北大资源
PKU RESOURCES

PKU RESOURCES

2016
ANNUAL REPORT 年報

北大資源(控股)有限公司

PEKING UNIVERSITY RESOURCES (HOLDINGS) COMPANY LIMITED

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

Stock Code 股份代號：00618

Contents

Company Profile	2
Corporate Information	3
Chairman's Statements	4-5
Property Development Projects	6-13
Property Investment Project	14
Management Discussion and Analysis	15-20
Corporate Governance Report	21-26
Environmental, Social and Governance Report	27-38
Biographical Details of Directors and Senior Management	39-40
Report of the Directors	41-48
Independent Auditor's Report	49-53

Consolidated Statement of Profit or Loss	54
Consolidated Statement of Comprehensive Income	55
Consolidated Statement of Financial Position	56-57
Consolidated Statement of Changes in Equity	58-59
Consolidated Statement of Cash Flows	60-61
Notes to Financial Statements	62-132
Particulars of Investment Properties	133-134
Five Year Financial Summary	135
Financial Highlights	136

Company Profile

BUSINESS AREAS

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

In order to further expand its business scope, the Company completed the acquisition of 12 high-quality real estate development projects from Peking University Resources Group Holdings Co., Ltd and its subsidiaries ("PKU Resources Group") on 2 January 2015. As at the date of this annual report, the Company's operation area has covered 15 cities of China and has 28 real estate development projects at different development stages. In the future, the Company 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 Shi Hua
Ms Liao Hang
Mr Zheng Fu Shuang

Independent non-executive directors

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

COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

COMPANY SECRETARY

Ms Tang Yuk Bo, Yvonne

AUTHORISED REPRESENTATIVES

Mr Cheung Shuen Lung
Mr Zeng Gang

AUDITOR

Ernst & Young
Certified Public Accountants

LEGAL ADVISERS

Jun He Law Offices

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

SHARE REGISTRARS AND TRANSFER OFFICE

Principal registrar

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

Hong Kong branch share registrars and transfer office

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

LISTING INFORMATION

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

COMPANY WEBSITE

www.pku-resources.com

Chairman's Statements

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

Chairman's Statements

Dear shareholders,

In 2016, Peking University Resources (Holdings) Company Limited (hereinafter referred to as "PKU Resources" or the "Group") ushered in a period of leap-forward development. During the year, the contracted sales amount exceeded RMB10 billion for the first time and reached RMB11.374 billion, representing an increase of 95.6% as compared to 2015. Since the implementation of the Group's new five-year strategy in 2016, PKU Resources has gradually gained wide recognition from the industry, market and consumers by leveraging its ability to precisely captured customers' demand and strong product improvement capability.

Relying on the core strategy of "One Body Two Wings" that takes the "first-class production, learning and research platform" as corporate foundation and adopts "quality plus resources" as key drivers of development, the Group adhered to the value of "sincerity, concentration, innovation and craftsmanship (真心、專心、創心、匠心)" to impose stringent controls over aspects such as surveying, planning, design and construction just so it can deliver boutique projects with the best quality.

At the beginning of 2017, the Group officially upgraded and announced its corporate positioning as a "New Eco-City Operator", and launched its new product strategy with a focus on "CITY+ and LIFE+". The "CL Program (叢林計劃)", comprising two product subsystems named "CITY+ Charming City (CITY+ 魅力城市)" and 'LIFE+ Energetic Community (LIFE+活力社區)", was also launched under the product strategy. The "CL Program" is named after the initial letters of "City" and "Life", signifying the diversity and symbiotic relationship of a mature product system. "CITY+ Charming City" comprises three parts, namely cornerstone of resources, organic planning and professional operation, while 'LIFE+ Energetic Community" comprises three other parts, namely craftsmanship products, innovative ancillary facilities and sincere services. These two systems jointly provided the city with more refined and complex products by integrating development of boutique real estate properties with consolidation of quality resources, thereby optimizing its integrated industrial-urban development model.

On the other hand, "Health, Education, Technology, Cultural Creativity and Business" are the five cornerstones of the "CL Program". The technical resources from construction and operation of the industrial parks, the medical resources from the healthcare industrial chain, the educational resources from the Peking University group entities, the cultural creativity resources from the cultural and creative industry, as well as the business resources from the operation of urban complexes and shopping malls are all inter-connected and can develop freely. The chemical reaction brought by these resources has created new product forms and hence new drivers for development.

In 2017, the real estate market in the PRC will continued to face various controls and challenges. PKU Resources will leverage its extensive experience in real estate development and the advantages in industrial resources integration to comprehensively improve quality, realise consolidation and enhance experience, with an ultimate goal to achieve leap-forward development. The Group planned for its businesses and products with high benchmark, high standard and international vision, thereby realizing organic integration of production, people's livelihood and the ecological environment and thus creating high quality residential properties that can better cater to the living habit of local people.

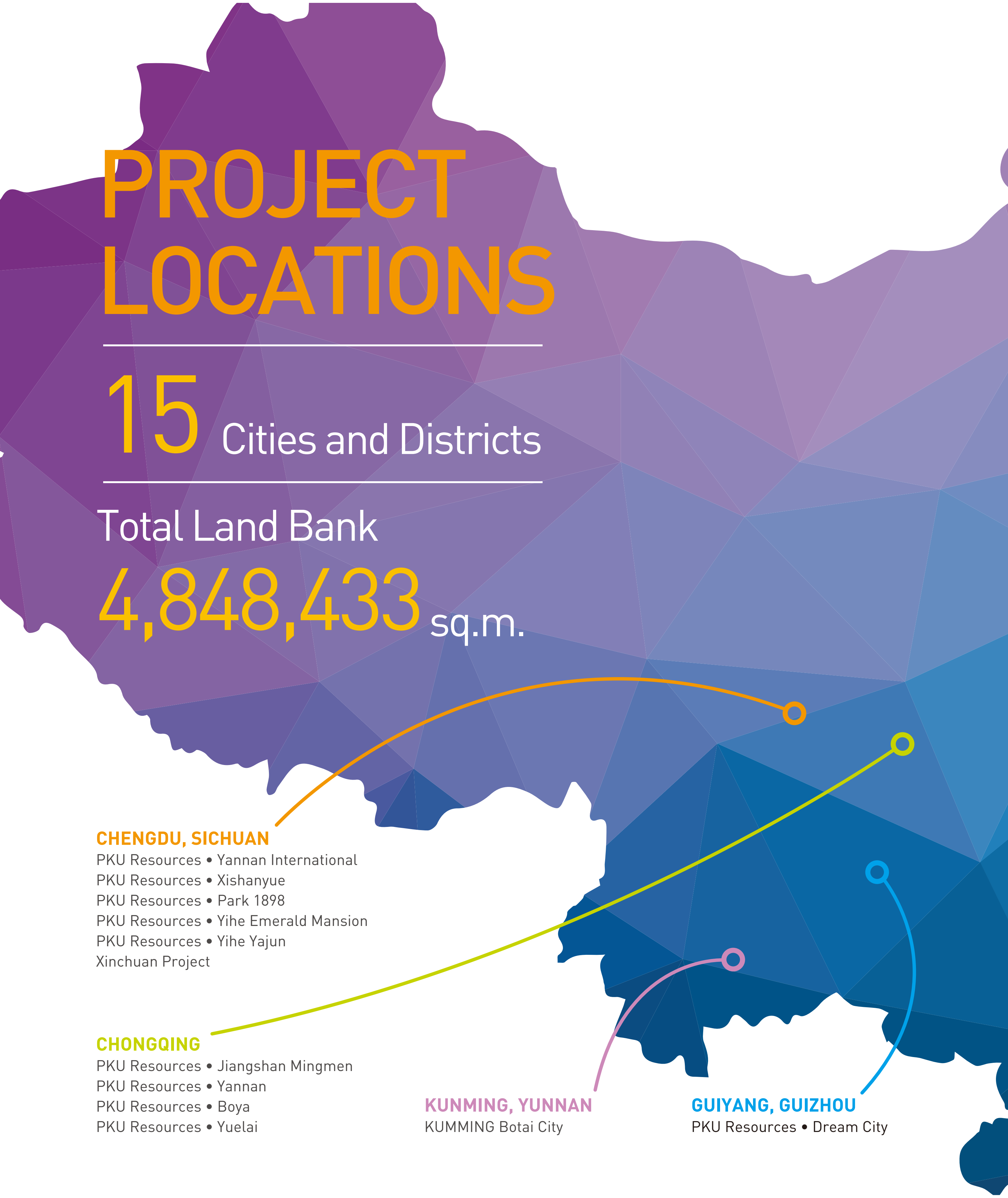
Cheung Shuen Lung
Chairman

24 March 2017


颐和翡翠府

PROPERTY DEVELOPMENT PROJECTS

Property Development Projects



PROJECT LOCATIONS

15 Cities and Districts

Total Land Bank

4,848,433 sq.m.

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

CHONGQING
PKU Resources • Jiangshan Mingmen
PKU Resources • Yannan
PKU Resources • Boya
PKU Resources • Yuelai

KUNMING, YUNNAN
KUMMING Botai City

GUIYANG, GUIZHOU
PKU Resources • Dream City

Property Development Projects

TIANJIN
PKU Resources • Yuefu
PKU Resources • Yuecheng

KAIFENG, HENAN
Kaifeng PKU Resources City

QINGDAO, SHANDONG
PKU Resources Plaza
Xinduxinyuan

WUHAN, HUBEI
PKU Resources • Shanshuinianhua
Zhongbei Road Project

EZHOU, HUBEI
PKU Resources • Lianhu Jincheng

KUNSHAN, JIANGSU
PKU Resources • Licheng

HANGZHOU, ZHEJIANG
PKU Resources • Wei Ming Mansion

CHANGSHA, HUNAN
PKU Resources • Time
PKU Resources • Ideal Home

ZHUZHOU, HUNAN
PKU Resources • Emerald Park

FOSHAN, GUANGDONG
PKU Resources • Boya Binjiang

DONGGUAN, GUANGDONG
Zhangmutou Project
Huang Jiang Project

Property Development Projects

TIANJIN

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

QINGDAO, SHANDONG

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
PKU Resources Plaza	Qingdao, Shandong	Commercial/Office	21,155	140,138	70%
Xinduxinyuan	Qingdao, Shandong	Residential/Commercial	20,594	77,075	70%

KAIFENG, HENAN

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
Kaifeng PKU Resources City	Kaifeng, Henan	Commercial/Residential	647,147	647,147	100%

KUNSHAN, JIANGSU

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
PKU Resources • Licheng	Kunshan, Jiangsu	Residential/Commercial	378,369	736,634	51%

HANGZHOU, ZHEJIANG

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

WUHAN, HUBEI

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

EZHOU, HUBEI

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
PKU Resources • Lianhu Jincheng	Ezhou Hubei	Residential	674,597	674,597	90%

CHANGSHA, HUNAN

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

Property Development Projects

ZHUZHOU, HUNAN

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

CHENGDU, SICHUAN

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

CHONGQING

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

KUNMING, YUNNAN

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

FOSHAN, GUANGDONG

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

DONGGUAN, GUANGDONG

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
Zhangmutou Project	Dongguan,GuangDong	Residential/Commercial	9,571	30,685	100%
Huang Jiang Project	Dongguan,GuangDong	Residential/Commercial	61,711	188,586	100%

GUIYANG, GUIZHOU

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Equity Share
PKU Resources • Dream City	Guiyang, Guizhou	Commercial residential	247,426	996,162	70%

Investment Property Overview

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

Property Development Projects

TIANJIN

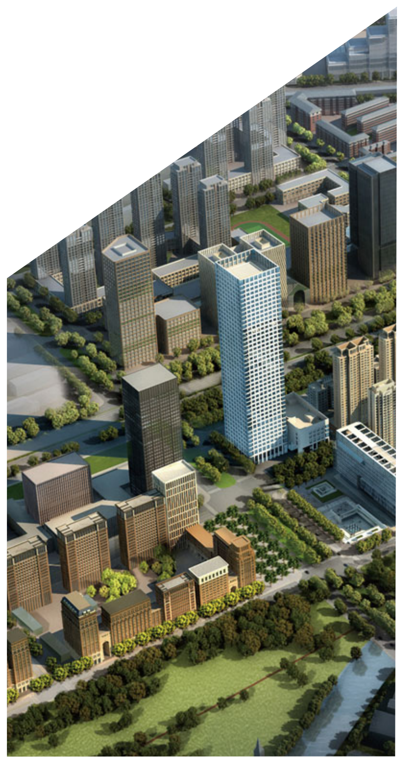
PKU RESOURCES • YUECHENG

DESCRIPTION:

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

PROJECT TARGET:

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



TOTAL GFA

476,000

sq.m.

CHENGDU

PKU RESOURCES • YIHE EMERALD MANSION

DESCRIPTION:

The project is located at the intersection of Hongxing Road south extension and Yinglong Road, south Chengdu, being a portion of Zhonghe consulate district in the high-tech zone. It is close to Hongxing Road south extension in the west, Area A, Xinyi Garden in the east, Area B, Xinyi Garden in the south and a parcel of developing land for commercial & residential use in the north. It comprises buildings with high-rise elevators, low-density overlapped houses, townhouses and a commercial pedestrian street.

PROJECT TARGET:

The site area is 58,474 sq.m. The total GFA is 219,039 sq.m.

TOTAL GFA

219,039

sq.m.

Property Investment Project

INTERNATIONAL BUILDING OF WUHAN

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

Type: Commercial/Office building

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

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

MARKET REVIEW

The national polices on real estate market has changed from overall easing to local tightening in 2016. The regulatory policies implemented at the beginning of the year focused on implementing policies according to specific local conditions and destocking. However, the regulatory policies have been through rapid adjustment in the fourth quarter following the surge in housing prices among highlighted cities, resulting in tightened credit approval for real estate development enterprises and various measures regarding purchase restrictions and credit tightening launched among highlighted cities. With the impact from easing policies implemented at the beginning of the year, the demand of various types of housing purchasers continued to release, resulting in a high level of real estate transactions, whereas the trading volume recorded a significant decline in the fourth quarter due to the issuance of various regulatory policies concerning highlighted cities around the National Day.

In general, there is still development potential for the real estate industry with the guidance of various strategies, including regional integration and new type of urbanisation.

In 2016, Peking University Resources (Holdings) Company Limited (hereinafter referred to as the "Group") has arranged a new five-year strategic planning in respect of business and capital, which has developed practicable directions and goals for future development.

OVERALL PERFORMANCE

The Group reported a loss attributable to owners of the Company for the year ended 31 December 2016 of approximately HK$278.4 million (year ended 31 December 2015: HK$237.7 million). The Group's revenue for the current financial year has increased significantly by 97.3% to approximately HK$15,394.3 million (year ended 31 December 2015: HK$7,804.3 million) mainly as a result of expansion of property development business. The Group's gross profit has increased by HK$886.0 million to approximately HK$1,027.4 million (year ended 31 December 2015: HK$141.4 million) mainly due to increase in proportion of sales of property development business with higher gross profit margin. Total selling and distribution expenses, administrative expenses and other expenses and losses for the current financial year have decreased slightly by 0.5% to approximately HK$846.8 million (year ended 31 December 2015: HK$851.3 million) due to strict control of expenses imposed by the management.

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

a. one-off gain on disposal of subsidiaries engaged in property development business of approximately HK$739.0 million for the year ended 31 December 2015;

b. an increase in finance cost by 87.8% to approximately HK$126.8 million (year ended 31 December 2015: HK$67.5 million) attributable to increase in bank borrowings; and

c. an increase in income tax expenses by HK$292.8 million to approximately HK$558.5 million (year ended 31 December 2015: HK$265.7 million) as a results 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 2016 were HK4.65 cents (year ended 31 December 2015: HK3.98 cents).

OPERATING REVIEW

Real Estate Business

Property Development

The turnover of the property development business of the Group (the "Property Development Business") for the current financial year was approximately HK$9,623.0 million (year ended 31 December 2015: HK$3,284.0 million). The segment results recorded a profit of approximately HK$258.6 million (year ended 31 December 2015: HK$83.0 million). The improvement in segment results was due to net effect of increase in revenue, provision against properties under development and provision against properties held for sale during the current financial year, and gain on disposal of subsidiaries of approximately HK$739.0 million for the prior financial year.

In 2016, the Group started construction of 6 new projects and pre-sale of 7 projects with 23 projects under construction in aggregate and a total of 22 projects on sale. As at 31 December 2016, the Group's total construction area has reached 6,589,255 sq.m., of which 1,545,388 sq.m. was newly constructed in 2016.

Contracted Sales

In 2016, the number of the Group's real estate projects which generate income has been seen a significant increase as compared with last year. As a result, both the amount and the area of contracted sales increased as compared with last year. In 2016, the Group realised an accumulated contracted sales of approximately RMB11,374 million and sold an accumulated area of approximately 1,148,163 sq.m., with average selling price being RMB9,906 per sq.m.. The amount of contracted sales is mainly from projects such as Yuecheng in Tianjin, Shanshuinianhua in Wuhan and Yihe Emerald Mansion in Chengdu.

Land Bank

Confronted with the ever-changing market condition, the Group has acquired new land resources in a scientific and prudent manner according to its strategic arrangement in 2016. As at 31 December 2016, the Group had 28 property development projects and 1 hold-type property project in 15 cities across China, with a land bank of 4,848,433 sq.m.

