updates its assessment of expected returns annually and the refund liabilities are adjusted accordingly. Estimates of expected returns are sensitive to changes in circumstances and the Group's past experience regarding returns may not be representative of customers' actual returns in the future. As at 31 December 2019, the amount recognised as refund liabilities was RMB23,126,000 (2018: RMB22,548,000) for the expected returns.

Provision for expected credit losses on trade receivables

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of fair value of investment properties

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

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

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

The carrying amount of investment properties at 31 December 2019 was RMB757,166,000 (2018: RMB750,851,000). Further details, including the key assumptions used for the fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

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

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

Provision against inventories

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

Deferred tax assets

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

PRC corporate income tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to income taxes have not been confirmed by the local tax bureau, objective estimates and judgements 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, non-lease-related finance costs as well as head office and corporate expenses are excluded from such measurement.

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

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2019

	Distribution of information products RMB'000	Property development RMB'000	Property investment RMB'000	Total RMB'000
Segment revenue, other income and gains (note 5)				
Revenue from external customers	8,880,025	15,216,685	34,880	24,131,590
Other income and gains	343	126,752	–	127,095
	8,880,368	15,343,437	34,880	24,258,685
Segment results	(15,705)	1,182,839	30,791	1,197,925
Reconciliation:				
Interest income				46,135
Corporate and unallocated expenses				(154,897)
Finance costs (other than interest on lease liabilities)				(821,894)
Profit before tax				267,269
Segment assets	5,015,514	31,170,911	685,959	36,872,384
Reconciliation:				
Elimination of intersegment receivables				(1,654,016)
Corporate and other unallocated assets				3,323,045
Total assets				38,541,413
Segment liabilities	1,604,536	21,791,464	281,539	23,677,539
Reconciliation:				
Elimination of intersegment payables				(1,654,016)
Corporate and other unallocated liabilities				15,414,250
Total liabilities				37,437,773
Other segment information				
Share of losses of associates	2,017	–	–	2,017
Investments in associates	1,662	3,000	–	4,662
Fair value losses on investment properties, net	–	–	560	560
Impairment of trade receivables, net	9,843	–	–	9,843
Impairment of financial assets included in prepayments, other receivables and other assets, net	33,466	28,361	–	61,827
Provision against inventories	21,682	–	–	21,682
Impairment of properties under development, net	–	917,744	–	917,744
Impairment of properties held for sale, net	-	2,350,895	–	2,350,895
Depreciation and amortisation	5,974	21,138	433	27,545
Capital expenditure*	2,227	19,824	–	22,051
Claim provision, net	–	3,810	–	3,810

* 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 2018

	Distribution of information products RMB'000	Property development RMB'000	Property investment RMB'000	Total RMB'000
Segment revenue, other income and gains (note 5)				
Revenue from external customers	7,751,741	17,129,887	30,242	24,911,870
Other income and gains	4,644	138,670	24,310	167,624
	7,756,385	17,268,557	54,552	25,079,494
Segment results	55,803	2,205,101	50,521	2,311,425
Reconciliation:				
Interest income				26,298
Corporate and unallocated expenses				(105,350)
Finance costs				(160,687)
Profit before tax				2,071,686
Segment assets	3,949,062	33,871,442	618,450	38,438,954
Reconciliation:				
Elimination of intersegment receivables				(1,973,551)
Corporate and other unallocated assets				6,195,835
Total assets				42,661,238
Segment liabilities	1,849,377	22,765,097	270,799	24,885,273
Reconciliation:				
Elimination of intersegment payables				(1,973,551)
Corporate and other unallocated liabilities				16,744,826
Total liabilities				39,656,548
Other segment information:				
Share of losses of an associate	3,522	–	–	3,522
Investment in an associate	3,648	3,000	–	6,648
Fair value gains on investment properties, net	–	–	24,310	24,310
Impairment of trade receivables, net	6,394	46,645	–	53,039
Impairment of financial assets included in prepayments, other receivables and other assets	1,609	24,314	–	25,923
Reversal of provision against inventories	(1,389)	–	–	(1,389)
Impairment of properties under development, net	–	315,352	–	315,352
Impairment of properties held for sale, net	–	557,888	–	557,888
Depreciation and amortisation	2,748	15,950	350	19,048
Capital expenditure*	2,412	8,261	–	10,673
Claim provision	–	116,308	–	116,308

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographic information

(a) Revenue from external customers

	Distribution of information products RMB'000	Property development RMB'000	Property investment RMB'000	Total RMB'000
For the year ended 31 December 2019				
Mainland China	**8,836,069**	**15,216,685**	**32,411**	**24,085,165**
Hong Kong	**43,956**	**–**	**2,469**	**46,425**
	8,880,025	**15,216,685**	**34,880**	**24,131,590**
For the year ended 31 December 2018				
Mainland China	7,653,400	17,129,887	28,233	24,811,520
Hong Kong	98,341	–	2,009	100,350
	7,751,741	17,129,887	30,242	24,911,870

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

(b) Non-current assets

	2019 RMB'000	2018 RMB'000
Mainland China	**889,392**	862,824
Hong Kong	**1,662**	3,648
	891,054	866,472

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

Information about major customers

During the year, there was no revenue from sales to an external customer which accounted for 10% or more of the Group's total revenue (2018: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue from contracts with customers is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers		
Sale of properties	**15,216,685**	17,129,887
Sale of information products	**8,880,025**	7,751,741
	24,096,710	24,881,628
Revenue from other sources		
Gross rental income	**34,880**	30,242
	24,131,590	24,911,870

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

Sale of properties

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

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

	2019 RMB'000	2018 RMB'000
Within one year	**8,210,457**	13,170,705
In the second year	**3,077,948**	4,418,639
In the third year	**95,345**	25,373
	11,383,750	17,614,717

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

5. REVENUE, OTHER INCOME AND GAINS (continued)

Sale of information products

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

An analysis of other income and gains is as follows:

	Notes	2019 RMB'000	2018 RMB'000
Other income			
Management and consultancy service fee income		**89,923**	91,218
Bank interest income		**24,919**	24,129
Other interest income from related companies		**21,216**	2,169
Government grants*		**1,711**	1,243
Others		**27,476**	22,637
		165,245	141,396
Gains			
Fair value gains on investment properties, net	14	**–**	24,310
Foreign exchange gains, net		**7,985**	–
Gain on disposal of properties under development	24	**–**	28,216
		7,985	52,526
		173,230	193,922