In 2016, the Group has obtained the land use rights of 4 projects in Chengdu, Wuhan and Dongguan etc. through public transfer procedures.

List of New Land Parcels

Project	Location	Planned use	Total site area (sq.m.)	Planned total GFA (sq.m.)	Interests held by listed companies
Zhangmutou Project	Dongguan	Commercial/Office	9,571	30,685	100%
Zhongbei Road Project	Wuhan	Residential/Commercial/ Office	19,712	138,000	100%
Xinchuan Project	Chengdu	Residential/Commercial	23,191	219,039	51%
Huang Jiang Project	Dongguan	Residential/Commercial	61,711	188,586	100%

Property Investment

The property investment business of the Group (the "Property Investment Business") recorded a turnover of approximately HK$14.1 million (year ended 31 December 2015: HK$33.5 million) and segment profit of approximately HK$15.7 million (year ended 31 December 2015: HK$2.0 million) during the current financial year. The decline in segment revenue was due to decline in rental income of Founder International Building. As a result of the adjustment of business strategy of the Group, on 27 August 2015, the Company and the owner of Founder International Building entered into termination agreement to terminate the right granted to the Group to manage Founder International Building from 1 September 2015 onwards. The decline in segment results was due to net effect of decline in segment revenue and increase in fair value gains on investment properties.

The Group has a property investment project located on Dandong Road, Jianghan District, which is a flourishing block in Wuhan City, Hubei Province, with a total GFA of 26,963 sq.m. For the year 2016, Wuhan International Building realised an accumulated rental income of approximately RMB8.87 million, with an occupancy rate of approximately 97.79%. The rental income increased by 16.3% over last year and represented a sustainable and stable source of the Group's cash income.

Distribution Business

Distribution of information products

The distribution business of the Group (the "Distribution Business") recorded a turnover of approximately HK$5,757.3 million representing an increase of 28.3% as compared to last financial year (year ended 31 December 2015: HK$4,486.8 million). The segment results recorded a profit of HK$43.4 million (year ended 31 December 2015: HK$27.9 million). The improvement in segment results was in line with increase in revenue.

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

Amid the complex and ever-changing condition of the China's real estate market, the Group will focus on its own development by developing the strategies in a prudent manner and maintaining its competitiveness as a leading enterprise in the industry. Besides, it will refine its products, provide its customers with quality services and explore its own strengths and potential, striving to create a development path with the characteristics of "Peking University Resources". The Group will also improve customer experience through "Quality plus Service" and enhance customer's loyalty with "Products plus Services".

In 2017, the Group will focus on exploring quasi first-tier and key second-tier cities whilst increasing land bank and project experience with a more open and flexible approach. Meanwhile, the Group will endeavor to tentatively adopt a development model, for which real estate development will be integrated with business operation and all-rounded services for community life, respectively.

The Group will continue to devote itself to optimising the corporate governance and organisation structure, completing talent's incentive mechanism and enhancing cohesion of the team, with an aim to gradually implement the strategic planning and deliver outstanding performance that benefits our shareholders as soon as possible.

Distribution Business

The Distribution Business will continuously refine its product structure to avoid product overlapping and minimize market risk. The Group will focus on the distribution of information products with better trading terms and exploring the 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 merits. The Group ensures that the pay 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 operates share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group's operations. The Group had not granted any share options to its eligible directors and employees during the current financial year.

The Group has approximately 1,367 employees as at 31 December 2016 (31 December 2015: 1,410).

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

During the current financial year, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and Mainland China. As at 31 December 2016, the Group had approximately HK$25,165.8 million interest-bearing bank and other borrowings (31 December 2015: HK$22,621.5 million), of which approximately HK$390.6 million (31 December 2015: HK$1,140.8 million) were floating interest bearing and HK$24,775.2 million (31 December 2015: HK$21,480.7 million) were fixed interest bearing. The borrowings, which were subject to little seasonality, consisted of mainly bank loans, trust receipt loans and loans from 北大資源集團有限公司 (Peking University Resources Group Co., Ltd.*) ("PKU Resources"), and a subsidiary of 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"), amounts due to non-controlling shareholders and borrowings from financial institutions. Peking Founder and PKU Resources are the substantial shareholders of the Company.

Interest-bearing bank and other borrowings are denominated in Renminbi ("RMB") and United States Dollars ("U.S. dollars"), of which HK$10,215.0 million (31 December 2015: HK$3,762.3 million) were repayable within one year and HK$14,950.8 million (31 December 2015: HK$18,859.1 million) were repayable within two to third years. The Group's banking facilities were secured by corporate guarantee given by the Company, Peking Founder and PKU Resources, and certain of the properties under development and properties held for sale. The increase in bank and other borrowings was mainly attributed to the addition of bank loans for property development business during the current financial year.

As at 31 December 2016, the Group recorded total assets of approximately HK$49,212.7 million (31 December 2015: HK$43,850.5 million) which were financed by liabilities of approximately HK$47,324.3 million (31 December 2015: HK$41,385.7 million), non-controlling interests of approximately HK$62.1 million (31 December 2015: HK$225.3 million) and equity attributable to owners of the parent of approximately HK$1,826.3 million (31 December 2015: HK$2,239.4 million). The decrease in equity was attributable to loss for the current financial year.

Management Discussion and Analysis

The Group's net asset value per share as at 31 December 2016 was HK$0.32 (31 December 2015: HK$0.41). 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 HK$4,461.4 million as at 31 December 2016 (31 December 2015: HK$3,048.4 million). As at 31 December 2016, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total equity, was 13.3 (31 December 2015: 9.18) while the Group's current ratio was 1.51 (31 December 2015: 1.96). As at 31 December 2016, the capital commitments for contracted, but not provided for, properties under development were approximately HK$7,327.9 million (31 December 2015: HK$6,129.4 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 Hong Kong and Mainland China. For the operations in Hong Kong, most of the transactions are denominated in HKD and U.S. dollars. The exchange rate of U.S. dollars against HKD is relatively stable and the related currency exchange risk is considered minimal. For the operations in Mainland China, most of the transactions are denominated in RMB. The conversion of RMB into foreign currencies 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. During the current financial year, the exchange rate of RMB has devalued and the Group will closely monitor the currency exchange risk of RMB in the near term as a result.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no acquisition or disposal of subsidiaries, associates and joint ventures for the year ended 31 December 2016.

Charges on assets

As at 31 December 2016, properties under development of approximately HK$27,755.7 million, properties held for sale of approximately HK$389.4 million, bills receivable of approximately HK$58.2 million and bank deposits of approximately HK$2,081.3 million were pledged to banks to secure general banking facilities granted, as deposits for construction of the relevant properties and as guarantees deposits for certain mortgage loans granted by banks to purchasers of the Group's properties.

Contingent liabilities

As at 31 December 2016, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately HK$3,606.7 million (31 December 2015: HK$4,090.4 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 and the Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which are generally available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the directors of the Company consider that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made for the guarantees in the consolidated financial statements as at 31 December 2016.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is firmly committed to the overall standards of corporate governance and has always recognised the importance of accountability and communication with 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 2016, except for the following deviations:

Provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Ms Cao Qian, independent non-executive director of the Company, could not attend the annual general meeting of the Company held on 31 May 2016 due to business commitment in the PRC. However, all other independent non-executive directors of the Company were present thereat to be available to answer any question to ensure effective communication with shareholders of the Company.

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. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2016.

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 Shi Hua, Ms Liao Hang and Mr Zheng Fu Shuang, the independent non-executive directors are Mr Li Fat Chung, Ms Wong Lam Kit Yee and Mr Chan Chung Kik, Lewis. To the best of knowledge of the directors, there is no relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

The biographical details of each director are disclosed on pages 39 to 40 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 Board members have access to appropriate business documents and information about the Group on a timely basis. All Board members 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 Board members. All directors and Board committees have recourse to external legal counsel and other professionals for independent advice at the Group's expense upon their request. Appropriate directors' liability insurance cover has also been arranged to indemnify the Board members for liabilities arising out of corporate activities.

The Board held four regular Board meetings at approximately quarterly intervals during the year ended 31 December 2016. Additional Board meetings were held when necessary. Due notice and Board papers were given to all directors prior to the meetings in accordance with the Listing Rules and the CG Code.

The attendance record of each director at the Board meetings and general meeting is as follows:

Name of director	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 (appointed on 25 July 2016)	3/3	0/0
Mr Wei Jun Min	4/4	0/1
Mr Xie Ke Hai	3/4	0/1
Ms Sun Min (appointed on 10 June 2016)	3/3	0/0
Mr Zheng Fu Shuang	4/4	0/1
Mr Shi Hua (appointed on 10 June 2016 and resigned on 25 July 2016)	0/0	0/0
Mr Fang Hao (resigned on 10 June 2016)	0/1	0/1
Mr Zhou Bo Qin (resigned on 10 June 2016)	0/1	0/1
Independent Non-executive Directors		
Mr Li Fat Chung	2/4	1/1
Ms Wong Lam Kit Yee	2/4	1/1
Mr Fung Man Yin, Sammy (appointed on 10 June 2016)	1/3	0/0
Ms Cao Qian (resigned on 10 June 2016)	0/1	0/1

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

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

Directors' training is an ongoing process. During the year, 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 to develop and refresh their knowledge and skills. The Company updates directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

All directors have participated in continuous professional development and have provided to the Company the records of the training they received during the financial year ended 31 December 2016. The individual training record of each director received for the year ended 31 December 2016 is summarised below:

Name of director	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 (appointed on 25 July 2016)	✔	✔
Mr Wei Jun Min	✔	✔
Mr Xie Ke Hai	✔	✔
Mr Zheng Fu Shuang	✔	✔
Ms Sun Min (appointed on 10 June 2016)	✔	✔
Mr Shi Hua (appointed on 10 June 2016 and resigned on 25 July 2016)	✔	✔
Mr Fang Hao (resigned on 10 June 2016)	✔	✔
Mr Zhou Bo Qin (resigned on 10 June 2016)	✔	✔
Independent Non-executive Directors		
Mr Li Fat Chung	✔	✔
Ms Wong Lam Kit Yee	✔	✔
Mr Fung Man Yin, Sammy (appointed on 10 June 2016)	✔	✔
Ms Cao Qian (resigned on 10 June 2016)	✔	✔

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer are segregated and are not exercised by the same individual. Mr Cheung Shuen Lung as the chairman of the Board. Prior to 10 June 2016, Mr Fang Hao was the President of the Company. Mr Shi Hua succeeded Ms Fang Hao as the President of the Board on 10 June 2016 until 25 July 2016. Mr Zeng Gang succeeded Mr Shi Hua as the President of the Company on 25 July 2016. 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. The President is responsible for the day-to-day management of the Group's business. Their respective roles and responsibilities are set out in writing which have been approved by the Board.

NON-EXECUTIVE DIRECTORS

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

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

REMUNERATION OF DIRECTORS

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 associates is involved in deciding his/her own remuneration.

In 2016, 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. Information relating to the remuneration of each director for 2016 is set out in Note 8 to the Company's 2016 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

NOMINATION OF DIRECTORS

The Nomination Committee of the Board was established on 30 March 2012 with specific written terms of reference which deal clearly with its authorities and duties. The role and function of the Nomination Committee include determining the policy for the nomination of directors, setting out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and duties of skill, care and diligence would be recommended to the Board for selection. Appointments are first considered by the Nomination Committee and recommendation of the Nomination Committee are then put to the Board for decision. The Nomination Committee is also responsible for reviewing the structure, size and diversity of the board.

The Board Diversity Policy was adopted by the Board on 30 April 2013. In designing the Board's composition, Board diversity has been considered from a number of aspect 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 on the Board.

In 2016, 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 succession planning for directors.

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

Name of member		Meetings attended/Eligible to attend
Mr Cheung Shuen Lung (Chairman)	(Executive director)	1/1
Ms Wong Lam Kit Yee	(Independent non-executive director)	1/1
Mr Fung Man Yin, Sammy	(Independent non-executive director)	1/1

AUDIT COMMITTEE

The Audit Committee of the Board has been established in 1998 in compliance with Rule 3.21 of the Listing Rules with specific written terms of reference which deal clearly with its authorities and duties. Its terms of reference amended and adopted by the Board in February 2016 can be found the Company's website (www.pku-resources.com) and The Stock Exchange of Hong Kong Limited's website (www.hkexnews.hk). The Audit Committee now solely comprises independent non-executive directors, namely, Mr Li Fat Chung (Chairman), Ms Wong Lam Kit Yee and Ms Cao Qian. All the committee members possess appropriate professional accounting and financial qualifications.

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

In 2016, the Audit Committee met three times. During the meetings, the Audit Committee reviewed reports from the independent auditor regarding their audit on annual financial statements, review on interim financial results, discussed the internal control of the Group, and met with the independent auditor. The attendance record of the members of the Audit Committee at the meetings are as follows:

Name of member	Meetings attended/Eligible to attend
Mr Li Fat Chung (Chairman)	3/3
Ms Wong Lam Kit Yee	3/3
Mr Fung Man Yin, Sammy	2/2
Ms Cao Qian	0/1

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Group's risk management and internal control systems comprise a well established organisational structure and comprehensive policies and standards. Areas of responsibilities for each business and functional unit are clearly defined to ensure effective checks and balances. Procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information used within the business or for publication. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud. Procedures have also been designed to ensure compliance with applicable laws, rules and regulations.

During the year, the internal audit department has carried out an overview on the effectiveness of the internal control system of the Group. The review covers all material controls, including financial, operational and compliance controls and risk management functions of the Group. No material internal control aspects of any significant problems were noted. Both the Audit Committee and the Board were satisfied that the risk management and internal control systems of the Group had functioned effectively and was adequate during the year under review.

AUDITOR'S REMUNERATION

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

	HK$'000
Statutory audit services	3,000
Other professional services:	
Agreed-upon procedures on interim results	650
Limited assurance services on continuing connected transactions	40
Compliance and tax advisory services	154
	844
Total	3,844

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group for the financial year ended 31 December 2016 which give a true and fair view of the state of affairs of the Company and of the Group on a going concern basis in accordance with the statutory requirements and applicable accounting standards. The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 49 to 53 of this Annual Report.

COMPANY SECRETARY

Ms Tang Yuk Bo, Yvonne has been the company secretary of the Company since 1 June 1992. Ms Tang has taken relevant professional training to comply with Rule 3.29 of the Listing Rules for the year ended 31 December 2016.

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 SHAREHOLDERS' RIGHTS TO CONVENE A SPECIAL GENERAL MEETING

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

CONSTITUTIONAL DOCUMENTS

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

Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION

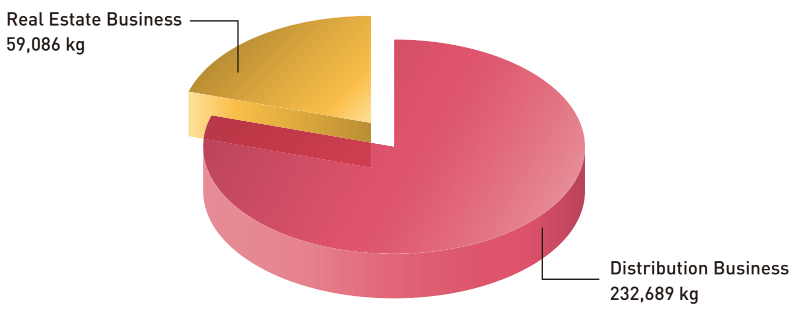
Being a comprehensive enterprise specialisd in businesses including real estate development and operation, property management, development and operation of industry parks, the Group recognises the importance of greater environmental stewardship in order to ensure the sustainable development of the environment and communities in which we operate. Fundamental to these efforts is the incorporation of promotion of design and construction of environment-friendly buildings, property management as well as optimisation of working system and staff training, with an aim to enhance awareness and efficiency and contribute to the mitigation of our overall environmental footprint. Through our combined efforts, we hope to instigate a broader consideration and culture and make decisions for the Company considering environmental protection. Starting this year, the Company will disclose its carbon emission and other results achieved in respect of sustainable development and illustrate its long-term plan and commitment for environmental protection every year.

Carbon Emission

Currently, the Group has 28 real estate development projects in total across 15 cities and regions. The Group is committed to reduce the carbon emissions generated during the life cycle of properties by adhering to the concept of green buildings, which is in response to the global initiative of reducing carbon emission and reducing the overall carbon emissions of the Group, as well as for the sustainable development of the real estate industry. Meanwhile, the Group encourages its staff to take initiative in saving resources by upholding the concept of "starting from me and from small actions".

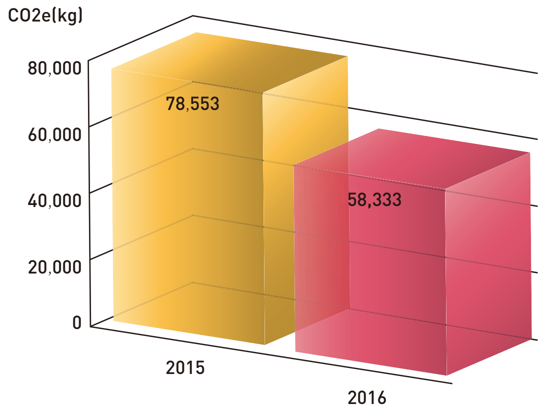
Electricity consumption is the major source of carbon emission for modern cities. The total emission of greenhouse gases generated from purchased electricity for the year of the Beijing headquarters of the Group is as follows:

The carbon emission indirectly generated by electricity consumption of office buildings of the Beijing headquarters in 2016 was approximately 291,776 kg. Among which, carbon emission generated by distribution of information products business ("Distribution business") was 232,689 kg and that generated by real estate business was 59,086 kg.