* 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	2019 RMB'000	2018 RMB'000
Cost of inventories sold		**8,629,000**	7,538,782
Cost of properties sold		**10,110,630**	13,283,886
Provision/(reversal of provision) against inventories		**21,682**	(1,389)
Impairment of properties under development, net	19	**917,744**	315,352
Impairment of properties held for sale, net		**2,350,895**	557,888
Cost of sales		**22,029,951**	21,694,519
Auditor's remuneration		**4,180**	3,500
Depreciation of property, plant and equipment	13	**14,724**	16,271
Less: Depreciation capitalised in properties under development		**(1,329)**	(812)
		13,395	15,459
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	15(a),15(b)	**9,284**	392
Amortisation of other intangible assets	17	**3,537**	2,385
Loss on disposal of property, plant and equipment*		**94**	42
Fair value loss on investment properties, net*	14	**560**	–
Impairment of financial assets, net:			
Impairment of trade receivables, net	22	**9,843**	53,039
Impairment of financial assets included in prepayments, other receivables and other assets	23	**61,827**	25,923
		71,670	78,962
Claim provision*	30	**3,810**	116,308
Minimum lease payments under operating leases		**–**	40,343
Lease payments not included in the measurement of lease liabilities	15(d)	**14,804**	–
Foreign exchange losses, net*		**–**	11,853
Employee benefit expense (including the directors' remuneration – note 8):			
Wages and salaries		**393,414**	322,346
Pension scheme contributions**		**18,860**	17,696
		412,274	340,042

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

** At 31 December 2019, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2018: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 RMB'000	2018 RMB'000
Interest on bank and other borrowings	**1,393,783**	1,528,134
Interest on loans from related companies	**902,578**	211,381
Interest expense arising from revenue contracts	**764,308**	1,071,865
Interest on discounted bills	**6,711**	12,906
Interest expense arising from lease contracts	**2,455**	–
Total interest expense	**3,069,835**	2,824,286
Less: Interest capitalised	**(2,245,486)**	(2,663,599)
	824,349	160,687

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:

	2019 RMB'000	2018 RMB'000
Fees	**333**	318

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:

	2019 RMB'000	2018 RMB'000
Mr Li Fat Chung	111	106
Ms Wong Lam Kit Yee	111	106
Mr Chan Chung Kik Lewis	111	106
	333	318

There were no other emoluments payable to the independent non-executive directors during the year (2018: 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
2019						
Executive directors:						
Mr Cheung Shuen Lung	–	–	–	–	–	–
Mr Zeng Gang#	–	–	–	–	–	–
Ms Sun Min	–	–	–	–	–	–
Mr Ma Jian Bin*	–	–	–	–	–	–
Ms Liao Hang	–	–	–	–	–	–
Mr Zheng Fu Shuang	–	–	–	–	–	–
	–	–	–	–	–	–

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

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

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

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

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

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2018: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration for the year of the five (2018: five) highest paid employees who are neither a director nor the chief executive of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	**5,215**	5,857
Performance related bonuses	**8,396**	8,213
Pension scheme contributions	**188**	98
	13,799	14,168

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	
	2019	2018
RMB2,000,001 to RMB3,000,000	**2**	4
RMB3,000,001 to RMB4,000,000	**3**	1
	5	5

10. INCOME TAX

	2019 **RMB'000**	2018 RMB'000
Current – Hong Kong		
Charge for the year	**482**	551
Current – Mainland China		
Charge for the year	**1,108,693**	848,498
PRC LAT	**854,497**	683,312
Deferred (note 31)	**(3,077)**	(257,321)
Total tax charge for the year	**1,960,595**	1,275,040

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

10. INCOME TAX (continued)

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2018: 25%) on the taxable profits of the Group's PRC subsidiaries.

PRC LAT

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

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:

2019

	Hong Kong		Mainland China		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	(16,572)		283,841		267,269	
Tax at the statutory tax rate	(2,734)	16.5	70,960	25.0	68,226	25.5
Loss attributable to an associate	333	(2.0)	–	–	333	0.1
Income not subject to tax	(10)	0.1	–	–	(10)	–
Expenses not deductible for tax	22	(0.1)	12,139	4.3	12,161	4.6
Tax losses utilised from the previous periods	–	–	(30,508)	(10.7)	(30,508)	(11.4)
Tax losses not recognised	2,004	(12.1)	431,982	152.2	433,986	162.3
Temporary differences not recognised	210	(1.3)	855,194	301.3	855,404	320.1
Adjustments in respect of deferred tax of prior years	–	–	(19,870)	(7.0)	(19,870)	(7.4)
LAT	–	–	854,497	301.0	854,497	319.7
Tax effect of LAT	–	–	(213,624)	(75.3)	(213,624)	(79.9)
Tax charge at the Group's effective rate	(175)	1.1	1,960,770	690.8	1,960,595	733.6

10. INCOME TAX (continued)

PRC LAT (continued)

2018

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

There is no tax expense attributable to associates (2018: Nil) included in "Share of losses of associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

	2019 HK$'000	2018 HK$'000
Proposed final – Nil (2018: HK1.75 cents) per ordinary share	**–**	112,283

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

The calculation of the basic loss per share (2018: earnings per share) amount is based on the loss for the year attributable to ordinary equity holders of the parent of RMB2,421,877,000 (2018: profit of RMB716,310,000), and the weighted average number of ordinary shares of 6,416,155,647 (2018: 6,416,155,647) in issue during the year.

The calculation of the diluted loss per share (2018: earnings per share) amount is based on the loss (2018: 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 loss (2018: earnings) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2019 (2018: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019						
At 31 December 2018 and at 1 January 2019:						
Cost	86,539	37,814	42,719	24,496	2,532	194,100
Accumulated depreciation	(16,916)	(29,202)	(37,763)	(20,312)	–	(104,193)
Net carrying amount	69,623	8,612	4,956	4,184	2,532	89,907
At 1 January 2019, net of accumulated depreciation	69,623	8,612	4,956	4,184	2,532	89,907
Additions	27	6,176	1,931	2,058	9,663	19,855
Disposals	–	(508)	(60)	–	–	(568)
Transfers	12,195	–	–	–	(12,195)	–
Depreciation provided during the year	(4,030)	(5,604)	(2,662)	(2,428)	–	(14,724)
At 31 December 2019, net of accumulated depreciation	77,815	8,676	4,165	3,814	–	94,470
At 31 December 2019:						
Cost	98,761	40,004	42,792	26,554	–	208,111
Accumulated depreciation	(20,946)	(31,328)	(38,627)	(22,740)	–	(113,641)
Net carrying amount	77,815	8,676	4,165	3,814	–	94,470

13. PROPERTY, PLANT AND EQUIPMENT (continued)

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

As at 31 December 2019, two of the Group's buildings with an aggregate carrying amount of RMB44,157,000 (2018: RMB43,322,000) did not have building ownership certificates registered under the name of the respective subsidiaries of the Group.

As at 31 December 2019, one of the Group's buildings with a net carrying amount of approximately RMB24,778,000 (2018: Nil) was pledged to a financial institution to secure loans granted to the Group (note 29).

14. INVESTMENT PROPERTIES

	Notes	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January		**750,851**	715,343
Transfer from properties held for sale		**3,390**	2,589
Net gains/(loss) from fair value adjustments	5, 6	**(560)**	24,310
Exchange realignment		**3,485**	8,609
Carrying amount at 31 December		**757,166**	750,851

The Group's investment properties consist of one residential and six commercial properties in Mainland China and one commercial property in Hong Kong. The directors of the Company have determined that the investment properties consist of two classes of asset, i.e., commercial and residential, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2019 based on valuations performed by 北京經緯仁達資產評估有限公司 (Beijing Jingwei Renda Assets Appraisal Co., Ltd*) ("BJR"), independent professionally qualified valuers, at RMB757,166,000. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

As at 31 December 2019, one of the Group's investment properties, with a carrying amount of RMB20,503,000 (2018: RMB269,000,000) did not have a building ownership certificate registered under the name of the corresponding subsidiary of the Group.

The investment properties are leased to third parties under operating leases, further details of which are included in note 15 to the financial statements.

Further particulars of the Group's investment properties are included on pages 157 and 158.

* *For identification purposes only*

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

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

	Fair value measurement as at 31 December 2019 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	–	–	755,583	755,583
Residential property	–	–	1,583	1,583
	–	–	757,166	757,166

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

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 (2018: Nil).

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

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

	Commercial properties RMB'000	Residential property RMB'000
Carrying amount at 1 January 2018	713,966	1,377
Transfer from properties under development	2,589	–
Net gains from fair value adjustments recognised in other income and gains in profit or loss	24,145	165
Exchange realignment	8,609	–
Carrying amount at 31 December 2018 and 1 January 2019	749,309	1,542
Transfer from properties held for sale	3,390	–
Net gains/(loss) from fair value adjustments recognised in other expenses and losses, net, in profit or loss	(601)	41
Exchange realignment	3,485	–
Carrying amount at 31 December 2019	755,583	1,583

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 2019	Range 2018
Residential properties	Market approach	Adjustment on market unit price (per sq.m.)	**-2.0% to -3.1%**	-2.0% to -4.0%
Commercial properties	Income approach	Adjustment on market rental (per sq.m. and per month)	**2.0% to 6.0%**	4.0% to 6.0%
		Adopted yield	**6.0%**	6.0%
	Market approach	Adjustment on market unit price (per sq.m.)	**-17.1% to 1.2%**	-20.0% to 2.0%

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

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

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

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

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and land use rights used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 36 to 42 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Prepaid land lease payments (before 1 January 2019)

	RMB'000
Carrying amount at 1 January 2018	12,001
Recognised in profit or loss during the year	(392)
Carrying amount at 31 December 2018	11,609
Analysed into:	
Current portion	392
Non-current portion	11,217

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments RMB'000	**Buildings** RMB'000	**Total** RMB'000
As at 1 January 2019	11,609	11,955	23,564
Additions	–	13,968	13,968
Depreciation charge	(392)	(8,892)	(9,284)
As at 31 December 2019	11,217	17,031	28,248

15. LEASES (continued)

The Group as a lessee (continued)

(c) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 RMB'000
Carrying amount at 1 January	11,955
New leases	13,968
Accretion of interest recognised during the year	2,455
Payments	(10,302)
Carrying amount at 31 December	18,076
Analysed into:	
Current portion	9,596
Non-current portion	8,480

The maturity analysis of lease liabilities is disclosed in note 43 to the financial statements.

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 RMB'000
Interest on lease liabilities	2,455
Depreciation charge of right-of-use assets	9,284
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	14,804
Total amount recognised in profit or loss	26,543

(e) The total cash outflow for leases is disclosed in note 36(c) to the financial statements.

15. LEASES (continued)

The Group as a lessor

The Group leases its investment properties (note 14) consisting of one residential and six commercial properties in Mainland China and one commercial property in Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the year was RMB34,880,000 (2018: RMB30,242,000), details of which are included in note 5 to the financial statements.

At the end of the reporting period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019	2018
	RMB'000	RMB'000
Within one year	**45,562**	43,686
After one year but within two years	**40,238**	41,330
After two years but within three years	**35,452**	29,591
After three years but within four years	**31,199**	28,352
After four years but within five years	**24,966**	19,703
After five years	**111,330**	100,578
	288,747	263,240

16. GOODWILL

	2019	2018
	RMB'000	RMB'000
At 1 January and 31 December:		
Cost	**2,261**	2,261
Accumulated impairment	**(2,261)**	(2,261)
Net carrying amount	**–**	–

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

17. OTHER INTANGIBLE ASSETS

	Computer software RMB'000
31 December 2019	
Cost at 1 January 2019, net of accumulated amortisation	**7,849**
Additions	**2,196**
Amortisation provided during the year	**(3,537)**
At 31 December 2019	**6,508**
At 31 December 2019:	
Cost	**13,637**
Accumulated amortisation	**(7,129)**
Net carrying amount	**6,508**
31 December 2018	
Cost at 1 January 2018, net of accumulated amortisation	1,076
Additions	1,522
Transfers from property, plant and equipment (note 13)	7,636
Amortisation provided during the year	(2,385)
At 31 December 2018	7,849
At 31 December 2018:	
Cost	11,441
Accumulated amortisation	(3,592)
Net carrying amount	7,849

18. INVESTMENTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Share of net assets	**4,662**	6,648

Particulars of the Group's associates are as follows:

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

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

The above investments are indirectly held by the Company.