The total emission of greenhouse gases generated from combustion of fuel of self-owned vehicles for the year of the Group is as follows:

The emission of greenhouse gases generated from combustion of fuel of self-owned vehicles of the Beijing headquarters of the Group was approximately 58,000 kg for the year, representing a decrease of approximately 26% as compared to that of 2015, which demonstrated an effective management on vehicles.



Green Building

Green Building (or sustainable building) represents a building concept of being environment-friendly and effective utilisation of resources at every stage of the life cycle of property projects, including location, design, construction, operation, maintenance, renovation, demolition and reconstruction. Green Building strives for a possible balance between artificial construction and the natural environment in terms of design, in order to enhance the economic benefits, practicality, durability and comfort of the construction as well as minimise the impact on the natural environment.

The Group has been committed to carry out product design, management and control from various aspects, including green ecosystem, intelligent community and social life, by adhering to the concept of "Quality plus Resources". The Group has maintained its demand in line with that of the users by endeavouring to develop high-tech construction products and service system that are "lifestyle-related", with an aim to engage people into the construction to share the results of technological advancement of construction. On top of the above, the Group is also in active communication with international construction companies to be aware of the most updated and high-tech construction designs and concepts around the world. In respect of external resources introduction for real estate projects, the Group has signed strategic agreements with a number of outstanding international enterprises to collaborate in seeking mutual development in areas such as new type of construction materials, environment-friendly energy sources and smart office, aiming at developing world-class products that are more advanced in technology and more environment-friendly.

The Group is in active response to the national requirement of putting "Green Building" into practice. According to the Green Building Evaluation Standards issued by the Ministry of Housing and Urban-Rural Development of the People's Republic of China, the projects under development of the Group that have obtained the Green Building Design and Related Certification are set out as below:

Project Name	Green Building Design and Related Certification					
	Green Building Design Label				Sponge City	LEED
	One-star	Two-star	Three-star	Golden		
PKU Resources • Time	✓					
PKU Resources • Yuecheng	✓	✓	✓			
PKU Resources • Yuelai				✓		
PKU Resources • Wei Ming Mansion					✓	
A land parcel located on Zhongbei Road, Wuchang District Wuhan						In the registration procedure

PKU Resources • Licheng
The project is located at the Yangchenghu Technology Park in Kunshan, Jiangsu, the core hub of technology innovation in Kunshan city with total gross floor area of approximately one million square meters. Being the only mega-scale comprehensive community in the eco-smart plate of Chengxi, PKU Resources • Licheng possesses a variety of property forms such as residential areas, commercial pedestrian street and creative parks. At the initial site selection, taking surrounding ecological environment into consideration, the project transformed the original lake and retained a 250-acre lake area in minimizing the influences on regular migration path of waterfowls. To reduce individual transportation needs, peripheral transportation facilities were also taken into consideration at the time of site selection. In addition, the Group has integrated resources from various aspects of Peking University, including medical care, education and technology and established quality and comprehensive community infrastructures in Licheng Project and thus building a community cultural center and social health management center for owners.

PKU Resources • Jade Garden
Located at the Lusong District in Zhuzhou, Hunan, this high-end residential project, with a 230-acre site area of Phase I, is adjacent to Tianchi Park, enjoying a million square meters of natural resources including 1,200-acre Tianchi Park and 170-acre Tianchi Lake.

PKU Resources • Jade Garden collaborated with the Korean company LG in integrating smart living ideas in initial design phase while at the same time leveraging on predominant resources of Kaide Hospital under PKU Healthcare, branded early childhood education provider under the Group. The entire project has established a new "resource-oriented" residential model featuring "harmonious living with the neighbors, putting child and aging in place in building sense of belonging" and thus allowing Jade Garden to reach a firm step farther than its counterparts since its beginning.

Green Office
The Group actively responded to the UN's appeals of sustainable development goal towards green office and has established a working environment management system applicable to the Group in advocating environmental protection awareness to all staff in the workplace. At the same time, the Group has made contribution to reducing climate changes through realizing energy saving.

In minimizing the carbon footprint within the office, all subsidiaries and departments of the Group should comply with Chapter 2 and 3 of "Management Regulations for Office Areas" formulated by the Group that stipulated clearly the disposal and recycling approach of wastes created in the office.

In addition, the Group has placed an abundant quantity of green plants in the office area so as to create a green and comfortable working environment. Group office and integrated management department are responsible for the unified management for all green plants, including regular watering, cleaning blades, removing withered branches, maintaining their ever-green appearance. The Group has always adhered to the concept of "small actions bring big differences" and therefore actively encourages all staff to protect our environment starting from their daily life such as reducing the utilization of disposable tableware, cultivating habits of switching off lights after usage and waste separation.

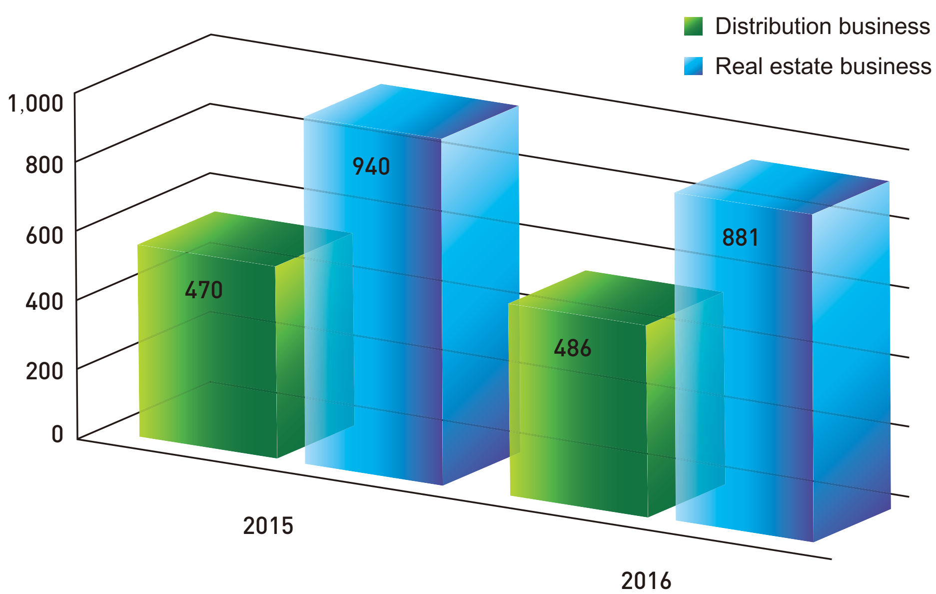
QUALITY OF WORKING ENVIRONMENT

Labour Standards

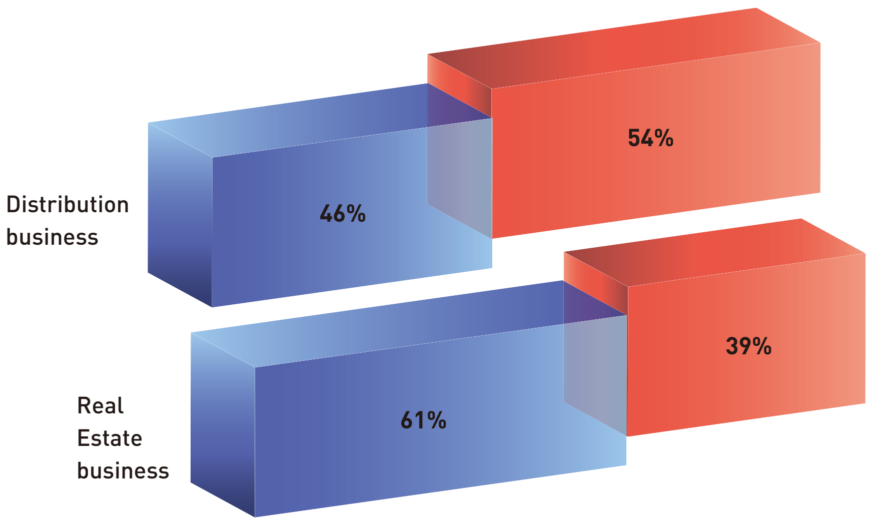
The Group has formulated human resources policies and procedures according to individual performance and achievements and is committed to providing all staff with a workplace of no exception and discrimination but with mutual respect.

A detailed classification of our staff by gender and age groups is set out as below:

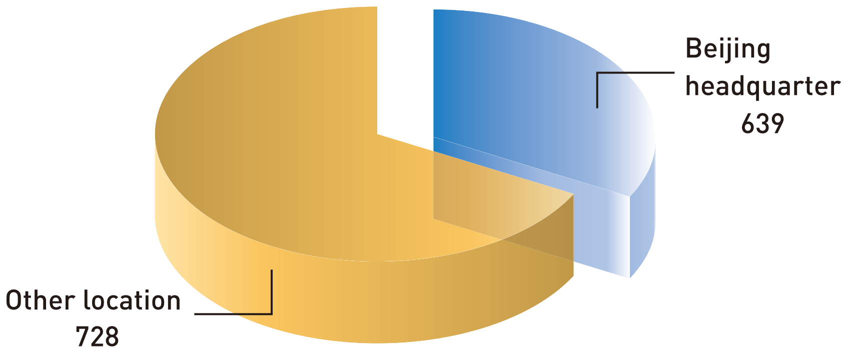
Number of staff classified by business:



Proportion of staff classified by gender:



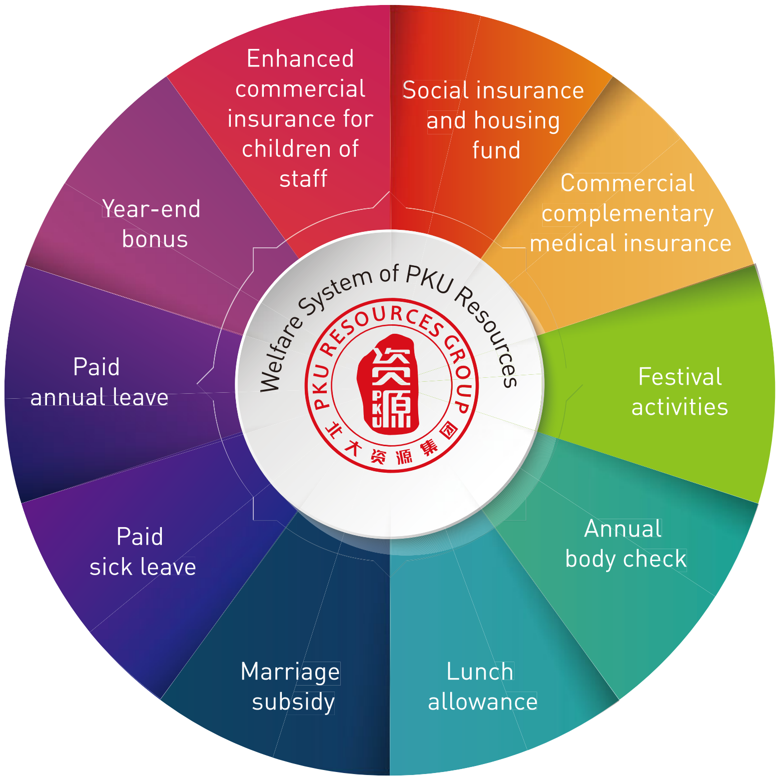
Number of staff classified by location:



The headquarter of real estate business and distribution business are located in Beijing while the staff of real estate business are located throughout 12 provinces and cities in Mainland China.

Staff Welfare

The Group respects the dedication and contributions of its staff and concerns with their treatment and individual development. Therefore, apart from favorable salary and welfares, its staff is provided with career development opportunities and development platform featuring promotion elements. By taking staff's physical and mental health, benefits, needs into consideration, the Group strives to ease their stress and create a comfortable working environment.



Welfare System of PKU Resources

Staff Birthday Party

Development and Trainings

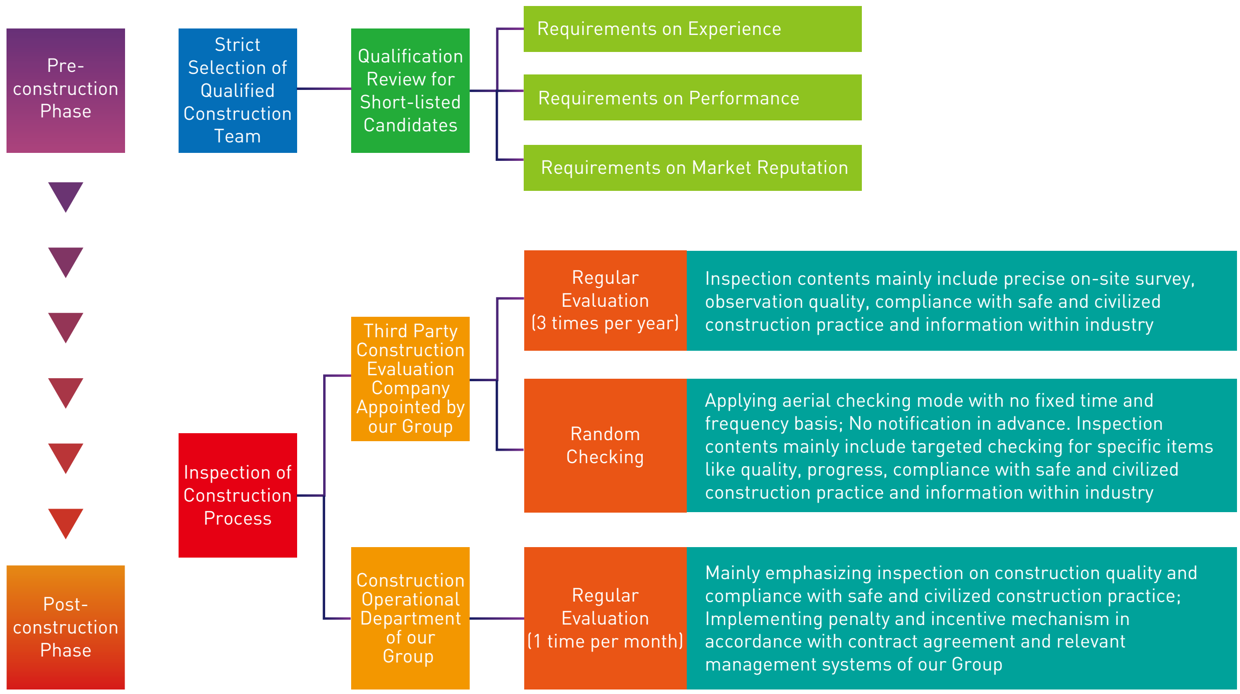
The Group expects its staff striving to "pursue excellence, act as a responsible gate keeper with good faith in achieving mutual success in harmony". The Group also encouraged its staff to take initiative in learning and improving job-related skills and cultural quality by providing diversified professional science and systematic trainings and dispatching excellent core staff to internationally renowned business schools for further study every year. In addition, regular corporate trainings include training for newly-joined staff, general training (regarding skills, products and development) and management-type training.

On 9 and 10 November 2016, the Group organized team-building activities with a theme of "Join Hands in Building Craftsmanship Spirit" with all staff from cultural and business companies under headquarters participated. Corporate presentation section was specially added to this team-building function while person in-charge from group strategy, brand, sales and marketing, operation and relevant departments conducted comprehensive yet lively thematic presentations for their own businesses. Overwhelming response in exchange and interesting Questions and Answers session allowed all participants to better understand the basic situation of the Company and key points of its new strategies in a relaxing approach. This activity served as a perfect driver for enhancing team cohesion as well as strengthening communication and exchange between team members.

Health and Safety

The real estate development business represents a key and fundamental business of principal activities of the Group. In 2016, apart from placing more emphasis on the growth of real estate development business and continuing its efforts on more delicate operations in existing business cities of importance, our Group attached greater importance to the health and safety for its staff during the course of construction. Targeting external construction teams, the Group has formulated a series of stringent standards, and thus guaranteeing the safety of its staff and outsourced workers during the construction of real estate development.

Safety Management Flow during Construction Operation for Real Estate Development



OPERATING PRACTICE

Supply chain management

The principal business of PKU Resources covers two major segments, namely real estate and distribution business. In spite of great variation in supply chain structure among these two segments, the Group has always adhered to the principle of "emphasis on procurement and strategic cooperation" since its early stage of development and established a comprehensive supplier management system monitoring the introduction of suppliers, progress tracking, quality evaluation, communication and feedback as well as quality optimization, and thus guaranteeing the enhancement of project quality and realizing win-win situation among the enterprise, suppliers and property buyers.

Distribution Business – Green Saving

The distribution business of the Group mainly focuses on the distribution of information products such as servers, printers, switches, optical screen products and codec of a number of internationally famed and branded information product manufacturers. When introducing, evaluating and selecting new suppliers, the Group considers their brand influence, market share, preferential policies of their marketing channels, price management of their products, delivery cycle, as well as the following aspects:

Green Environmental Protection	Sustainable development capacity
	Environmentally-friendly measures
	Any non-compliance with government environmental rules and regulations
	Any possession of the following qualifications: • China Eco-labelling Products Certification • China Environmental Labelling Certification • ROHS Environmental Certification • CE Certification • Qualification of Environmental Engineering Professional Contractors • Qualification for Operation of Environmental Pollution Treatment Facilities
Aggregate Cost for Product Life Cycle	Product safety and quality
	Maintenance period provided by suppliers
	Return and exchange management after identifying quality issues
	Decomposition and recycling of retired products after expiry of product life cycle

The Group has kept abreast of the latest technology development for its distribution business of information products. Influenced by the main trend of environmental protection, the Group choses to act as agency for wireless products, high-efficiency, energy saving HP disk storage products and products with uninterruptible power supply from quality brands. PKU Resources strives to provide environmental-friendly equipment featuring energy – and space-saving for downstream customers and at the same time minimize the frequency of large-scale hardware equipment replacement by customers and therefore reducing waste of resources and its effects on environment.

Moreover, PKU Resources has formulated a series of energy-saving measures targeting distribution and transportation progress of information products:

Economic mass order	Adopting economic mass order model in accordance with requirements of projects and sales plans that controls order in a reasonable manner and minimizes the inventory backlog and over-production throughout the entire supply chain
Centralized transportation	Requesting reasonable delivery time from suppliers, applying centralized transportation, booking flights in batch and centralizing inland transportation to reduce the utilization rate of specialized vehicles and minimize energy consumption and environmental pollution during transportation
Reduction in packaging materials	Requesting suppliers to adopt wooden trays and other packaging materials that comply with national animal inspection requirements, promoting less packaging, reducing tree cutting and box usage and replacing packaging by recycled materials

Real Estate Business – Emphasis on Procurement and Strategic Cooperation

Supply chain of real estate industry features its own characters and is classified into construction, design, materials and consultation. Each type of suppliers applies various characteristics and business flows. Among the core competitiveness of real estate enterprises, quality, cost and efficiency act as key factors that are highly related with suppliers. Today, under such severe market competition, abilities of establishing deep and effective strategic cooperation with suppliers posed a great influence on the success of an enterprise. Being a university-run enterprise by Peking University, the Group has built its unique and innovative supplier management system.

The supplier management system of the Group can be concluded as: 1 management function list, 2 cooperation evaluations, 360-degree all-round interview and 5 evaluation dimensions. The management of the Group has adopted function list approach. Through various specific supplier management measures covering commencement time, job descriptions and applicable scopes, it has formulated respective management policies according to the features of different suppliers under strategic cooperation, and initiated relevant systematic and sophisticated management for newly-joined strategic cooperation units.

The Group is committed to accelerate the further transformation of supplier management system. Details are as follows:

- Seeking suppliers that are able to satisfy more requirements of strategic cooperation
- Establishing a fair and standardized programme with high degree of transparency
- Strengthening its efforts in inspection and standardizing the inspection requirements
- Setting up real-time incentive and penalty mechanism and promoting prompt reporting
- Creating a working platform in collaboration with strategic cooperation units for a closer cooperation
- Establishing and optimizing supplier withdrawal mechanism

Quality of products

The Group always holds the belief of "striving for excellence as perfection lies in details". Therefore, the Group is attentive to every detail of its products and has devoted all of its efforts and resources for every part involved in the research and development as well as production of the products, with a view to strive for perfection. In the new five-year plan of the Group, the quality of its products is given top priority for the first time by requiring every products to be handled with the craftsmanship and every tiny detail to be valued with the standard of "nearly perfect" so as to allow quality to speak for its products.

Anti-corruption

The Group takes no tolerance for corruption and deceit and prohibits bribery or corruption of any form. The Group has formulated a series of standards such as Rules Governing the Management of Tender for the Construction of Construction Projects (《建設項目工程類招標管理規則》), Rules Governing the Management of Tender for Marketing of Construction Projects (《建設項目營銷類招標管理規則》) and Rules Governing Reimbursement by Staff (《員工報銷規定》). These rules have provided clear instructions for the standardisation of staff's behaviours in order to prevent malpractice, corruption and bribery. Furthermore, the Group has laid down corresponding reward and punishment measures, requiring staff to uphold an ethical work attitude that fulfill social responsibility and adhere to the highest standard of integrity.

PUBLIC SERVICE

As an enterprise run by Peking University, the Group has been committed to being a part of society and contributing to the harmonious development of the society by engaging in areas such as education, culture and health, at the same time proactively consolidating quality educational resources. The Group firmly believes that public service, which is a virtue of Chinese civilisation handed down from thousands of years ago, can demonstrate the progress of social civilisation, therefore every Chinese is obliged to, and the Group also has an undeniable responsibility to, inherit and promote it. The Group hopes to make contribution to different aspects of the society as it develops.

PKU supporting education for poverty alleviation with its resources

Let Love Travel and Ceremony of the Entering into of Contract for Donating to Build a Library of PKU Resources (愛心中國行暨北大資源圖書館簽約捐建儀式)

To better response to the call for "poverty alleviation with popularization of education" from the state, the Group has furthered the implementation of the Opinions Regarding the Implementation of the Measures for Poverty Alleviation with Popularisation of Education (《關於實施教育扶貧工程的意見》) in a view to promoting the work on popularisation of education at schools to achieve the aim of poverty alleviation as well as making sharing of resources possible. The "Ceremony of the Entering into of Contract for Donating to Build a Library for Jinggangshan Huangao Zhongxin Primary School (井岡山黃坳中心小學圖書館簽約捐建儀式)" organised by Peking University Communist Youth League Committee and co-organised by the Group was officially held in July 2016. The Group hopes to make the children feel the warm and care from the society, arouse the children's interest in reading, enrich their life and broaden their horizon through the activity. In addition, the Group also endeavours to contribute to the society through continuing participation in public service, so that it can enhance the brand image of and disseminate the name of the Group while at the same time continue its efforts on the consolidation of quality educational resources.

Restore energy for health, run for love

"2016 PKU Resources Running to Restore Energy (2016北大資源充電跑)", orgainsed by PKU Resources Group, was opened with vitality in Kunming. In the 5-km running with a theme of "you being there along the way of bringing "books" and hopes ('書'送希望•一路有你")", the Group has integrated books donation for charitable purpose with running, and provided free medical examination to the participants with the help of the community health care management center of the Group. This has benefitted the public with the quality resources of the Company and promoted the development of social culture and health while preached a healthy and positive lifestyle among the public with concrete steps.

In this activity, apart from the books individually donated by the participants upon application, Platane City of PKU Resources (北大資源•博泰城) also donated other books covering various categories from historical literature and biography of celebrities to social and scientific knowledge, music and drawings. Before the commencement of the activity, the participants signed in by presenting the books they have prepared and randomly chose at least one book from those provided by Platane City of PKU Resources (北大資源•博泰城). The books prepared by both sides would be put into their backpacks taken with them during the competition, so that they can demonstrate their determination to books donation by running with "heavy burden on their back". When arriving at the finishing line, the participants can donate the books carried with them to the underprivileged children under their own names and be awarded a certificate verifying their donations. The activity held in Kunming has brought the social responsibility undertaken by the Group, an enterprise run by Peking University, into full play and benefitted the public with quality cultural and educational resources.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr Cheung Shuen Lung, aged 60, 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 was the executive chairman of PUC Founder (MSC) Berhad, a company listed on the ACE Market of Bursa Malaysia (stock code: 0007), before January 2014, and was the non-independent non-executive director of this company from January 2014 to November 2016. 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 46, is an executive director and president of the Company since July 2016. He is the vice president and member of executive committee of Peking Founder and the chief executive officer of 北大資源集團有限公司 (Peking University Resources Group Co., Ltd.*) ("PKU Resources"), the substantial shareholder of the Company. He is also the director of certain subsidiaries of the Company. He received his bachelor's degree in water supply and drainage engineering at Tianjin University (天津大學) in the People's Republic of China (the "PRC"). He is a national registered public facility engineer in the PRC. He joined PKU Resources in 2012 and has extensive experience in property industry and is responsible for overall strategic planning and business development of the Group.

Ms Sun Min, aged 40, is an executive director of the Company since June 2016. She was the executive director of Founder from 1 March 2016 to 12 December 2016. Ms Sun is the vice president and chief financial officer of Peking Founder. She is the director of Founder Technology Group Corporation ("Founder Technology") (Stock code: 600601), a company in which 11.65% of equity interest was held by Peking Founder and listed in the Shanghai Stock Exchange. She is a director of associated companies of Peking Founder. Ms Sun received her bachelor's degree in audit at Hangzhou Dianzi University in the People's Republic of China and is a Certified Public Accountant in the People's Republic of China. Prior to joining Peking Founder in 2007, she was a manager of an international firm of Certified Public Accountants. Ms Sun has extensive knowledge and experience in financial management.

Mr Shi Hua, aged 45, is an executive director of the Company since March 2017. He is the vice president and member of executive committee of Peking Founder, and is in charge of strategic department and information management department of Peking Founder. He is a director of Founder Technology. He was the executive director and president of the Company from 10 June 2016 to 25 July 2016. He has extensive experience in corporate strategic investment.

Ms Liao Hang, aged 38, 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. (stock code: 601901), a company in which 27.75% of equity interest was held by Peking Founder and listed on the Shanghai Stock Exchange. Ms Liao received her bachelor's degree in trading economy and economic law and master degree in economic law at Minzu University of China in the PRC. She obtained legal professional qualification certificate in the PRC and has extensive experience in legal professional experience.

Mr Zheng Fu Shuang, aged 51, is an executive director of the Company since September 2006. He is also the substantial shareholder of the Company. Mr Zheng graduated from the Institute of Electronics, Chinese Academy of Sciences with a master's degree in Engineering, and Peking University Guanghua School of Management with an EMBA degree. Mr Zheng has over 20 years' experience in the radio film and television business in the PRC. Mr Zheng was awarded the "Best Technology Entrepreneur of Private Enterprise in China" (中國優秀民營科技企業家) and "Outstanding entrepreneurs medal of The Hong Kong Polytechnic University's Bauhinia Cup" (香港理工大學紫荊花杯傑出企業家獎) and "The Eighteenth Beijing May Fourth Medal" (第十八屆北京市「五四獎章」).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Li Fat Chung, aged 56, is an independent non-executive director of the Company since September 2004. He is also the independent non-executive director of Founder. Mr Li is a director of Chan, Li, Law CPA Limited in Hong Kong. Mr Li is a Certified Public Accountant (Practising) in Hong Kong and is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He is also an associate member of the Institute of Chartered Accountant in England and Wales and a Certified Tax Adviser of the Taxation Institute of Hong Kong. Mr Li received a master's degree in Business Administration from the University of Warwick, England. Mr Li has extensive experience in auditing, taxation and accounting.

Ms Wong Lam Kit Yee, aged 53, is an independent non-executive director of the Company since September 2004. She is also the independent non-executive director of Founder. Mrs Wong is a Certified Public Accountant (Practising) in Hong Kong. She is also a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. Mrs Wong has extensive experience in auditing and accounting.

Mr Chan Chung Kik, **Lewis**, aged 44, is an independent non-executive director of the Company since March 2017. He is the chief financial officer and joint company secretaries of Denox Environmental & Technology Holdings Limited (stock code: 1452), a company listed on Main Board. He is an independent non-executive director of (i) Kwan On Holdings Limited between March 2015 and September 2016, a company which was previously listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") (stock code: 8305) and was subsequently transferred to the Main Board (stock code: 1559) on 15 August 2016; (ii) Shandong Xinhua Pharmaceutical Company Limited, a company listed on the Main Board (stock code: 719) and the Shenzhen Stock Exchange (stock code: 000756) since May 2014; (iii) HongGuang Lighting Holdings Company Limited (stock code: 8343), a company listed on the GEM since 4 December 2016; and (iv) Founder since March 2017. Mr. Chan obtained a bachelor degree of commerce in accounting from the University of Canberra in Australia in September 1997. He is currently a fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He has extensive experience in auditing, accounting and corporate finance.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2016.

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 2016 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 54 to 132.

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

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are set out in the sections headed "Management Discussion and Analysis" on pages 15 to 20 of the annual report.

The financial risk management objectives and policies of the Group are set out in note 41 to the financial statements.

An analysis of Group's performance during the year using financial key performance indicators is set out in the sections headed "Management Discussion and Analysis" on pages 15 to 20 and "Financial Highlights" on page 136 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 27 to 38 of the annual report below.

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 135 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 12 and 13 to the financial statements, respectively. Further details of the Group's investment properties are set out on pages 133 to 134 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 30 and 31 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

At 31 December 2016, the Company had no reserves available for distribution. However, the Company's share premium account, in the amount of approximately HK$2,600,001,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 64% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 29%.

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

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr Cheung Shuen Lung
Mr Zeng Gang (appointed on 25 July 2016)
Mr Wei Jun Min
Mr Xie Ke Hai
Ms Sun Min (appointed on 10 June 2016)
Mr Zheng Fu Shuang
Mr Shi Hua (appointed on 10 June 2016 and resigned on 25 July 2016)
Mr Fang Hao (resigned on 10 June 2016)
Mr Zhou Bo Qin (resigned on 10 June 2016)

Independent, non-executive directors:

Mr Li Fat Chung
Mr Fung Man Yin, Sammy (appointed on 10 June 2016)
Ms Wong Lam Kit Yee
Ms Cao Qian (resigned on 10 June 2016)

In accordance with the Company's Bye-laws, Mr Zeng Gang, Mr Xie Ke Hai, Ms Sun Min, Mr Li Fat Chung and Mr Fung Man Yin, Sammy 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 Mr Li Fat Chung, Ms Wong Lam Kit Yee and Mr Fung Man Yin, Sammy 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 39 to 40 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' EMOLUMENTS

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

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

At 31 December 2016, 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)	Through spouse	Total	
Mr Zheng Fu Shuang	200,019,000	584,984,000	–	785,003,000	13.11
Mr Fung Man Yin, Sammy	220,000	–	100,000	320,000	0.00

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

Short positions in ordinary shares of the Company:

Name of director	Number of ordinary shares held, capacity and nature of interest Through controlled corporation	Percentage of the Company's issued share capital
Mr Zheng Fu Shuang (Note)	100,000,000	1.67

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

Save as disclosed above, as at 31 December 2016, 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.

SHARE OPTION SCHEME

The Company operates share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the scheme are disclosed in note 31 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the year:

Name or category of participant	Number of share options At 1 January 2016	Expired during the year	At 31 December 2016	Date of grant of share options (Note 1)	Exercise period of share options (Note 2)	Exercise price of share options (Note 3) HK$ per share
Executive Directors						
Mr Fang Hao	16,339,690	(16,339,690)	–	10.6.2013	10.6.2014 to 9.6.2016	0.910
Mr Zhou Bo Qin	16,339,690	(16,339,690)	–	10.6.2013	10.6.2014 to 9.6.2016	0.910
Mr Xie Ke Hai	16,339,690	(16,339,690)	–	10.6.2013	10.6.2014 to 9.6.2016	0.910
Subtotal	49,019,070	(49,019,070)	–			
Other employees of the Group						
In aggregate	65,358,760	(65,358,760)	–	10.6.2013	10.6.2014 to 9.6.2016	0.910
Other employee of the substantial shareholder of the Company						
In aggregate	32,679,380	(32,679,380)	–	10.6.2013	10.6.2014 to 9.6.2016	0.910
Total	147,057,210	(147,057,210)	–			

Notes to the table of share options outstanding during the period:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. The options granted on 10 June 2013 are exercisable in the following two tranches:

   (i) The first 40% of the options are exercisable from 10 June 2014 to 9 June 2016; and

   (ii) The remaining 60% of the options are exercisable from 10 June 2015 to 9 June 2016.

3. The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 31 December 2016, 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	65.96	–	–
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	65.96	–	–
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	65.96	–	–
北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder")	4	Through a controlled corporation	3,950,134,407	65.96	–	–
Founder Information (Hong Kong) Limited ("Founder Information")	5	Directly beneficially owned	3,850,134,407	64.29	–	–
		Through a controlled corporation	100,000,000	1.67	–	–
Mr Zheng Fu Shuang	6	Through a controlled corporation	785,003,000	13.11	100,000,000	1.67
Shine Crest Group Limited	7	Through a controlled corporation	584,984,000	9.77	100,000,000	1.67
Starry Nation Limited		Directly beneficially owned	584,984,000	9.77	100,000,000	1.67
Rongtong Fund Management Co. Ltd.	8	Through a controlled corporation	575,076,000	9.60	–	–
Rongtong Ronghai No. 10 SNIA QDII		Directly beneficially owned	575,076,000	9.60	–	–

* *For identification purposes only*

Notes:

1. Peking University Asset Management 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 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 Founder Information.

4. 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.

5. Founder Information is interested in the 3,950,134,407 shares of the Company, out of which (i) 427,906,976 shares are to be allotted and issued upon exercise of convertible bonds; and (ii) 100,000,000 shares are charged to Fountain Luck Holdings Limited, which is indirectly wholly owned by Founder Information, by Starry Nation Limited.

6. 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.

7. 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.

8. 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 2016, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

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

(a) On 10 March 2015, the Company entered into a master agreement with Peking Founder, pursuant to which the Company agreed to govern the sale of information products to Peking Founder and its subsidiaries (collectively "Peking Founder Group") for the two years ended 31 December 2017.

    Information products of approximately HK$152,056,000 (2015: HK$314,061,000) were sold to Peking Founder Group. The directors consider that the sales of products were made according to published prices and conditions similar to those offered to other customers of the Group.

(b) On 10 March 2015, the Company and Peking Founder entered into a master purchase agreement, pursuant to which the Company agreed to purchase certain software products until 31 December 2017.