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

	2019 RMB'000	2018 RMB'000
Share of the associates' loss and total comprehensive loss for the year	**2,017**	3,522
Aggregate carrying amount of the Group's investments in associates	**4,662**	6,648

19. PROPERTIES UNDER DEVELOPMENT

	Notes	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January		**23,278,793**	29,844,496
Additions		**8,319,125**	6,119,974
Transfer to property, plant and equipment	13	**–**	(1,731)
Transfer to properties held for sale		**(13,053,435)**	(12,054,144)
Transfer to other current assets		**–**	(314,450)
Impairment	6	**(917,744)**	(315,352)
Carrying amount at 31 December		**17,626,739**	23,278,793
Properties under development expected to be completed within normal operating cycle and classified as current assets and expected to be recovered:			
Within one year		**6,835,691**	8,926,506
After one year		**10,791,048**	14,352,287
		17,626,739	23,278,793

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

As at 31 December 2019, certain of the Group's properties under development with an aggregate carrying amount of approximately RMB10,299,941,000 (2018: RMB7,213,999,000) were pledged to banks and financial institutions to secure loans granted to the Group (note 29).

20. PROPERTIES HELD FOR SALE

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

As at 31 December 2019, certain of the Group's properties held for sale with an aggregate carrying amount of approximately RMB6,081,866,000 (2018: RMB1,430,700,000) were pledged to banks and financial institutions to secure loans granted to the Group (note 29).

21. INVENTORIES

	2019 RMB'000	2018 RMB'000
Trading stocks	**651,171**	532,635

22. TRADE AND BILLS RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**1,235,603**	1,158,581
Bills receivable	**121,164**	105,597
	1,356,767	1,264,178
Impairment	**(80,581)**	(70,738)
	1,276,186	1,193,440

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

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

	2019 RMB'000	2018 RMB'000
Within 6 months	**1,229,984**	1,117,683
7 to 12 months	**25,871**	19,920
13 to 24 months	**8,462**	38,394
Over 24 months	**11,869**	17,443
	1,276,186	1,193,440

22. TRADE AND BILLS RECEIVABLES (continued)

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

	2019 RMB'000	2018 RMB'000
At beginning of year	**70,738**	17,699
Impairment losses, net	**9,843**	53,039
At end of year	**80,581**	70,738

The increase in the loss allowance in 2019 and 2018 was mainly due to the increase in trade receivables past due for over 2 years.

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

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

As at 31 December 2019

		Past due			
	Current	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	**0.31%**	**2.54%**	**14.60%**	**87.31%**	**6.52%**
Gross carrying amount (RMB'000)	**1,001,488**	**143,636**	**7,157**	**83,322**	**1,235,603**
Expected credit losses (RMB'000)	**3,132**	**3,655**	**1,045**	**72,749**	**80,581**

As at 31 December 2018

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

22. TRADE AND BILLS RECEIVABLES (continued)

Included in the Group's trade and bills receivables are amounts due from fellow subsidiaries of approximately RMB6,858,000 (2018: RMB60,997,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

Transferred financial assets that are not derecognised in their entirety

At 31 December 2019, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB35,650,000 (2018: RMB16,133,000) to certain of its suppliers in order to settle the trade payables due to these suppliers (the "Endorsement"). In the opinion of the directors of the Company, the Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group does not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers had recourse was RMB35,650,000 as at 31 December 2019 (2018: RMB16,133,000).

Transferred financial assets that are derecognised in their entirety

At 31 December 2019, 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 RMB146,824,000 (2018: RMB126,491,000). The Derecognised Bills had a maturity within six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

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

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 RMB'000	2018 RMB'000
Non-current		
Other non-current assets	**50,000**	50,000
Current		
Prepayments	**960,295**	1,177,165
Deposits and other receivables	**1,047,439**	1,096,373
Right of return assets	**22,557**	21,940
	2,030,291	2,295,478
Impairment	**(87,750)**	(25,923)
	1,942,541	2,269,555

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

The Group's deposits and other receivables classified under current assets mainly represent the receivables for the disposal of properties under development, rental deposits, deposits with suppliers and amounts due from related parties. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied for where there are no comparable companies as at 31 December 2019 was 8.38% (2018: 2.36%). As at 31 December 2019 the impairment loss allowance included an aggregate amount of RMB67,754,000 (2018: RMB2,267,000) which was charged to profit or loss during the year in relation to amounts due from an intermediate holding company and a fellow subsidiary.

As at 31 December 2019, included in the Group's deposits and other receivables are amounts due from fellow subsidiaries amounting to RMB1,630,000, which are unsecured, interest-free and repayable on demand and amounts due from a non-controlling shareholder of a subsidiary and an associate amounting to RMB99,110,000 and RMB12,573,000, respectively, which are unsecured, repayable on demand and bear interest at rates of 10.5% and 10% per annum, respectively. As at 31 December 2018, included in the Group's deposits and other receivables are amounts due from an intermediate holding company, fellow subsidiaries and an associate amounting to RMB34,967,000, RMB179,520,000 and RMB12,250,000, respectively, which are unsecured, interest-free and repayable on demand.

24. OTHER CURRENT ASSETS

In January 2018, a subsidiary of the Group received a notification from Kaifeng Municipal People's Government of China ("Kaifeng Municipal Government") that as the Group's land use rights of 784.82 mu of land in Kaifeng, the PRC, are within a free trade zone as set up in accordance with the Circular of the State Council on the Overall Plan for the China (Henan) Pilot Free Trade Zone (the "Free Trade Zone") and/or the adjacent areas of the Free Trade Zone, Kaifeng Municipal Government intended to repurchase such land use rights with a consideration according to government planning. In August 2018, the land use rights of 357.85 mu of land have been repurchased by Kaifeng Municipal Government at a cash consideration of approximately RMB297,253,000, and the Group recorded a disposal gain of RMB28,216,000 accordingly. As at 31 December 2019, the remaining land use rights of 426.97 mu of land were classified as other current assets, and the disposal transaction is expected to be completed within 2020.

25. RESTRICTED CASH

The Group's bank deposits with aggregate amounts of RMB25,090,000, RMB901,318,000 and RMB31,128,000 were pledged to banks to secure the Group's borrowings, 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, respectively (2018: RMB94,839,000, RMB1,448,145,000 and RMB31,561,000, respectively). The restricted cash is deposited with creditworthy banks with no recent history of default.

26. CASH AND CASH EQUIVALENTS

	2019 **RMB'000**	2018 RMB'000
Cash and bank balances	**1,556,977**	3,902,631

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB1,553,886,000 (2018: RMB3,891,517,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

At 31 December 2019, included in the Group's cash and cash equivalents were cash and bank balances of RMB10,266,000 (2018: RMB995,755,000) placed with PKU Founder Group Finance Co., Ltd. ("Founder Finance"), a financial institution approved by the People's Bank of China ("PBOC"). Founder Finance is a subsidiary of Peking Founder. The interest rates for these deposits were the prevailing savings rates offered by the PBOC.