    During the year, software products of approximately HK$63,373,000 (2015: HK$35,574,000) 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 9 December 2013, the Company renewed the master agreement with Founder Holdings Limited ("FHL"), a company in which 30.60% of equity interests was indirectly held by Peking Founder, pursuant to which the Company agreed to govern the sale of information products to FHL and its subsidiaries (collectively "Founder Group") for a term of three years ended 31 December 2016.

During the year, no information product (2015: HK$108,000) was sold to Founder Group.

(d) On 23 December 2013, the Company, Founder Finance and Peking Founder entered into a financial service agreement to extend the terms of the provision by Founder Finance of (i) the deposit service; (ii) the loan services; and (iii) the miscellaneous financial services to the Group for the three years ended 31 December 2016. Peking Founder has provided the guarantee to the Company in the financial services agreement.

As at 31 December 2016, the Group placed deposits of approximately HK$136,952,000 (2015: HK$139,591,000) in Founder Finance and the related interest of approximately HK$1,052,000 (2015: HK$306,000) was earned by Group during the year ended 31 December 2016. The interest rates on these deposits offered by Founder Finance were the prevailing interest rates offered by the People's Bank of China.

(e) On 30 December 2014, the Company entered into a master lease agreement with Peking Founder (the "Master Lease Agreement"), pursuant to which Peking Founder agreed to arrange the members of the Peking Founder Group to lease certain commercial premises in Founder International Building from and enter into separate lease agreements with the Group for a term from the date specified in the individual lease agreement to the end date not later than 31 December 2017.

On 27 August 2015, the Company and Peking Founder entered into a termination agreement to terminate the Master Lease Agreement. The Company is entitled to the rental income of Founder International Building receivable from Peking Founder pursuant to the Master Lease Agreement prior to 1 September 2015. Other than the outstanding rental fee payable up to the termination date, namely 1 September 2015, by Peking Founder to the Company, neither party is required to pay any penalty or compensation to the other party in respect of the termination of the Master Lease Agreement.

(f) On 16 September 2014, the Company entered into a master landscape construction agreement with PKU Resources Group, pursuant to which PKU Resources Group and its associates agreed to manage landscape construction in the property projects of the Group.

During the year ended 31 December 2016, no construction fee (2015: Nil) was charged to PKU Resources Group.

(g) On 16 September 2014, the Company entered into a master property management service agreement with PKU Resources Group (the "Master Property Management Service Agreement") pursuant to which PKU Resources Group and its associates agreed to provide pre-sale property management services to the Group for the three years ended 31 December 2016.

During the year ended 31 December 2016, property management service fees of approximately HK$19,480,000 (2015: HK$15,817,000) were paid to PKU Resources Group. The directors consider that the provision of property management services by PKU Resources Group was made in accordance with the Master Property Management Service Agreement.

(h) On 16 September 2014, the Company entered into a master trademark licensing agreement with PKU Resources Group (the "Master Trademark Licensing Agreement"), pursuant to which the Group is authorised to use the brand name of PKU Resources Group in each of their respective property projects for the three years ending 31 December 2016.

During the year ended 31 December 2016, no trademark licensing fees (2015: HK$58,312,000) was charged to PKU Resources Group.

(i) On 27 August 2015, the Company entered into the master entrusted management and consultancy agreement with PKU Resources Group (the "Master Entrusted Management and Consultancy Agreement"), pursuant to which the Company agreed to provide services to PKU Resources Group and its associates for the three years ended 31 December 2017.

The annual caps for the service fees to be paid by the Entrustor to the Entrustee for the services under the agreement for each of the two years ending 31 December 2016 and 2017 is RMB40,000,000 (approximately HK$48,000,000).

During the year, consultancy services of approximately HK$28,078,000 (2015: HK$6,567,000) were charged to PKU Resources Group. The directors consider that the charges were made in accordance with the Master Entrusted Management and Consultancy Agreement.

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.

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.

AUDITOR

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
24 March 2017

Independent Auditor's Report

EY 安永

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

安永會計師事務所
香港中環添美道1號
中信大廈22樓

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

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

OPINION

We have audited the consolidated financial statements of Peking University Resources (Holdings) Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 132, which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Provision for impairment of properties under development and properties held for sale	
Properties under development and properties held for sale with an aggregate amount of HK$40,517.5 million (after impairment) constituted a significant portion of the total assets as at 31 December 2016 and impairment losses of HK$364.4 million were recorded during the year ended 31 December 2016. The provision for impairment assessment process is complex because it involves significant management judgements and estimates, such as available selling prices and budgeted property development costs, which could affect the recoverable amounts of the properties under development and properties held for sale of the Group. Relevant disclosures are included notes 3, 18 and 19 to the financial statements.	We understood the Group's accounting policies of provision for impairment of properties under development and properties held for sale. In addition, we examined the budgeted property development costs and the recently available selling prices of comparable properties on a sample basis. We also re-calculated the provision for impairment amounts of properties under development and properties held for sale based on the management's methodology at year end.
Capitalisation of borrowing costs	
The financial sources of the Group's property development operation are mostly come from interest-bearing borrowings. During the year ended 31 December 2016, the Group incurred total borrowing costs of HK$2,595.5 million (before capitalisation), of which an aggregate amount of HK$2,468.7 million were capitalised in properties under development and properties held for sale. The capitalisation of borrowing costs is complex because it involves significant management judgements and estimates, such as the assessment of qualifying assets, the usage of borrowing funds and the capitalisation period. Relevant disclosures are included in notes 3 and 7 to the financial statements.	We understood the status of the Group's properties under development and properties held for sale. In addition, we examined the loan agreements as well as obtained direct external confirmations from banks, financial institutes or other relevant entities to confirm the borrowing balances on a sample basis. We also re-calculated the capitalisation amounts of borrowing costs during the year based on the management's methodology.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Provision for trade receivables Trade receivables with an aggregate amount of HK$931.8 million (after provision) constituted a significant portion of the total assets of the Group as at 31 December 2016 and the Group was exposed to credit risks thereof. When determining whether a trade receivable is collectable, significant management judgements are involved, taking into account of various factors, including the age of the balance, existence of disputes, recent historical payment patterns and other available information concerning the creditworthiness of the customer. Relevant disclosures are included in notes 3 and 21 to the financial statements.	We assessed the Group's internal controls relating to the monitoring of trade receivables. In addition, we performed the ageing analysis, obtained direct external confirmations from customers to confirm the receivable balances on a sample basis and considered the receipts from customers subsequent to the reporting date. We also evaluated the adequacy of the Group's provision for trade receivables by reference to the Group's debtor collection history.

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.

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

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

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

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

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

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

24 March 2017

Consolidated Statement of Profit or Loss

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	5	**15,394,302**	7,804,286
Cost of sales		**(14,366,870)**	(7,662,887)
Gross profit		**1,027,432**	141,399
Other income and gains	5	**57,017**	774,078
Selling and distribution expenses		**(463,915)**	(450,889)
Administrative expenses		**(335,046)**	(321,382)
Other expenses and losses		**(47,826)**	(79,044)
Finance costs	7	**(126,806)**	(67,526)
Share of loss of an associate		**(5,072)**	(3,275)
PROFIT/(LOSS) BEFORE TAX	6	**105,784**	(6,639)
Income tax expense	10	**(558,504)**	(265,722)
LOSS FOR THE YEAR		**(452,720)**	(272,361)
Attributable to:			
Owners of the parent		**(278,387)**	(237,695)
Non-controlling interests		**(174,333)**	(34,666)
		(452,720)	(272,361)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		**HK4.65 cents**	HK3.98 cents
Diluted		**HK4.65 cents**	HK3.98 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
LOSS FOR THE YEAR	**(452,720)**	(272,361)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(158,154)**	(134,182)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(158,154)**	(134,182)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(158,154)**	(134,182)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(610,874)**	(406,543)
Attributable to:		
Owners of the parent	**(413,106)**	(337,969)
Non-controlling interests	**(197,768)**	(68,574)
	(610,874)	(406,543)

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**123,482**	97,407
Investment properties	13	**474,787**	360,807
Prepaid land lease payments	14	**13,633**	14,621
Goodwill	15	**–**	–
Other intangible assets	16	**1,246**	1,014
Investment in an associate	17	**11,632**	19,488
Total non-current assets		**624,780**	493,337
CURRENT ASSETS			
Properties under development	18	**36,012,924**	33,443,212
Properties held for sale	19	**4,504,614**	3,680,178
Inventories	20	**397,797**	323,585
Trade and bills receivables	21	**1,039,063**	826,856
Prepayments, deposits and other receivables	22	**1,616,502**	1,673,955
Prepaid tax		**555,614**	360,951
Restricted cash	23	**2,081,276**	1,210,154
Cash and cash equivalents	24	**2,380,113**	1,838,246
Total current assets		**48,587,903**	43,357,137
CURRENT LIABILITIES			
Trade and bills payables	25	**4,790,420**	3,902,537
Other payables and accruals	26	**16,749,635**	14,283,672
Interest-bearing bank and other borrowings	27	**10,215,000**	3,762,308
Tax payable		**473,540**	158,038
Total current liabilities		**32,228,595**	22,106,555
NET CURRENT ASSETS		**16,359,308**	21,250,582

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,984,088**	21,743,919
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**14,950,762**	18,859,146
Long term payable	28	**–**	177,699
Deferred tax liabilities	29	**144,913**	242,344
Total non-current liabilities		**15,095,675**	19,279,189
Net assets		**1,888,413**	2,464,730
EQUITY			
Equity attributable to owners of the parent			
Issued capital	30	**598,825**	598,825
Reserves	32	**1,227,501**	1,640,607
		1,826,326	2,239,432
Non-controlling interests		**62,087**	225,298
Total equity		**1,888,413**	2,464,730

Cheung Shuen Lung
Director

Zeng Gang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

		Attributable to owners of the parent												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Merger reserve HK$'000	Employee share-based compensation reserve HK$'000	Contributed surplus HK$'000	Non-controlling interest reserve HK$'000	Exchange fluctuation reserve HK$'000	General reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015														
As previously reported		244,003	666,504	–	38,957	520,156	–	32,572	10,558	132,108	(583,841)	1,061,017	388,985	1,450,002
Effect of business combination		–	–	962,522	–	–	(13,622)	(11,378)	–	–	(289,295)	648,227	526,942	1,175,169
As restated		244,003	666,504	962,522	38,957	520,156	(13,622)	21,194	10,558	132,108	(873,136)	1,709,244	915,927	2,625,171
Loss for the year		–	–	–	–	–	–	–	–	–	(237,695)	(237,695)	(34,666)	(272,361)
Other comprehensive loss for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(100,274)	–	–	–	(100,274)	(33,908)	(134,182)
Total comprehensive loss for the year		–	–	–	–	–	–	(100,274)	–	–	(237,695)	(337,969)	(68,574)	(406,543)
Issue of shares	30	354,822	1,951,522	–	–	–	–	–	–	–	–	2,306,344	–	2,306,344
Share issue expense	30	–	(18,025)	–	–	–	–	–	–	–	–	(18,025)	–	(18,025)
Transfer from retained profits		–	–	–	–	–	–	–	51,355	–	(51,355)	–	–	–
Capital contributions from non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	9,114	9,114
Deemed acquisition of non-controlling interests		–	–	–	–	–	(159,323)	–	–	–	–	(159,323)	(502,260)	(661,583)
Deemed distributions to companies controlled by the ultimate holding company		–	–	(1,266,844)	–	–	–	–	–	–	–	(1,266,844)	–	(1,266,844)
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(128,909)	(128,909)
Equity-settled share option arrangements	31	–	–	–	6,005	–	–	–	–	–	–	6,005	–	6,005
At 31 December 2015		598,825	2,600,001*	(304,322)*	44,962*	520,156*	(172,945)*	(79,080)*	61,913*	132,108*	(1,162,186)*	2,239,432	225,298	2,464,730

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

		Attributable to owners of the parent												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Merger reserve HK$'000	Employee share-based compensation reserve HK$'000	Contributed surplus HK$'000	Non-controlling interest reserve HK$'000	Exchange fluctuation reserve HK$'000	General reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016		598,825	2,600,001	(304,322)	44,962	520,156	(172,945)	(79,080)	61,913	132,108	(1,162,186)	2,239,432	225,298	2,464,730
Loss for the year		-	-	-	-	-	-	-	-	-	(278,387)	(278,387)	(174,333)	(452,720)
Other comprehensive loss for the year:														
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(134,719)	-	-	-	(134,719)	(23,435)	(158,154)
Total comprehensive loss for the year		-	-	-	-	-	-	(134,719)	-	-	(278,387)	(413,106)	(197,768)	(610,874)
Capital contributions from non-controlling shareholders of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	34,557	34,557
Transfer of employee share-based compensation reserve upon the expiry of share options	31	-	-	-	(44,962)	-	-	-	-	-	44,962	-	-	-
Transfer to general reserve		-	-	-	-	-	-	-	49,540	-	(49,540)	-	-	-
At 31 December 2016		598,825	2,600,001*	(304,322)*	-*	520,156*	(172,945)*	(213,799)*	111,453*	132,108*	(1,445,151)*	1,826,326	62,087	1,888,413

* These reserve accounts comprise the consolidated reserves of HK$1,227,501,000 (2015: HK$1,640,607,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**105,784**	(6,639)
Adjustments for:			
Finance costs	7	**126,806**	67,526
Share of loss of an associate		**5,072**	3,275
Interest income	5	**(24,350)**	(25,749)
Depreciation	6	**29,516**	23,411
Recognition of prepaid land lease payments	6	**653**	538
Amortisation of intangible assets	6	**322**	391
Loss/(gain) on disposal of items of property, plant and equipment, net	6	**167**	(67)
Impairment/(reversal of impairment) of trade receivables	6	**(9,470)**	16,476
Write-back of trade payables	6	**(3,885)**	–
Fair value losses/(gains) on investment properties, net	6	**(4,501)**	4,722
Gain on disposal of subsidiaries	5	**–**	(738,971)
Reversal of provision against obsolete inventories	6	**(4,346)**	(220)
Impairment of properties under development	6	**23,914**	167,371
Impairment of properties held for sale	6	**340,455**	42,767
Equity-settled share option expense	6	**–**	6,005
		586,137	(439,164)
Decrease/(increase) in inventories		**(69,866)**	15,383
Increase in properties under development		**(6,878,502)**	(9,974,740)
Decrease in properties held for sale		**3,722,944**	747,588
Decrease/(increase) in trade and bills receivables		**(202,737)**	235,828
Decrease in prepayments, deposits and other receivables		**57,323**	2,474,604
Increase/(decrease) in trade and bills payables		**891,768**	(1,284,797)
Increase in other payables and accruals		**2,043,930**	4,332,258
Decrease in long term payable		**(177,699)**	(4,347)
Effect of foreign exchange rate changes, net		**348,123**	(181,583)
Cash from/(used in) operation		**321,421**	(4,078,970)
Interest received		**24,350**	25,749
Interest paid		**(2,173,482)**	(67,526)
Mainland China corporate income tax paid		**(270,110)**	(229,998)
Land appreciation tax paid		**(253,337)**	(81,282)
Hong Kong profits tax refunded		**–**	19
Net cash flows used in operating activities		**(2,351,158)**	(4,432,008)

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Net cash flows used in operating activities		**(2,351,158)**	(4,432,008)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	12	**(13,493)**	(18,112)
Purchases of other intangible assets	16	**(656)**	(394)
Purchases of investment properties	13	**(2,606)**	–
Proceeds from disposal of items of property, plant and equipment		**532**	8,117
Proceeds from disposal of other intangible assets		**39**	–
Decrease in time deposits with original maturity of over three months when acquired		**–**	2,853,309
Decrease/(increase) in restricted cash		**(871,122)**	335,639
Dividend income from an associate		**2,784**	–
Disposal of subsidiaries	34	**–**	770,193
Net cash flows from/(used in) investing activities		**(884,522)**	3,948,752
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	30	**–**	2,306,344
Share issue expenses	30	**–**	(18,025)
New bank and other loans		**16,654,779**	19,538,206
Repayment of bank and other loans		**(12,762,305)**	(19,135,902)
Capital contributions from non-controlling shareholders of subsidiaries		**34,557**	9,114
Deemed acquisition of non-controlling interests		**–**	(661,583)
Deemed distributions to companies controlled by the ultimate holding company		**–**	(1,266,844)
Dividends paid to non-controlling shareholders		**–**	(107,669)
Net cash flows from financing activities		**3,927,031**	663,641
NET INCREASE IN CASH AND CASH EQUIVALENTS		**691,351**	180,385
Cash and cash equivalents at beginning of year		**1,838,246**	1,563,561
Effect of foreign exchange rate changes, net		**(149,484)**	94,300
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,380,113**	1,838,246
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**2,380,113**	1,838,246
Cash and cash equivalents as stated in the consolidated statement of financial position		**2,380,113**	1,838,246
Cash and cash equivalents as stated in the consolidated statement of cash flows		**2,380,113**	1,838,246

Notes to Financial Statements

Year ended 31 December 2016

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 2016, the Company was owned as to approximately 57.15% by Founder Information (Hong Kong) Limited ("Founder Information") which was in turn owned as to approximately 97.36% by 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"). In the opinion of the directors, the ultimate holding company is 北大資產經營有限公司 (Peking University Asset Management Company Limited*) ("PKU Asset Management"), which is established in the People's Republic of China (the "PRC").

* *For identification purposes only*

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Founder Data Corporation International Limited ("FDC")	British Virgin Islands/ Hong Kong	Ordinary US$20,000	100	–	Investment holding
Beijing Founder Century Information System Co., Ltd. ("PRC Century")#	PRC/Mainland China	Registered RMB390,000,000	–	100	Distribution of information products
Founder Century (Hong Kong) Limited "Century (Hong Kong)")	Hong Kong	Ordinary HK$2	–	100	Distribution of information products
Hubei Tianranju Business Management Limited#	PRC/Mainland China	Registered RMB30,000,000	–	100	Property investment
Peking University Resources Group Investment Co., Limited^	PRC/Mainland China	Registered RMB50,000,000	–	100	Property investment
Tianjin Peking University Resources Real Estate Company Limited^	PRC/Mainland China	Registered RMB10,000,000	–	70	Property development
Tianjin Peking University Science Park Construction & Development Company Limited^	PRC/Mainland China	Registered RMB50,000,000	–	42.7*	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
Qingdao Boya Real Estate Co., Limited^	PRC/Mainland China	Registered RMB30,000,000	–	70	Property development
Tianjin Boya Properties Co., Limited^	PRC/Mainland China	Registered RMB50,000,000	–	60	Property development
Chengdu Hangmei Property Development Co., Limited^	PRC/Mainland China	Registered RMB30,000,000	–	70	Property development
Kunshan Hi-Tech Electronic Arts Creative Industry Development Co., Ltd. ("Kunshan Hi-Tech")^	PRC/Mainland China	Registered RMB200,000,000	–	51	Property development
Tianhe Property Development Co., Limited@	PRC/Mainland China	Registered RMB300,000,000	–	90	Property development
Ezhou Jinfeng Property Development Co., Limited^	PRC/Mainland China	Registered RMB10,000,000	–	90	Property development
Changsha Henglong Property Development Co., Limited ("Changsha Henglong")^	PRC/Mainland China	Registered RMB10,000,000	–	63	Property development
Yongqin Limited	British Virgin Islands/ Hong Kong	Ordinary HK$2	100	–	Property investment
Chongqing Yingfeng Property Co., Limited ("Chongqing Yingfeng")#	PRC/Mainland China	RMB80,000,000	–	100	Property development
Foshan Peking University Resources Property Co., Limited ("Foshan Resources")@	PRC/Mainland China	RMB100,000,000	–	51	Property development
Wuhan Tianhe Jincheng Property Development Co., Limited ("Wuhan Tianhe Jincheng")^	PRC/Mainland China	RMB50,000,000	–	70	Property development
Changsha Longxin Property Development Co., Limited ("Changsha Longxin")@	PRC/Mainland China	RMB30,000,000	–	70	Property development

Notes to Financial Statements
Year ended 31 December 2016

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
Chengdu Lihui Property Co., Limited ("Chengdu Lihui")[@]	PRC/Mainland China	RMB50,000,000	–	70	Property development
Zhejiang Peking University Resources Property Co., Limited[#]	PRC/Mainland China	USD120,000,000	–	100	Property development
Chongqing Fangyuan Yingrun Property Co., Limited ("Chongqing Yingrun")[@]	PRC/Mainland China	RMB642,600,000	–	70	Property development
Chongqing Peking University Resources Property Co., Limited[^]	PRC/Mainland China	RMB100,000,000	–	100	Property development
Chongqing Yingpu Investment Co., Limited ("Chongqing Yingpu")[^]	PRC/Mainland China	RMB50,000,000	–	70	Property development
Chongqing Yuefeng Property Co., Limited[^]	PRC/Mainland China	RMB50,000,000	–	70	Property development
Chengdu Peking University Resources Property Co., Limited[^]	PRC/Mainland China	RMB50,000,000	–	100	Property development
Xinjin Henglong Xinhe Property Development Co., Limited[^]	PRC/Mainland China	RMB30,000,000	–	70	Property development
Qingdao Peking University Resources Property Co., Limited[^]	PRC/Mainland China	RMB100,000,000	–	100	Property development
Qingdao Boya Huafu Property Co., Limited ("Qingdao Huafu")[^]	PRC/Mainland China	RMB50,000,000	–	70	Property development
Guiyang Henglong Property Co., Limited ("Guiyang Henglong")[^]	PRC/Mainland China	RMB50,000,000	–	70	Property development
Guiyang Peking University Resources Property Co., Limited[^]	PRC/Mainland China	RMB50,000,000	–	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
Kaifeng Botao Property Development Co., Limited ("Kaifeng Botao")^	PRC/Mainland China	RMB50,000,000	–	100	Property development
Kaifeng Boming Property Development Co., Limited ("Kaifeng Boming")^	PRC/Mainland China	RMB20,000,000	–	100	Property development
Kunming Fangyuan Botai Zhiye Company Limited^	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 investment
Wuhan Tianhe Jinrui Property Development Co., Limited^	PRC/Mainland China	RMB30,000,000	–	100	Property investment
Dongguan Yida Property Co., Limited^	PRC/Mainland China	RMB10,000,000	–	100	Property investment
Dongguan Yihui Property Co., Limited^	PRC/Mainland China	RMB30,000,000	–	100	Property investment
Chengdu Founder Yuancheng Information Technology Co., Limited^	PRC/Mainland China	RMB100,000,000	–	51	Property investment

\# 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

* A subsidiary of a non-wholly-owned subsidiary of the Company which is accounted for as a subsidiary by virtue of the Company's control over it

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. 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.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

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 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
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 as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

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

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

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

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

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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 and equity investments 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

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

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

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

2.4 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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.

Investment properties

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

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

Intangible assets (other than goodwill)

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

Computer software

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

Operating leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

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

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

Subsequent measurement

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

Loans and receivables

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Notes to Financial Statements

Year ended 31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Properties under development

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

Properties held for sale

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

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

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

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

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

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

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

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

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

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

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

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

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 a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

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

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

Revenue recognition

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including 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 31 to the financial statements.

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

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

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

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

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

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

Notes to Financial Statements

Year ended 31 December 2016

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.

Foreign currencies

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars 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 overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars 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:

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.

Notes to Financial Statements
Year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

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

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

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

Provision for trade receivables

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 29 to the financial statements.

PRC corporate income tax

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

PRC land appreciation tax ("LAT")

The Group is subject to 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.

Capitalisation of borrowing costs

Borrowing costs are capitalised in accordance with the accounting policy for borrowing costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the assessment of qualifying assets, the usage of borrowing funds and the capitalisation period. The amount of borrowing costs capitalised during the year was HK$2,468,709,000 (2015: HK$2,249,238,000).

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

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

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

Notes to Financial Statements

Year ended 31 December 2016

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2016

	Distribution of information products HK$'000	Property development HK$'000	Property investment HK$'000	Total HK$'000
Segment revenue				
Sales to external customers	5,757,283	9,622,965	14,054	15,394,302
Other revenue	4,367	23,707	4,593	32,667
	5,761,650	9,646,672	18,647	15,426,969
Segment results	43,379	258,643	15,661	317,683
Reconciliation:				
Interest income				24,350
Corporate and unallocated expenses				(109,443)
Finance costs				(126,806)
Profit before tax				105,784
Segment assets	2,651,489	43,671,880	1,022,373	47,345,742
Reconciliation:				
Elimination of intersegment receivables				(3,150,062)
Corporate and other unallocated assets				5,017,003
Total assets				49,212,683
Segment liabilities	1,566,398	22,261,086	862,633	24,690,117
Reconciliation:				
Elimination of intersegment payables				(3,150,062)
Corporate and other unallocated liabilities				25,784,215
Total liabilities				47,324,270
Other segment information:				
Share of loss of an associate	(5,072)	–	–	(5,072)
Investment in an associate	11,632	–	–	11,632
Fair value gains on investment properties, net	–	–	4,501	4,501
Reversal of impairment of trade receivables	9,470	–	–	9,470
Reversal of provision against inventories	4,346	–	–	4,346
Provision against properties under development	–	(23,914)	–	(23,914)
Provision against properties held for sale	–	(340,455)	–	(340,455)
Depreciation and amortisation	(2,032)	(28,159)	(300)	(30,491)
Capital expenditure*	(3,494)	(13,261)	–	(16,755)

* 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 2015

	Distribution of information products HK$'000	Property development HK$'000	Property investment HK$'000	Total HK$'000
Segment revenue				
Sales to external customers	4,486,784	3,284,048	33,454	7,804,286
Other revenue	195	741,562	6,572	748,329
	4,486,979	4,025,610	40,026	8,552,615
Segment results	27,853	82,967	2,024	112,844
Reconciliation:				
Interest income				25,749
Corporate and unallocated expenses				(77,706)
Finance costs				(67,526)
Loss before tax				(6,639)
Segment assets	2,989,909	37,470,560	4,233,443	44,693,912
Reconciliation:				
Elimination of intersegment receivables				(4,252,790)
Corporate and other unallocated assets				3,409,352
Total assets				43,850,474
Segment liabilities	1,309,003	19,676,506	1,453,490	22,438,999
Reconciliation:				
Elimination of intersegment payables				(4,252,790)
Corporate and other unallocated liabilities				23,199,535
Total liabilities				41,385,744
Other segment information:				
Share of loss of an associate	(3,275)	–	–	(3,275)
Investment in an associate	19,488	–	–	19,488
Fair value losses on investment properties, net	–	(2,213)	(2,509)	(4,722)
Impairment of trade receivables	(16,476)	–	–	(16,476)
Reversal of provision against inventories	220	–	–	220
Provision against properties under development	–	(167,371)	–	(167,371)
Provision against properties held for sale	–	(42,767)	–	(42,767)
Depreciation and amortisation	(1,489)	(22,296)	(555)	(24,340)
Capital expenditure*	(7,285)	(10,522)	(699)	(18,506)

* 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

The Group's revenue from external customers is derived substantially from its operations in the PRC, and the non-current assets of the Group are substantially located in the PRC.

Information about a major customer

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 (2015: Nil).

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Notes	2016 HK$'000	2015 HK$'000
Revenue			
Sale of goods		**5,757,283**	4,486,784
Sales of properties		**9,622,965**	3,284,048
Gross rental income		**14,054**	33,454
		15,394,302	7,804,286
Other income			
Bank interest income		**24,350**	21,800
Other interest income		**–**	3,949
Government grants		**–**	483
Others		**28,166**	8,808
		52,516	35,040
Gains			
Fair value gains on investment properties, net	13	**4,501**	–
Gain on disposal of subsidiaries	34	**–**	738,971
Gain on disposal of items of property, plant and equipment, net		**–**	67
		4,501	739,038
		57,017	774,078

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2016 HK$'000	2015 HK$'000
Cost of inventories sold		**5,564,602**	4,326,130
Cost of properties sold		**8,442,245**	3,126,839
Reversal of provision against inventories		**(4,346)**	(220)
Provision against properties under development		**23,914**	167,371
Provision against properties held for sale		**340,455**	42,767
Cost of sales		**14,366,870**	7,662,887
Auditor's remuneration		**3,000**	2,805
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**–**	1,146
Depreciation	12	**29,516**	23,411
Less: Depreciation capitalised in properties under development		**(6,812)**	(9,670)
		22,704	13,741
Amortisation of prepaid land lease payments	14	**653**	538
Amortisation of intangible assets	16	**322**	391
Loss/(gain) on disposal of items of property, plant and equipment, net*		**167**	(67)
Impairment/(reversal of impairment) of trade receivables*	21	**(9,470)**	16,476
Write-back of trade payables		**(3,885)**	–
Operating lease rentals in respect of land and buildings		**32,753**	41,416
Foreign exchange losses, net*		**57,129**	57,846
Fair value losses/(gains) on investment properties, net*	13	**(4,501)**	4,722
Employee benefit expense (including directors' remuneration — note 8):			
Wages and salaries		**282,006**	210,612
Pension scheme contributions**		**9,772**	4,995
Equity-settled share option expense		**–**	6,005
		291,778	221,612

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

** At 31 December 2016, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2015: Nil).

Notes to Financial Statements
Year ended 31 December 2016

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 HK$'000	2015 HK$'000
Interest on bank loans and other loans	**1,894,130**	1,259,964
Interest on loans from a subsidiary of Peking Founder	**17,914**	8,996
Interest on loans from 北大資源集團有限公司 (Peking University Resources Group Co., Ltd.*) ("PKU Resources"), a fellow subsidiary of Peking Founder	**650,427**	990,765
Interest on loans from non-controlling shareholders	**19,848**	32,135
Interest on discounted bills	**13,196**	24,904
Total interest expense	**2,595,515**	2,316,764
Less: Interest capitalised	**(2,468,709)**	(2,249,238)
	126,806	67,526

* *For identification purposes only*

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2016 HK$'000	2015 HK$'000
Fees	**378**	378
Other emoluments:		
Salaries, allowances and benefits in kind	**200**	1,266
Performance related bonuses	**–**	–
Equity-settled share option expense	**–**	3,005
Pension scheme contributions	**–**	–
	200	4,271
	578	4,649

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

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

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

	2016 HK$'000	2015 HK$'000
Mr Li Fat Chung	**126**	126
Ms Wong Lam Kit Yee	**126**	126
Ms Cao Qian*	**56**	126
Mr Fung Man Yin, Sammy*	**70**	–
	378	378

* Ms Cao Qian resigned as an independent non-executive director of the Company and Mr Fung Man Yin was appointed as an independent non-executive director of the Company with the effect from 10 June 2016.

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

(b) Executive directors and the chief executive

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2016						
Executive directors:						
Mr Cheung Shuen Lung	-	-	-	-	-	-
Mr Fang Hao *	-	106	-	-	-	106
Mr Zhou Bo Qin**	-	94	-	-	-	94
Mr Wei Jun Min	-	-	-	-	-	-
Mr Xie Ke Hai	-	-	-	-	-	-
Mr Zheng Fu Shuang	-	-	-	-	-	-
Mr Shi Hua*	-	-	-	-	-	-
Mr Zeng Gang *	-	-	-	-	-	-
Ms Sun Min**	-	-	-	-	-	-
	-	200	-	-	-	200

* Mr Fang Hao resigned as an executive director as well as the chief executive of the Company and Mr Shi Hua was appointed as an executive director of the Company with effect from 10 June 2016 to 25 July 2016. Mr Zeng Gang was appointed as an executive director as well as the chief executive of the Company with the effect from 25 July 2016.

** Mr Zhou Bo Qin resigned as an executive director of the Company and Ms Sun Min was appointed as an executive director of the Company with the effect from 10 June 2016.

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

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2015						
Executive directors:						
Mr Cheung Shuen Lung	–	–	–	–	–	–
Mr Fang Hao	–	665	–	601	–	1,266
Mr Zhou Bo Qin	–	601	–	601	–	1,202
Mr Wei Jun Min	–	–	–	–	–	–
Mr Xie Ke Hai	–	–	–	601	–	601
Mr Zheng Fu Shuang	–	–	–	–	–	–
Ms Yu Li	–	–	–	601	–	601
Mr Zhang Zhao Dong	–	–	–	601	–	601
	–	1,266	–	3,005	–	4,271

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

9. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration for the year of the five (2015: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	**6,113**	5,501
Performance related bonuses	**8,844**	8,758
Equity-settled share option expense	**–**	601
Pension scheme contributions	**126**	149
	15,083	15,009

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	
	2016	2015
HK$2,000,001 to HK$3,000,000	**3**	3
HK$3,000,001 to HK$4,000,000	**1**	1
HK$4,000,001 to HK$5,000,000	**1**	1
	5	5

10. INCOME TAX

	2016 HK$'000	2015 HK$'000
Current — Hong Kong		
Charge for the year	**415**	2
Overprovision in prior years	**(1)**	(19)
Current — Mainland China		
Charge for the year	**357,957**	251,859
Underprovision in prior years	**45**	–
PRC LAT	**285,870**	29,278
	644,286	281,120
Deferred (note 29)	**(85,782)**	(15,398)
Total tax charge for the year	**558,504**	265,722

Notes to Financial Statements
Year ended 31 December 2016

10. INCOME TAX *(continued)*

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2015: 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:

2016

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(59,873)		165,657		105,784	
Tax at the statutory tax rate	(9,879)	16.5	41,415	25.0	31,536	29.8
Loss attributable to an associate	837	(1.4)	–	–	837	0.8
Income not subject to tax	(6)	–	(5)	–	(11)	–
Expenses not deductible for tax	9,353	(15.6)	2,968	1.8	12,321	11.6
Tax losses utilised from the previous periods	–	–	(101,417)	(61.2)	(101,417)	(95.9)
Tax losses not recognised	1,952	(3.3)	301,624	182.0	303,576	287.2
Temporary differences not recognised	–	–	97,216	58.7	97,216	91.9
Adjustments in respect of current tax of previous periods	(1)	–	45	–	44	–
LAT	–	–	285,870	172.6	285,870	270.2
Tax effect of LAT	–	–	(71,468)	(43.1)	(71,468)	(67.6)
Tax charge/(credit) at the Group's effective rate	2,256	(3.8)	556,248	335.8	558,504	528.0

10. INCOME TAX *(continued)*

2015

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(66,860)		60,221		(6,639)	
Tax at the statutory tax rate	(11,032)	16.5	15,055	25.0	4,023	(60.6)
Loss attributable to an associate	540	(0.8)	–	–	540	(8.1)
Income not subject to tax	(5,390)	8.1	(1,289)	(2.0)	(6,679)	100.6
Expenses not deductible for tax	9,622	(14.4)	90,481	150.2	100,103	(1,507.8)
Tax losses utilised from the previous periods	(129)	0.2	(37,313)	(62.0)	(37,442)	564.0
Tax losses not recognised	4,755	(7.1)	123,486	205.1	128,241	(1,931.6)
Temporary differences not recognised	–	–	54,997	91.3	54,997	(828.4)
Adjustments in respect of current tax of previous periods	(19)	–	–	–	(19)	0.3
LAT	–	–	29,278	48.6	29,278	(441.0)
Tax effect of LAT	–	–	(7,320)	(12.2)	(7,320)	110.2
Tax charge/(credit) at the Group's effective rate	(1,653)	2.5	267,375	444.0	265,722	(4,002.4)

The share of tax expense attributable to an associate amounting to approximately HK$12,000 (2015: share of tax credit of HK$7,000) is included in "Share of loss of an associate" in the consolidated statement of profit or loss.