27. TRADE AND BILLS PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**5,396,987**	4,091,999
Bills payable	**65,371**	202,819
	5,462,358	4,294,818

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

	2019 RMB'000	2018 RMB'000
Within 6 months	**5,371,556**	4,171,701
Over 6 months	**90,802**	123,117
	5,462,358	4,294,818

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

Included in the Group's trade and bills payables are amounts due to fellow subsidiaries of approximately RMB9,830,000 (2018: RMB7,378,000), which are repayable on credit terms similar to those offered by other similar suppliers of the Group.

28. OTHER PAYABLES AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Other payables	**6,692,392**	3,200,971
Accruals	**33,585**	25,039
Contract liabilities (note)	**9,654,247**	15,252,038
Dividend payable to a non-controlling shareholder	**35,419**	–
Refund liabilities	**23,126**	22,548
	16,438,769	18,500,596

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

Included in the Group's other payables are amounts due to the immediate holding company, intermediate holding companies, fellow subsidiaries and a non-controlling shareholder of a subsidiary amounting to RMB779,647,000, RMB237,254,000, RMB363,133,000 and RMB3,419,000 (2018: RMB763,397,000, RMB226,306,000, RMB355,258,000 and Nil), respectively, which are unsecured, interest-free and repayable on demand, and amounts due to an intermediate holding company amounting to RMB1,990,038,000 (2018: RMB156,652,000), which are unsecured, bear interests at rates ranging from 7.5% to 15% per annum (2018: 7.5% to 20%) and repayable on demand.

Note:

Details of contract liabilities are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000	1 January 2018 RMB'000
Sale of information products	**125,483**	127,392	182,017
Sale of properties	**9,527,332**	15,123,481	15,839,635
Lease of properties	**1,432**	1,165	1,360
Total contract liabilities	**9,654,247**	15,252,038	16,023,012

Contract liabilities include advances received to deliver information products and properties, and significant financing component for the contract where the period between the advance received from customer and the transfer of the promised property or service exceeds one year. The decrease of contract liabilities in 2019 and 2018 was mainly due to the decrease in advances received from customers in relation to the sale of properties at the end of the year.

Included in the Group's contract liabilities as at 31 December 2019 are amounts due to fellow subsidiaries of Peking Founder of approximately RMB19,445,000 (2018: RMB2,238,000).

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019			2018		
	Effective interest rate %	Maturity	RMB'000	Effective interest rate %	Maturity	RMB'000
Current						
Bank loans – secured	**7.6**	**On demand**	**30,000**	7.6	2019	200,000
Bank loans – secured@	**–**	**–**	**–**	LPR+58%	On demand	205,000
Bank loans – unsecured	**5.2**	**2020**	**62,306**	5.0–7.0	2019	559,622
Bank loans – unsecured	**8.0**	**On demand**	**20,000**	–	–	–
Bank loans – unsecured@	**LPR+25%–35%**	**On demand**	**380,000**	LPR+25%–35%	2019	90,000
Bank loans – unsecured@	**LPR+69.25pbs**	**On demand**	**100,000**	LPR+69.25pbs	2019	100,000
Other loans – secured#	**7.8**	**2020**	**700,000**	7.7–11.0	2019	3,488,195
Other loans – secured#	**6.7–14.4**	**On demand**	**9,614,135**	8.7–9.8	On demand	3,420,000
Other loans – unsecured#	**7.8–10.0**	**On demand**	**1,002,936**	8.5–15.0	2019	1,784,395
Other loans – unsecured*	**6.5–10.0**	**2020**	**745,499**	6.8–8.5	2019	292,790
			12,654,876			10,140,002
Non-current						
Bank loans – secured	**9.0**	**2021**	**253,333**	7.6	2020	40,000
Other loans – secured#	**–**	**–**	**–**	8.3–14.0	2020	4,251,990
Other loans – unsecured*	**8.5**	**2021**	**4,746**	6.5	2020	800,000
			258,079			5,091,990
			12,912,955			15,231,992

* The balances represent loans from Peking Founder amounting to RMB599,940,000 (2018: RMB800,000,000), a fellow subsidiary amounting to RMB35,085,000 (2018: RMB292,790,000) and a non-controlling shareholder of a subsidiary amounting to RMB115,220,000 (2018: Nil).

\# The balances represent borrowings from financial institutions.

@ The balances represent loans with floating interest rates.

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

	2019 RMB'000	2018 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**592,306**	1,154,622
In the second year	**253,333**	40,000
	845,639	1,194,622
Other loans repayable:		
Within one year	**12,062,570**	8,985,380
In the second year	**4,746**	5,051,990
	12,067,316	14,037,370
	12,912,955	15,231,992

Notes:

(a) As at the end of reporting period, certain of the Group's bank and other loans are secured by the pledge of the following assets of the Group:

	Notes	2019 RMB'000	2018 RMB'000
Property, plant and equipment	13	**24,778**	–
Investment properties	14	**179,552**	–
Properties under development	19	**10,299,941**	7,213,999
Properties held for sale	20	**6,081,866**	1,430,700
Restricted cash	25	**25,090**	94,839
		16,611,227	8,739,538

In addition, certain of the Group's bank and other loans are secured by the pledge of certain equity interests of certain subsidiaries of the Group, and the assignment of returns arising from certain properties under development and properties held for sale of the Group. Peking Founder and 北大資源集團有限公司 (Peking University Resources Group Co., Ltd.*) ("PKU Resources") have provided corporate guarantees for loans amounting to RMB11,557,818,000 (2018: RMB13,860,953,000), and PKU Resources has provided properties as securities to the Group's loans amounting to RMB2,703,800,000 (2018: RMB2,590,000,000) as at the end of the reporting period.

* *For identification purposes only*

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

Notes: (continued)

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

	2019	2018
	RMB'000	RMB'000
Renminbi	**12,808,063**	15,231,992
United States dollars	**104,892**	–
	12,912,955	15,231,992

(c) Breaches of loan agreement terms

On 30 November and 28 December 2019, two of the subsidiaries of the Group failed to repay loans of RMB1,121,770,000 and RMB90,000,000, respectively, to certain financial institutions. As such, one of the financial institutions initiated a legal action in Dongguan City Third People's Court of Guangdong Province (the "Dongguan Court") against that subsidiary as well as another subsidiary of the Group and an affiliate to the Group (both in the capacity of being guarantors) on 26 December 2019 for the assets pledged to the loan of RMB1,061,770,000. The lawsuit was subsequently terminated by the Dongguan Court on 16 March 2020 because the Dongguan Court was of the view that the Group's subsidiary is an affiliate to Peking Founder which is under reorganisation procedure and therefore no lawsuit against that subsidiary in relation to the assets pledged to the loan was to proceed further.