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of HK$278,387,000 (2015: HK$237,695,000), and the weighted average number of ordinary shares of 5,988,248,671 (2015: 5,978,527,514) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2016.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2015 in respect of a dilution because the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

Notes to Financial Statements
Year ended 31 December 2016

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Leasehold improve-ments HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2016						
At 31 December 2015 and at 1 January 2016:						
Cost	45,096	32,713	52,763	23,678	5,242	159,492
Accumulated depreciation	(160)	(17,347)	(28,742)	(15,836)	–	(62,085)
Net carrying amount	44,936	15,366	24,021	7,842	5,242	97,407
At 1 January 2016, net of accumulated depreciation	44,936	15,366	24,021	7,842	5,242	97,407
Additions	–	5,924	1,208	4,494	1,867	13,493
Transfer from properties under development (note 18)	47,193	–	–	–	–	47,193
Disposals	–	(697)	(2)	–	–	(699)
Depreciation provided during the year	(9,622)	(7,036)	(9,754)	(3,104)	–	(29,516)
Exchange realignment	(2,095)	(685)	(867)	(411)	(338)	(4,396)
At 31 December 2016, net of accumulated depreciation	80,412	12,872	14,606	8,821	6,771	123,482
At 31 December 2016:						
Cost	89,995	35,424	49,533	26,897	6,771	208,620
Accumulated depreciation	(9,583)	(22,552)	(34,927)	(18,076)	–	(85,138)
Net carrying amount	80,412	12,872	14,606	8,821	6,771	123,482

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Leasehold improve-ments HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2015						
At 1 January 2015:						
Cost (restated)	–	30,081	55,323	28,647	–	114,051
Accumulated depreciation (restated)	–	(12,273)	(21,570)	(11,226)	–	(45,069)
Net carrying amount (restated)	–	17,808	33,753	17,421	–	68,982
At 1 January 2015, net of accumulated depreciation	–	17,808	33,753	17,421	–	68,982
Additions	–	6,753	5,798	107	5,454	18,112
Transfer from properties under development (note 18)	45,096	–	–	–	–	45,096
Disposals	–	(890)	(3,485)	(3,675)	–	(8,050)
Disposal of subsidiaries (note 34)	–	(250)	–	–	–	(250)
Depreciation provided during the year	(166)	(7,195)	(10,626)	(5,424)	–	(23,411)
Exchange realignment	6	(860)	(1,419)	(587)	(212)	(3,072)
At 31 December 2015, net of accumulated depreciation	44,936	15,366	24,021	7,842	5,242	97,407
At 31 December 2015:						
Cost	45,096	32,713	52,763	23,678	5,242	159,492
Accumulated depreciation	(160)	(17,347)	(28,742)	(15,836)	–	(62,085)
Net carrying amount	44,936	15,366	24,021	7,842	5,242	97,407

As at 31 December 2016, one of the Group's buildings with a carrying amount of HK$42,523,000 (2015: Nil) did not have a building ownership certificate registered under the name of the subsidiary of the Group.

Notes to Financial Statements
Year ended 31 December 2016

13. INVESTMENT PROPERTIES

	2016 HK$'000	2015 HK$'000
Carrying amount at 1 January	**360,807**	362,256
Additions	**2,606**	–
Transfer from properties under development (note 18)	**118,056**	15,107
Net gains/(losses) from fair value adjustments (notes 5 and 6)	**4,501**	(4,722)
Exchange realignment	**(11,183)**	(11,834)
Carrying amount at 31 December	**474,787**	360,807

The Group's investment properties consist of various residential and commercial properties. The Group's investment properties were revalued on 31 December 2016 based on valuations performed by LCH (Asia-Pacific) Surveyors Limited, independent professionally qualified valuers, at HK$474,787,000.

As at 31 December 2016, certain of the Group's investment properties with an aggregate amount of HK$122,000,000 (2015: HK$12,940,000) did not have building ownership certificates registered under the name of the subsidiaries of the Group.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 36(a) to the financial statements.

Further particulars of the Group's investment properties are included on pages 133 and 134.

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 2016 using			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Commercial properties	–	–	473,409	473,409
Residential properties	–	–	1,378	1,378
	–	–	474,787	474,787

13. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:	HK$'000	HK$'000	HK$'000	HK$'000
Commercial properties	–	–	359,450	359,450
Residential properties	–	–	1,357	1,357
	–	–	360,807	360,807

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 (2015: Nil).

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

	Commercial properties HK$'000	Residential properties HK$'000
Carrying amount at 1 January 2015	361,483	773
Transfer from properties held for sale	15,107	–
Net gains/(losses) from fair value adjustments recognised in other income and gains or other expenses and losses in profit or loss	(5,373)	651
Exchange realignment	(11,767)	(67)
Carrying amount at 31 December 2015 and 1 January 2016	359,450	1,357
Additions	2,606	–
Transfer from properties under development	118,056	–
Net gains from fair value adjustments recognised in other income and gains in profit or loss	4,408	93
Exchange realignment	(11,111)	(72)
Carrying amount at 31 December 2016	473,409	1,378

Notes to Financial Statements

Year ended 31 December 2016

13. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

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	
			2016	2015
Residential properties	Market approach	Adjustment on market unit price (per sq.m.)	**–9.4% to –4.8%**	–15% to –23%
Commercial properties	Income approach	Adjustment on market rental (per sq.m. and per month)	**–28.7% to –11%**	–5.0% to –25.0%
		Adopted yield	**5.0% to 6.0%**	5.0% to 6.0%
	Market approach	Adjustment on market unit price (per sq.m.)	**–15.5% to –9%**	23.9% to 31.1%

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 weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values. Physical, location and economical characteristics are important criteria to be analysed when comparing such comparable properties against the subject property.

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

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

Under the income approach, fair value is estimated by aliasing 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 property against the comparable properties in terms of location, size, age and the listing nature of the comparable properties. The yields adopted are determined by reference to the current yields of the subject properties and the market yield derived from the sales and rental comparable properties.

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

14. PREPAID LAND LEASE PAYMENTS

	2016 HK$'000	2015 HK$'000
Carrying amount at 1 January	**15,159**	10,880
Transfer from properties under development (note 18)	**–**	5,330
Recognised during the year	**(653)**	(538)
Exchange realignment	**(465)**	(513)
Carrying amount at 31 December	**14,041**	15,159
Current portion included in prepayments, deposits and other receivables	**(408)**	(538)
Non-current portion	**13,633**	14,621

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

15. GOODWILL

	2016 HK$'000	2015 HK$'000
At 1 January and 31 December:		
Cost	**2,892**	2,892
Accumulated impairment	**(2,892)**	(2,892)
Net carrying amount	**–**	–

Goodwill acquired through business combination was allocated to the distribution of information products cash-generating unit, which was fully impaired in 2014.

Notes to Financial Statements
Year ended 31 December 2016

16. OTHER INTANGIBLE ASSETS

	Computer software HK$'000
31 December 2016	
Cost at 1 January 2016, net of accumulated amortisation	**1,014**
Additions	**656**
Amortisation provided during the year	**(322)**
Disposal	**(39)**
Exchange realignment	**(63)**
At 31 December 2016	**1,246**
At 31 December 2016:	
Cost	**2,151**
Accumulated amortisation	**(905)**
Net carrying amount	**1,246**
31 December 2015	
Cost at 1 January 2015, net of accumulated amortisation	1,138
Additions	394
Amortisation provided during the year	(391)
Disposal of subsidiaries (note 34)	(66)
Exchange realignment	(61)
At 31 December 2015	1,014
At 31 December 2015:	
Cost	1,618
Accumulated amortisation	(604)
Net carrying amount	1,014

17. INVESTMENT IN AN ASSOCIATE

	2016 HK$'000	2015 HK$'000
Share of net assets	**11,632**	19,488

Particular of the Group's associate is as follows:

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

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

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

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

	2016 HK$'000	2015 HK$'000
Share of the associate's loss and total comprehensive loss for the year	**5,072**	3,275
Dividend received	**2,784**	–
Carrying amount of the Group's investment in an associate	**11,632**	19,488

Notes to Financial Statements
Year ended 31 December 2016

18. PROPERTIES UNDER DEVELOPMENT

	Notes	2016 HK$'000	2015 HK$'000
Carrying amount at 1 January		**33,443,212**	30,564,739
Additions		**9,347,211**	9,974,740
Transfer to investment properties	13	**(118,056)**	(15,107)
Transfer to properties held for sale		**(4,887,835)**	(3,680,178)
Transfer to prepaid land lease payments	14	**–**	(5,330)
Transfer to property, plant and equipment	12	**(47,193)**	(45,096)
Disposal of subsidiaries	34	**–**	(1,540,974)
Impairment		**(23,914)**	(167,371)
Exchange realignment		**(1,700,501)**	(1,642,211)
Carrying amount at 31 December		**36,012,924**	33,443,212

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

As at 31 December 2016, certain of the Group's properties under development with an aggregate carrying amount of approximately HK$27,755,701,000 (2015: HK$12,913,109,000) were pledged to banks and financial institutions to secure loans granted to the Group (note 27).

19. PROPERTIES HELD FOR SALE

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

As at 31 December 2016, certain of the Group's properties held for sale with an aggregate carrying amount of approximately HK$389,431,000 (2015: HK$12,017,000) were pledged to banks and financial institutions to secure loans granted to the Group (note 27).

20. INVENTORIES

	2016 HK$'000	2015 HK$'000
Trading stocks	**397,797**	323,585

21. TRADE AND BILLS RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**946,530**	757,767
Bills receivable	**107,263**	94,202
	1,053,793	851,969
Impairment	**(14,730)**	(25,113)
	1,039,063	826,856

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

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

	2016 HK$'000	2015 HK$'000
Within 6 months	**1,017,435**	807,005
7 to 12 months	**17,917**	19,009
13 to 24 months	**3,711**	842
	1,039,063	826,856

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

	2016 HK$'000	2015 HK$'000
At 1 January	**25,113**	11,662
Impairment losses recognised	**6,895**	17,400
Impairment losses reversed	**(16,365)**	(924)
Amount written off as uncollectible	**–**	(1,830)
Exchange realignment	**(913)**	(1,195)
At 31 December	**14,730**	25,113

21. TRADE AND BILLS RECEIVABLES *(continued)*

Included in the above provision for impairment for trade receivables is a provision for individually impaired trade receivables of HK$14,730,000 (2015: HK$25,113,000) with a carrying amount before provision of HK$36,684,000 (2015: HK$43,147,000). The individually impaired trade receivables relate to customers that were in financial difficulties.

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

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**968,436**	758,815
Past due but not impaired:		
Less than 1 month past due	**34,205**	20,935
1 to 3 months past due	**12,128**	26,776
Over 3 months past due	**2,340**	2,296
	1,017,109	808,822

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

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

Financial assets that are not derecognised in their entirety

At 31 December 2016, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of HK$8,372,000 (2015: HK$13,086,000) 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 HK$8,372,000 as at 31 December 2016 (2015: HK$13,086,000).

21. TRADE AND BILLS RECEIVABLES *(continued)*

Financial assets that are derecognised in their entirety

At 31 December 2016, 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 HK$98,218,000 (2015: HK$426,739,000). The Derecognised Bills had a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

At 31 December 2016, the Group's bills receivable with an aggregate carrying amount of approximately HK$58,249,000 (2015: HK$53,404,000) were pledged to banks to secure certain of the Group's bills payables (note 25).

Included in the Group's trade and bills receivables are amounts due from fellow subsidiaries of approximately HK$26,646,000 (2015: amounts due from fellow subsidiaries and an intermediate holding company of HK$8,955,000 and HK$10,567,000, respectively), which are repayable on credit terms similar to those offered to the major customers of the Group.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 **HK$'000**	2015 HK$'000
Prepayments	**803,514**	761,013
Deposits	**334,571**	535,322
Other receivables	**478,417**	377,620
	1,616,502	1,673,955

Included in the Group's other receivables are amounts due from the immediate holding company, and fellow subsidiaries amounting to HK$168,881,000 (2015: HK$168,914,000) and HK$42,182,000 (2015: HK$9,515,000), respectively, which are unsecured, interest-free and have no fixed terms of repayment.

Notes to Financial Statements
Year ended 31 December 2016

23. RESTRICTED CASH

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

24. CASH AND CASH EQUIVALENTS

	2016 HK$'000	2015 HK$'000
Cash and bank balances	**2,380,113**	1,838,246

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$2,269,989,000 (2015: HK$1,464,581,000). 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 2016, included in the Group's cash and cash equivalents were cash and bank balances of HK$1,685,000 (2015: HK$134,167,000) 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 saving rates offered by the PBOC.

25. TRADE AND BILLS PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables	**4,414,445**	3,386,178
Bills payable	**375,975**	516,359
	4,790,420	3,902,537

25. TRADE AND BILLS PAYABLES *(continued)*

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

	2016 HK$'000	2015 HK$'000
Within 6 months	**4,751,844**	3,898,582
Over 6 months	**38,576**	3,955
	4,790,420	3,902,537

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

At 31 December 2016, certain of the Group's bills payable amounting to HK$70,930,000 (2015: HK$89,208,000) were secured by the pledge of the Group's bills receivable amounting to HK$58,249,000 (2015: HK$53,404,000) (note 21).

Included in the Group's trade and bills payables are amounts due to fellow subsidiaries of approximately HK$23,143,000 (2015: HK$52,695,000), which are repayable on credit terms similar to those offered by other similar suppliers of the Group.

26. OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Other payables	**4,594,538**	4,957,063
Accruals	**18,419**	82,689
Receipt in advance	**12,104,108**	9,235,115
Deferred income	**32,570**	8,805
	16,749,635	14,283,672

Other payable are non-interest-bearing and have an average term of less than one year.

Included in the Group's other payables are amounts due to the immediate holding company, an intermediate holding company and fellow subsidiaries amounting to HK$1,908,761,000, HK$1,261,296,000 and HK$364,095,000 (2015: HK$1,182,731,000, HK$2,129,382,000 and HK$404,515,000), respectively, which are unsecured, interest-free and have no fixed terms of repayment.

Notes to Financial Statements
Year ended 31 December 2016

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans — secured	**4.5-5.9**	**2017**	**490,396**	5.4-8.0	2016	660,500
Bank loans — unsecured	**–**	**–**	**–**	4.5-6.5	2016	324,500
Other loans — secured*	**6.24**	**2017**	**41,384**	–	–	–
Other loans — secured#	**7.3-10.4**	**2017**	**6,449,520**	9.8	2016	236,000
Other loans — unsecured*	**7.8-12.0**	**2017**	**1,678,580**	9.1-12.0	2016	767,000
Other loans — unsecured^	**12.0**	**2017**	**123,200**	9.3	2016	165,200
Other loans — unsecured#	**10.4-12.0**	**2017**	**1,431,920**	5.6-12.0	2016	1,609,108
			10,215,000			3,762,308
Non-current						
Bank loans — secured	**5.2-6.0**	**2018-2019**	**179,200**	6.2-9.3	2017-2018	1,022,769
Other loans — secured*	**–**	**–**	**–**	10.6	2017	587,050
Other loans — secured#	**6.5-8.7**	**2018-2019**	**10,153,920**	8.2-10.0	2017-2018	9,353,919
Other loans — unsecured*	**12.0**	**2018-2019**	**4,617,642**	8.6-12.0	2017-2018	6,892,408
Other loans — unsecured#	**–**	**–**	**–**	9.7-9.9	2017	1,003,000
			14,950,762			18,859,146
			25,165,762			22,621,454

* The balances represent loans from PKU Resources and a subsidiary of Peking Founder.

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

The balances represent borrowings from financial institutions.

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

	2016 HK$'000	2015 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year	**490,396**	985,000
In the second year	**112,000**	550,769
In the third to fifth years, inclusive	**67,200**	472,000
	669,596	2,007,769
Other loans repayable:		
Within one year	**9,724,604**	2,777,308
In the second year	**14,350,882**	14,166,480
In the third to fifth years, inclusive	**420,680**	3,669,897
	24,496,166	20,613,685
	25,165,762	22,621,454

Notes:

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

a) the pledge of one of the Group's properties under development amounting to HK$27,755,701,000 (2015: HK$12,913,109,000);

b) the pledge of one of the Group's properties held for sale amounting to HK$389,431,000 (2015: HK$12,017,000).

As at 31 December 2015, the above bank and other loans were also secured by the pledge of one of the Group's investment properties amounting to HK$210,630,000 and the pledge of certain of the Group's bank deposits amounting to HK$23,690,000.

In addition, Peking Founder and PKU Resources have provided corporate guarantees for loans amounting to HK$10,648,600,000 (2015: HK$4,093,196,000) and HK$3,550,950,000 (2015: HK$859,040,000), respectively, as at the end of the reporting period.

(b) All borrowings were denominated in RMB as at 31 December 2016 and 31 December 2015.

28. LONG TERM PAYABLE

The long term payable was due to Founder Information, which was unsecured, interest-free and not repayable within one year.

Notes to Financial Statements
Year ended 31 December 2016

29. DEFERRED TAX

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

	Revaluation of properties HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments arising from acquisition of a subsidiary HK$'000	Total HK$'000
At 1 January 2015	8,464	13,796	248,440	270,700
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(338)	1,700	(16,760)	(15,398)
Exchange realignment	(470)	(780)	(11,708)	(12,958)
At 31 December 2015 and 1 January 2016	7,656	14,716	219,972	242,344
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	3,886	2,484	(92,152)	(85,782)
Exchange realignment	(612)	(853)	(10,184)	(11,649)
At 31 December 2016	10,930	16,347	117,636	144,913

The Group has tax losses arising in Hong Kong of HK$76,910,000 (2015: HK$142,527,000) 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 HK$1,792,005,000 (2015: HK$1,073,247,000) that will expire in one to five years for offsetting against future taxable profits.

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

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

29. DEFERRED TAX *(continued)*

At 31 December 2016, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$1,156,296,000 at 31 December 2016 (2015: HK$686,328,000).

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

30. SHARE CAPITAL

Shares

	2016 HK$'000	2015 HK$'000
Authorised:		
15,000,000,000 (2015: 15,000,000,000) ordinary shares of HK$0.10 each	**1,500,000**	1,500,000
Issued and fully paid:		
5,988,248,671 (2015: 5,988,248,671) ordinary shares of HK$0.10 each	**598,825**	598,825

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

	Number of shares in issue	**Share capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
At 1 January 2015	2,440,026,518	244,003	666,504	910,507
Issue of new shares (a)	2,093,846,153	209,385	1,151,615	1,361,000
Placing of new shares (b)	1,454,376,000	145,437	799,907	945,344
Share issue expenses	–	–	(18,025)	(18,025)
At 31 December 2015 and 31 December 2016	5,988,248,671	598,825	2,600,001	3,198,826

30. SHARE CAPITAL *(continued)*

Notes:

(a) In January 2015, 2,093,846,153 shares were issued to Founder Information at HK$0.65 per share as the consideration to acquire 100% equity interests in Extol High Enterprises Limited and Keen Delight Global Limited at HK$1,361,000,000.

(b) In January 2015, 1,454,376,000 shares were placed to four investors at HK$0.65 per share, and the gross proceeds from the share placement amounted to approximately HK$945,344,000.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 31 to the financial statements.

31. SHARE OPTION SCHEME

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

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

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

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

31. SHARE OPTION SCHEME *(continued)*

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

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

The following share options were outstanding under the Scheme during the year:

	2016		2015	
	Weighted average exercise price HK$ per share	**Number of share options '000**	Weighted average exercise price HK$ per share	Number of share options '000
At 1 January	**0.910**	**147,057**	0.910	163,397
Expired during the year	**0.910**	**(147,057)**	0.910	(16,340)
At 31 December	**0.910**	**–**	0.910	147,057

The exercise price and exercise period of the share options outstanding as at the end of 2015 are as follows:

2015

Number of options '000	Exercise price HK$ per share (Note 1)	Exercise period (Notes 2 and 3)
147,057	0.910	10.6.2014 to 9.6.2016

Notes:

1. The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

2. The share options are exercisable in the following two tranches:

   (i) The first 40% are exercisable from 10 June 2014 to 9 June 2016; and

   (ii) The remaining 60% are exercisable from 10 June 2015 to 9 June 2016.

3. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

Notes to Financial Statements
Year ended 31 December 2016

32. 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 58 and 59 of the financial statements.

The employee share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

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

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

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

The other reserve represented the convertible bonds issued by the Company to Founder Information in 2013, which are interest-free and convertible into the Company's ordinary shares at HK$0.43 each during the period from 2 March 2013 to 1 March 2018.

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.

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

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

	2016	2015
Percentage of equity interest held by non-controlling interests		
Kunshan Hi-Tech	**49%**	49%
Chengdu Lihui	**30%**	30%

	2016 **HK$'000**	2015 HK$'000
Profit/(loss) for the year allocated to non-controlling interests		
Kunshan Hi-Tech	**(78,469)**	21,174
Chengdu Lihui	**(92,445)**	(37,978)
Accumulated balances of non-controlling interests at the reporting dates		
Kunshan Hi-Tech	**196,883**	293,405
Chengdu Lihui	**(134,475)**	(48,025)

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

(continued)

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

	Kunshan Hi-Tech HK$'000	Chengdu Lihui HK$'000
2016		
Revenue	**963,102**	**568,511**
Total expenses	**(1,123,243)**	**(876,663)**
Loss for the year	**(160,141)**	**(308,151)**
Total comprehensive loss for the year	**(177,306)**	**(288,167)**
Current assets	**1,134,606**	**2,509,583**
Non-current assets	**122,092**	**2,300**
Current liabilities	**(499,215)**	**(2,960,134)**
Non-current liabilities	**(355,681)**	**–**
Net cash flows from operating activities	**388,205**	**2,223,233**
Net cash flows used in investing activities	**(76,525)**	**(10,136)**
Net cash flows used in financing activities	**(272,160)**	**(2,162,153)**
Net increase in cash and cash equivalents	**39,520**	**50,944**

	Kunshan Hi-Tech HK$'000	Chengdu Lihui HK$'000
2015		
Revenue	770,461	252,889
Total expenses	(727,249)	(379,483)
Profit/(loss) for the year	43,212	(126,594)
Total comprehensive income/(loss) for the year	30,096	(119,137)
Current assets	1,989,542	2,905,799
Non-current assets	51,303	1,850
Current liabilities	(881,592)	(1,278,330)
Non-current liabilities	(560,468)	(1,789,403)
Net cash flows from/(used in) operating activities	75,618	(118,378)
Net cash flows used in investing activities	(29,323)	(177)
Net cash flows from financing activities	89,751	97,278
Net increase/(decrease) in cash and cash equivalents	136,046	(21,277)

Notes to Financial Statements
Year ended 31 December 2016

34. DISPOSAL OF SUBSIDIARIES

In April 2015, the Group disposed of its entire equity interest in Qingdao Bolai Property Co., Limited, an indirect 70%-owned subsidiary of the Company, to a third party, for a cash consideration of approximately HK$766,325,000.

In May 2015, the Group disposed of its entire equity interest in Hong Kong Tianranju Holding Limited, a direct wholly-owned subsidiary of the Company, to a third party, for a cash consideration of approximately HK$31,056,000.

	Notes	2015 HK$'000
Net assets disposed of:		
Property, plant and equipment	12	250
Intangible assets	16	66
Properties under development	18	1,540,974
Prepayments, deposits and other receivables		903,938
Cash and cash equivalents		27,188
Trade and bills payables		(269)
Other payables and accruals		(1,582,403)
Interest-bearing bank and other borrowings		(831,334)
		58,410
Gain on disposal of subsidiaries	5	738,971
		797,381
Satisfied by:		
Cash		797,381

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2015 HK$'000
Cash consideration	797,381
Cash and bank balances disposed of	(27,188)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	770,193

35. CONTINGENT LIABILITIES

As at 31 December 2016, the Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of the Group's properties amounting to approximately HK$3,606,716,000 (2015: HK$4,090,372,000). 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 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 penalties and therefore no provision has been made for the guarantees in the consolidated financial statements as at 31 December 2016 (2015: Nil).

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 13 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from two to fifteen years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	2016 **HK$'000**	2015 HK$'000
Within one year	**20,165**	9,491
In the second to fifth years, inclusive	**55,509**	46,980
After five years	**20,859**	26,153
	96,533	82,624

Notes to Financial Statements
Year ended 31 December 2016

36. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

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

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

	2016 HK$'000	2015 HK$'000
Within one year	**13,709**	11,960
In the second to fifth years, inclusive	**8,290**	9,610
	21,999	21,570

37. COMMITMENTS

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

	2016 HK$'000	2015 HK$'000
Contracted, but not provided for:		
Properties under development	**7,327,874**	6,129,375

38. RELATED PARTY TRANSACTIONS

Transactions and commitments with related parties

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

	Notes	2016 HK$'000	2015 HK$'000
Transactions with fellow subsidiaries:			
Sales of goods**	(i)	**152,056**	313,926
Purchases of goods*	(i)	**63,373**	37,374
Service fee income*	(i)	**21,848**	6,567
Rental income	(i)	**85**	17,764
Service fee expenses*	(i)	**19,480**	75,156
Interest income	(ii)	**1,052**	306
Interest expenses	(iii)	**688,189**	990,765
Transactions with an intermediate holding company:			
Sales of goods*	(i)	**7**	247

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

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

Notes:

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

(ii) Interest income was attributable to the deposits placed with Founder Finance, which are unsecured and bear interest at a rate of 1.755% per annum.

(iii) Interest expenses were attributable to the loans from PKU Resources, which are unsecured and bear interest at rates of 12% and 5.6% to 7.8% and per annum.

(b) On 2 February 2016, Chongqing Yingfeng and Chongqing Yingrun entered into loan master agreements with PKU Resources, pursuant to which PKU Resources agreed to provide three-year term loans of HK$1,344,000,000 and HK$1,560,000,000 to Chongqing Yingfeng and Chongqing Yingrun, respectively, which bear interests at a rate of 12% per annum.

Notes to Financial Statements

Year ended 31 December 2016

38. RELATED PARTY TRANSACTIONS *(continued)*

Transactions and commitments with related parties *(continued)*

(c) On 17 February 2016, Kaifeng Botao, Changsha Longxin, Kaifeng Boming and Chongqing Yingpu entered into loan master agreements with PKU Resources, pursuant to which PKU Resources agreed to provide three-year term loans of HK$560,000,000, HK$1,120,000,000, HK$168,000,000 and HK$560,000,000 to Kaifeng Botao, Changsha Longxin, Kaifeng Boming and Chongqing Yingpu, respectively, which bear interests at a rate of 12% per annum.

(d) On 18 March 2016, Kunshan Hi-Tech, Changsha Henglong and Wuhan Tianhe Jincheng entered into loan master agreements with PKU Resources, pursuant to which PKU Resources agreed to provide three-year term loans of HK$560,000,000, HK$560,000,000 and HK$1,568,000,000 to Kunshan Hi-Tech, Changsha Henglong and Wuhan Tianhe Jincheng, respectively, which bear interests at a rate of 12% per annum.

(e) On 21 May 2016, Qingdao Huafu entered into three entrusted loan master agreements with PKU Resources, pursuant to which PKU Resources agreed to provide one-year term loans of HK$100,800,000, HK$152,074,000 and HK$246,064,000, respectively, through a financial institution to Qingdao Huafu which bear interests at a rate of 10.4% per annum.

(f) On 9 December 2016, Foshan Resources entered into a loan master agreement with PKU Resources, pursuant to which PKU Resources agreed to provide a three-year term loan of HK$1,120,000,000 to Foshan Resource which bears interests at a rate of 12% per annum.

Compensation of key management personnel of the Group

	2016 **HK$'000**	2015 HK$'000
Short term employee benefits	**378**	378
Salaries, allowances and benefits in kind	**200**	1,266
Equity-settled share option expense	**–**	3,005
Total compensation paid to key management personnel	**578**	4,649

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

39. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2016 HK$'000	2015 HK$'000
Financial assets — Loans and receivables		
Trade and bills receivables	**1,039,063**	826,856
Financial assets included in prepayments, deposits and other receivables	**812,988**	912,942
Restricted cash	**2,081,276**	1,210,154
Cash and cash equivalents	**2,380,113**	1,838,246
	6,313,440	4,788,198
Financial liabilities — Loans and borrowings		
Trade and bills payables	**4,790,420**	3,902,537
Financial liabilities included in other payables and accruals	**4,627,108**	4,957,063
Interest-bearing bank and other borrowings	**25,165,762**	22,621,454
Long term payable	**–**	177,699
	34,583,290	31,658,753

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Financial liability				
Long term payable	**–**	177,699	**–**	169,641

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value of the long term payable has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the long term payable as at 31 December 2015 was assessed to be insignificant.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with floating interest rates. The effective interest rates and terms of repayment of the interest-bearing bank borrowings of the Group are disclosed in note 27 to the financial statements.

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

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax HK$'000**
2016		
HKD	**100**	**(3,906)**
HKD	**(100)**	**3,906**

	Increase/ (decrease) in basis points	Decrease/ (increase) in loss before tax HK$'000
2015		
HKD	100	(11,408)
HKD	(100)	11,408

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

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

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 21 to the financial statements.

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

Liquidity risk

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

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

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

	2016		
	Within 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
Trade and bills payables	**4,790,420**	**–**	**4,790,420**
Financial liabilities included in other payables and accruals	**4,627,108**	**–**	**4,627,108**
Interest-bearing bank and borrowings	**12,164,295**	**15,939,099**	**28,103,394**
	21,581,823	**15,939,099**	**37,520,922**

Notes to Financial Statements

Year ended 31 December 2016

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

	2015		
	Within 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
Trade and bills payables	3,902,537	–	3,902,537
Financial liabilities included in other payables and accruals	4,957,063	–	4,957,063
Interest-bearing bank and borrowings	5,714,907	22,416,245	28,131,152
Long term payable	–	177,699	177,699
	14,574,507	22,593,944	37,168,451

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

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:

	2016 HK$'000	2015 HK$'000
Interest-bearing bank and other borrowings	**25,165,762**	22,621,454
Total equity attributable to owners of the parent	**1,826,326**	2,239,432
Debt to equity ratio	**13.78**	10.10

42. 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:

	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,708,737**	2,406,423
Total non-current assets	**1,708,737**	2,406,423
CURRENT ASSETS		
Prepayments, deposits and other receivables	**879,318**	891,448
Cash and cash equivalents	**30,199**	38,377
Total current assets	**909,517**	929,825
CURRENT LIABILITIES		
Other payables and accruals	**187,407**	10,400
Total current liabilities	**187,407**	10,400
NET CURRENT ASSETS	**722,110**	919,425
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,430,847**	3,325,848
NON-CURRENT LIABILITY		
Long term payable	**–**	177,699
Net assets	**2,430,847**	3,148,149
EQUITY		
Issued capital	**598,825**	598,825
Reserves	**1,832,022**	2,549,324
Total equity	**2,430,847**	3,148,149

Notes to Financial Statements

Year ended 31 December 2016

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

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

	Notes	Share premium account HK$'000	Employee share-based compensation reserve HK$'000	Contributed surplus HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015		666,504	38,957	528,980	132,108	(558,408)	808,141
Total comprehensive loss for the year		–	–	–	–	(198,319)	(198,319)
Issue of shares	30	1,933,497	–	–	–	–	1,933,497
Equity-settled share option arrangements	31	–	6,005	–	–	–	6,005
At 31 December 2015 and at 1 January 2016		**2,600,001**	**44,962**	**528,980**	**132,108**	**(756,727)**	**2,549,324**
Transfer of employee share-based compensation reserve upon the expiry of share options		**–**	**(44,962)**	**–**	**–**	**44,962**	**–**
Total comprehensive loss for the year		**–**	**–**	**–**	**–**	**(717,302)**	**(717,302)**
At 31 December 2016		**2,600,001**	**–**	**528,980**	**132,108**	**(1,429,067)**	**1,832,022**

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.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2017.

Particulars of Investment Properties

31 December 2016

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

Particulars of Investment Properties

31 December 2016

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

Five Year Financial Summary

31 December 2016

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				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**15,394,302**	7,804,286	6,237,433	3,028,185	2,724,229
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**(278,387)**	(237,695)	(215,245)	(53,182)	(103,633)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**49,212,683**	43,850,474	44,478,726	21,909,884	5,390,971
TOTAL LIABILITIES	**(47,324,270)**	(41,385,744)	(41,853,555)	(20,297,539)	(4,842,217)
NON-CONTROLLING INTERESTS	**(62,087)**	(225,298)	(915,927)	(352,465)	(13,391)
	1,826,326	2,239,432	1,709,244	1,259,880	535,363

Financial Highlights

31 December 2016

	2016 HK$' million	2015 HK$' million	+/(-) Change
FINANCIAL PERFORMANCE			
Revenue	**15,394**	7,804	97.3%
Gross profit margin (%)	**6.7%**	1.8%	
Loss attributable to owners of the parent	**(278)**	(238)	17.1%
KEY FINANCIAL INDICATORS			
Cash and cash equivalents	**2,380**	1,838	29.5%
Net current assets	**16,359**	21,251	(23.0%)
Total assets	**49,213**	43,850	12.2%
Total liabilities	**47,324**	41,386	14.3%
Interest-bearing bank and other borrowings	**25,166**	22,621	11.2%
Equity attributable to owners of the parent	**1,826**	2,239	(18.4%)
Current ratio (times)	**1.51**	1.96	
Gearing ratio	**13.3**	9.2	
Basic loss per share (HK cents)	**(4.65)**	(3.98)	

北大资源
PKU RESOURCES