On 2 December 2019, Peking Founder was unable to redeem one of its bonds amounting to RMB2,000,000,000. On 18 February 2020, the Company received a notification letter from Peking Founder regarding a notice received by Peking Founder from The First Intermediate People's Court of Beijing (the "Beijing Court") that Bank of Beijing applied to the Beijing Court for the initiation of reorganisation procedure against Peking Founder. The failure of bond redemption and reorganisation procedure against Peking Founder as well as the Group's default payments to its lenders as mentioned above have triggered the on-demand clause as well as cross default clause stipulated in certain of the Group's loan agreements, and borrowings with an aggregate amount of RMB2,307,917,000 originally scheduled to be repaid after 2020 have been reclassified from non-current liabilities to current liabilities, and an aggregate amount of RMB7,662,078,000 originally scheduled to be repaid in 2020 (i.e., repayable within one year) have become on demand. As at 31 December 2019, there were deposits of RMB97,687,000 (2018: RMB56,260,000) placed with financial institutions included in note 23 to the financial statements, of which an aggregate amount of RMB37,300,000 (2018: Nil) was attributable to on-demand borrowings of RMB2,100,000,000 (2018: Nil).

As at the date of approval of these financial statements, the aforementioned breaches were yet to be remedied because the reorganisation procedure against Peking Founder is still ongoing and the Group has extended the maturity dates of three loans with an aggregate amount of RMB877,000,000 as at 31 December 2019 from 2020 to 2021.

30. PROVISION

	Claim	
	2019	2018
	RMB'000	RMB'000
At 1 January	**116,308**	–
Additional provision	**17,905**	116,308
Reversal of provision	**(14,095)**	–
Settlement	**(15,798)**	–
At 31 December	**104,320**	116,308

Two of the Group's subsidiaries in Tianjin, were not able to deliver properties to customers (the "Tianjin Properties' Customers") in accordance with the delivery schedules as stipulated in the property sales contracts and such entities became defendants in lawsuits brought by certain of the Tianjin Properties' Customers seeking claims arising from the late delivery of properties. Based on the judgements made by the court of first instance (the "Judgements") in 2018, the Group has estimated claim provisions with reference to the default compensation rates and the number of days in default. As at the end of 2018, certain Tianjin Properties' Customers were in the process of appealing the Judgements and the lawsuits have been settled in 2019. The provision estimation made in 2018 has been adjusted according to the judgements made by the court of second instance and additional provision was made based on the default compensation rates and the number of days in default in 2019. In 2019, the Group partially settled the default compensation of RMB15,798,000.

31. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Revaluation of properties RMB'000	**Depreciation allowance in excess of related depreciation** RMB'000	**Fair value adjustments arising from acquisition of a subsidiary** RMB'000	**Total** RMB'000
At 1 January 2018	65,964	17,196	79,144	162,304
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	4,564	2,753	(9,564)	(2,247)
Exchange realignment	417	–	–	417
At 31 December 2018 and 1 January 2019	70,945	19,949	69,580	160,474
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	174	3,265	(14,792)	(11,353)
Exchange realignment	259	–	–	259
At 31 December 2019	71,378	23,214	54,788	149,380

31. DEFERRED TAX (continued)

Deferred tax assets

	Impairment RMB'000	Provision for LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Significant financing component from receipt in advance RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Total RMB'000
At 1 January 2018	–	–	–	–	–	–
Deferred tax credited to the statement of profit or loss during the year (note 10)	115,075	64,189	22,440	28,960	24,410	255,074
At 31 December 2018 and 1 January 2019	115,075	64,189	22,440	28,960	24,410	255,074
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	8,272	48,998	(22,440)	(25,845)	(17,261)	(8,276)
At 31 December 2019	123,347	113,187	–	3,115	7,149	246,798

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

	2019 RMB'000	2018 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**213,941**	231,574
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(116,523)**	(136,974)
	97,418	94,600

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

	2019 RMB'000	2018 RMB'000
Tax losses	**3,716,637**	2,119,628
Deductible temporary differences	**5,589,961**	1,714,484
	9,306,598	3,834,112

31. DEFERRED TAX (continued)

Deferred tax assets (continued)

The Group has tax losses arising in Hong Kong of RMB91,346,000 (2018: RMB75,891,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in Mainland China of RMB3,625,291,000 (2018: RMB2,043,737,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 December 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB3,289,827,000 at 31 December 2019 (2018: RMB2,300,527,000).

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

32. SHARE CAPITAL

Shares

	2019 HK$'000	2018 HK$'000
Authorised:		
15,000,000,000 (2018: 15,000,000,000) ordinary shares of HK$0.10 each	**1,500,000**	1,500,000

	2019		2018	
	HK$'000	**RMB'000 (equivalent)**	HK$'000	RMB'000 (equivalent)
Issued and fully paid:				
6,416,155,647 (2018: 6,416,155,647) ordinary shares of HK$0.10 each	**641,616**	**545,335**	641,616	545,335

32. SHARE CAPITAL (continued)

Shares (continued)

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

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2018, 31 December 2018 and 1 January 2019	6,416,155,647	545,335	2,182,454	2,727,789
Share premium deduction	–	–	(2,182,196)	(2,182,196)
At 31 December 2019	6,416,155,647	545,335	258	545,593

Note: During the year, the Company's share premium of HK$2,689,000,000 (equivalent to RMB2,182,196,000) was reduced and the credit amount arising from the reduction of share premium was transferred to the Company's contributed surplus which was then applied to set off the entire accumulated losses of the Company to result in a nil accumulated loss.

Share options

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

33. SHARE OPTION SCHEME

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

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

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

33. SHARE OPTION SCHEME (continued)

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

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

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

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

34. RESERVES

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

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

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

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

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

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

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

	2019	2018
Percentage of equity interest held by non-controlling interests (%)	**49%**	49%
Profit/(loss) for the year allocated to non-controlling interests (RMB'000)	**436,226**	(1,618)
Dividends paid/payable to non-controlling interests (RMB'000)	**–**	53,098
Accumulated balances of non-controlling interests at the end of reporting period (RMB'000)	**670,636**	287,508

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

	2019 RMB'000	2018 RMB'000
Revenue	**2,770,643**	55,951
Total cost and expenses	**(1,880,386)**	(59,253)
Profit/(loss) for the year and total comprehensive income/(loss) for the year	**890,257**	(3,302)
Current assets	**2,473,963**	3,341,899
Non-current assets	**235,318**	260,953
Current liabilities	**(932,560)**	(2,884,116)
Non-current liabilities	**(408,076)**	(131,985)
Net cash flows from operating activities	**336,705**	1,436,155
Net cash flows from/(used in) investing activities	**8,125**	(5,449)
Net cash flows used in financing activities	**(520,453)**	(1,759,543)
Net decrease in cash and cash equivalents	**(175,623)**	(328,837)

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB11,955,000 and RMB11,955,000, respectively, in respect of lease arrangements for buildings (2018: Nil).

(b) Changes in liabilities arising from financing activities

2019

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000
At 31 December 2018	15,231,992	–
Effect of adoption of HKFRS 16	–	11,955
At 1 January 2019 (restated)	15,231,992	11,955
Changes from financing cash flows	(2,561,070)	(7,847)
New leases	–	13,968
Foreign exchange movement	2,033	–
Interest expense	–	2,455
Interest paid classified as operating cash flows	–	(2,455)
At 31 December 2019	12,672,955	18,076

2018

	Interest-bearing bank and other borrowings RMB'000
At 1 January 2018	20,250,157
Changes from financing cash flows	(5,018,165)
At 31 December 2018	15,231,992

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 RMB'000
Within operating activities	17,259
Within financing activities	7,847
	25,106

37. CONTINGENT LIABILITIES

Save as disclosed elsewhere in the financial statements, the Group had contingent liabilities as at 31 December 2019 relating to guarantees mainly in respect of mortgages granted by certain banks to certain purchasers of the Group's properties amounting to approximately RMB6,254,001,000 (2018: RMB5,369,400,000). This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of the building ownership certificates which are generally available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the directors of the Company consider that in the 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 2019 (2018: Nil).

38. PLEDGE OF ASSETS

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

39. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2019 **RMB'000**	2018 RMB'000
Contracted, but not provided for:		
Properties under development	**4,517,057**	14,348,800

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its office properties under operating lease arrangements. Leases for office properties were negotiated for terms ranging from one to five years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000
Within one year	15,027
In the second to fifth years, inclusive	5,001
	20,028

40. RELATED PARTY TRANSACTIONS

(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	2019 RMB'000	2018 RMB'000
Transactions with fellow subsidiaries:			
Sales of goods*	(i)	**846**	26,811
Purchases of goods*	(i)	**29,563**	16,150
Service fee income*	(i)	**83,640**	91,218
Rental income	(i)	**–**	1,152
Rental expense	(i)	**8,164**	–
Service fee expenses**	(i)	**32,795**	41,133
Interest income	(ii)	**19,871**	548
Interest expense	(iii)	**24,559**	69,239
Transactions with intermediate holding companies:			
Interest expense	(iii)	**874,600**	142,142
Transactions with non-controlling shareholders:			
Interest income	(ii)	**284**	–
Interest expense	(iii)	**3,419**	–
Transactions with an associate:			
Service fee income	(i)	**4,897**	–
Interest income	(ii)	**1,061**	1,621

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

** Certain portions of these related party transactions are continuing connected transactions disclosable 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 deposits placed at Founder Finance which bear interests at rates ranging from 0.455% to 1.495% per annum (2018: from 0.455% to 1.495% per annum), loans to certain fellow subsidiaries which bear interests at a rate of 8% per annum (2018: Nil), loans to a non-controlling shareholder which bear interests at rate of 10.5% per annum (2018: Nil), and loans to an associate which bear interests at a rate of 10% per annum (2018: 10% per annum). Further details of these deposits and loans are set out in notes 23 and 26 to the financial statements.

(iii) The interest expenses were attributable to loans from intermediate holding companies, which bear interests at rates 6.5% and 15% per annum (2018: 6.5% and 15% per annum), loans from fellow subsidiaries which bear interests at rates ranging from 5.52% to 8.5% per annum (2018: from 5.52% to 8.5% per annum) and loan from a non-controlling shareholder of a subsidiary which bear interests at rate of 10 % per annum (2018: Nil). Further details of these loans are set out in notes 28 and 29 to the financial statements.

40. RELATED PARTY TRANSACTIONS (continued)

(b) Commitments with related parties

At the end of the reporting period, a subsidiary of the Group and 北京北大資源物業經營管理集團有限公司 (Peking University Resources Property Management Company Limited*), a subsidiary of PKU Resources, entered into a one-year rental agreement in respect of several office properties for RMB8,500,000 (2018: RMB7,936,000).

* *For identification purposes only*

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

	2019 RMB'000	2018 RMB'000
Short term employee benefits	**7,827**	4,295
Salaries, allowances and benefits in kind	**5,308**	5,961
Total compensation paid to key management personnel	**13,135**	10,256

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

41. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

31 December 2019

	Financial assets at fair value through profit or loss – designated as such upon initial recognition RMB'000	Financial assets at fair value through other comprehensive income – debt investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Other non-current assets	**50,000**	**–**	**–**	**50,000**
Trade and bills receivables	**–**	**121,164**	**1,155,022**	**1,276,186**
Financial assets included in prepayments, other receivables and other assets	**–**	**–**	**959,691**	**959,691**
Restricted cash	**–**	**–**	**957,536**	**957,536**
Cash and cash equivalents	**–**	**–**	**1,556,977**	**1,556,977**
	50,000	**121,164**	**4,629,226**	**4,800,390**

31 December 2018

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

41. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Financial liabilities at amortised cost	
	2019	2018
	RMB'000	RMB'000
Trade and bills payables	**5,462,358**	4,294,818
Lease liabilities	**18,076**	–
Financial liabilities included in other payables and accruals	**6,692,392**	3,188,923
Interest-bearing bank and other borrowings	**12,912,955**	15,231,992
	25,085,781	22,715,733

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Other non-current assets	**50,000**	50,000	**50,000**	50,000
Bills receivable	**121,164**	105,597	**121,164**	105,597
	171,164	155,597	**171,164**	155,597
Financial liabilities				
Interest-bearing bank and other borrowings	**12,912,955**	15,231,992	**12,891,408**	14,792,403

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

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

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

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

The fair values of other non-current assets, bills receivable and non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for other non-current assets and bills receivable as at 31 December 2019 were assessed to be insignificant.

Fair value hierarchy

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

Assets measured at fair values:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2019				
Other non-current assets	**–**	**50,000**	**–**	**50,000**
Bills receivable	**–**	**121,164**	**–**	**121,164**
	–	**171,164**	**–**	**171,164**
As at 31 December 2018				
Other non-current assets	–	50,000	–	50,000
Bills receivable	–	105,597	–	105,597
	–	155,597	–	155,597

The Group did not have any financial liabilities measured at fair value as at 31 December 2019 and 31 December 2018.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2019				
Interest-bearing bank and other borrowings	**–**	**12,891,408**	**–**	**12,891,408**
As at 31 December 2018				
Interest-bearing bank and other borrowings	–	14,792,403	–	14,792,403

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

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

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

	Increase/ (decrease) in basis points	Increase/(decrease) in profit before tax	
		2019 RMB'000	2018 RMB'000
RMB	100	**(4,800)**	(3,950)
RMB	(100)	**4,800**	3,950

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

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

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

	Increase/ (decrease) in exchange rate %	**Increase/ (decrease) in profit before tax** RMB'000
2019		
If the HK$ weakens against US dollars	**(5)**	**(51,621)**
If the HK$ strengthens against US dollars	**5**	**51,621**
2018		
If the HK$ weakens against US dollars	(5)	(42,343)
If the HK$ strengthens against US dollars	5	42,343

43. 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.

Maximum exposure and year-end staging

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

As at 31 December 2019

	12-month expected credit losses	Lifetime expected credit losses			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Other non-current assets	50,000	–	–	–	50,000
Trade and bills receivables*	–	–	–	1,356,767	1,356,767
Financial assets included in prepayments, other receivables and other assets					
– Normal**	974,287	–	–	–	974,287
– Doubtful**	–	–	73,154	–	73,154
Restricted cash					
– Not yet past due	957,536	–	–	–	957,536
Cash and cash equivalents					
– Not yet past due	1,556,977	–	–	–	1,556,977
	3,538,800	–	73,154	1,356,767	4,968,721

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

As at 31 December 2018

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

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

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings.

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:

		2019	
	Within 1 year	**Over 1 year**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
Trade and bills payables	**5,462,358**	**–**	**5,462,358**
Lease liabilities	**11,192**	**8,613**	**19,805**
Financial liabilities included in other payables and accruals	**6,768,964**	**–**	**6,768,964**
Interest-bearing bank and other borrowings	**13,185,138**	**321,465**	**13,506,603**
	25,427,652	**330,078**	**25,757,730**

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

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:

	2019 **RMB'000**	2018 RMB'000
Interest-bearing bank and other borrowings	**12,912,955**	15,231,992
Total equity attributable to owners of the parent	**140,795**	2,668,506
Debt to equity ratio	**91.71**	5.71

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:

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	–	888,123
Total non-current assets	–	888,123
CURRENT ASSETS		
Prepayments, other receivables and other assets	280,136	1,297,496
Cash and cash equivalents	3,917	8,692
Total current assets	284,053	1,306,188
CURRENT LIABILITIES		
Other payables and accruals	167,202	56,076
Total current liabilities	167,202	56,076
NET CURRENT ASSETS	116,851	1,250,112
TOTAL ASSETS LESS CURRENT LIABILITIES	116,851	2,138,235
Net assets	116,851	2,138,235
EQUITY		
Issued capital	545,335	545,335
Reserves (note)	(428,484)	1,592,900
Total equity	116,851	2,138,235

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

Note:

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

	Share premium account RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	2,182,454	561,056	70,308	(1,314,048)	1,499,770
Loss for the year	–	–	–	(10,812)	(10,812)
Other comprehensive income/(loss) for the year:					
Exchange differences on translation of financial statements of the Company	–	–	109,628	(5,686)	103,942
At 31 December 2018 and at 1 January 2019	2,182,454	561,056	179,936	(1,330,546)	1,592,900
Loss for the year	–	–	–	(1,962,538)	(1,962,538)
Other comprehensive income for the year:					
Exchange differences on translation of financial statements of the Company	–	–	40,082	–	40,082
Reduction of share premium	(2,182,196)	2,182,196	–	–	–
Transfer of contributed surplus to set off against accumulated losses	–	(1,337,733)	–	1,337,733	–
Final 2018 dividend	–	(98,928)	–	–	(98,928)
At 31 December 2019	258	1,306,591	220,108	(1,955,351)	(428,484)

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. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the financial statements, the Group's subsequent events included the assessment of the impact of the coronavirus disease 2019 (the "COVID-19").

Since the outbreak of COVID-19 in January 2020, the prevention and control of the COVID-19 has been going on throughout the country. The Group will earnestly implement the requirements of the Notice on Further Strengthening Financial Support for Prevention and Control of COVID-19, which was issued by the People's bank of China, the Ministry of Finance, the China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission and State Administration of Foreign Exchange, and strengthen financial support for the epidemic prevention and control.

The COVID-19 has certain impacts on the business operation of the Group. The degree of the impact depends on the situation of the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies.

The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of approval of these financial statements, the assessment is still in progress.

Save as disclosed above, there are no significant subsequent events after the end of reporting period.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 June 2020.

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

continued/...

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				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**24,131,590**	24,911,870	16,246,608	13,216,611	6,356,887
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**(2,421,877)**	716,310	333,451	(235,992)	(193,612)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**38,541,413**	42,661,238	47,106,223	43,939,896	37,161,418
TOTAL LIABILITIES	**(37,437,773)**	(39,656,548)	(44,880,712)	(42,253,813)	(35,072,666)
NON-CONTROLLING INTERESTS	**(962,845)**	(336,184)	(249,263)	(78,167)	(200,293)
	140,795	2,668,506	1,976,248	1,607,916	1,888,459

FINANCIAL HIGHLIGHTS

31 December 2019

	2019 RMB'million	2018 RMB'million	+/(-) Change
FINANCIAL PERFORMANCE			
Revenue	**24,132**	24,912	(3.1%)
Gross profit margin	**8.7%**	12.9%	
Profit/(loss) for the year	**(1,693)**	797	(312.4%)
KEY FINANCIAL INDICATORS			
Cash and cash equivalents	**1,557**	3,903	(60.1%)
Net current assets	**332**	7,086	(95.3%)
Total assets	**38,541**	42,661	(9.7%)
Total liabilities	**37,438**	39,657	(5.6%)
Interest-bearing bank and other borrowings	**12,913**	15,232	(15.2%)
Total equity	**1,104**	3,005	(63.3%)
Current ratio (times)	**1.01**	1.21	
Gearing ratio	**11.70**	5.07	
Basic earnings/(loss) per share (RMB cents)	**(37.75)**	11.16	
Diluted earnings/(loss) per share (RMB cents)	**(37.75)**	11.16	