北大资源
PKU RESOURCES

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

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock Code 股份代號:00618

2015
ANNUAL REPORT 年報

Contents

Company Profile

BUSINESS AREAS

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

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 14 cities of China and has 24 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, with Peking University holding 70% shares and the management holding 30% shares.

As the leader and a founder of Peking Founder, Academician Wang Xuan invented the Chinese-character Laser Phototypesetting Technology, which laid the initial solid foundation for the future development of Peking Founder. Today, Peking Founder Group has successfully transformed into a diversified investment holding group, with its business encompassing IT, healthcare & pharmaceuticals, property, finance, bulk-commodity trading, etc..

As a market-oriented enterprise that has successfully integrated production, teaching and research, Peking Founder Group is one of the best models in interpreting the concept of "innovation" advocated by the Chinese government, that is, "to establish a market-oriented system for technological innovation, in which enterprises play the leading role and which combines the efforts of enterprises, universities and research institutes." Relying on Peking University, Peking Founder Group has possessed and created core technologies crucial for the development of China's IT and healthcare & pharmaceutical industries. As one of the first 6 technical innovation pilot enterprises of China, Peking Founder Group has been repeatedly awarded honorary titles like "National Technological Innovation Model Enterprise", etc..

Peking Founder Group has established good cooperative relations with many domestic well-known enterprises and governments. Thanks to its open and standardized capital platform, the Group has attracted international investment from Intel, Omron, Credit Suisse, Bank of East Asia, and Taiwan's Fubon Financial Holding. With five industry groups and more than 35,000 employees distributed in major Chinese cities, Peking Founder Group has performed outstandingly in expanding the overseas markets. In addition, Peking Founder Group has owned 6 public companies listed in the stock exchanges of Shanghai, Shenzhen and Hong Kong.

As an enterprise invested and founded by Peking University, Peking Founder Group has, since its inception, been adhering to the university's spirit — "be a man of honesty and integrity and do things in a down-to-earth manner", and conscientiously performing its social corporate responsibilities. While lending support to the improvement of China's soft power, the Group has developed a sense of "responsibility for innovation" in the areas of serving the country through industry, educational regurgitation-feeding, and repaying the society. At the same time, the Group has for long focused on the four major areas, namely, national culture, national health, national education, and science and technology.

Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr Cheung Shuen Lung *(Chairman)*
Mr Fang Hao *(President)*
Mr Zhou Bo Qin
Mr Wei Jun Min
Mr Xie Ke Hai
Mr Zheng Fu Shuang

Independent non-executive directors

Mr Li Fat Chung
Ms Wong Lam Kit Yee
Ms Cao Qian

COMMITTEES

Audit Committee

Mr Cheung Shuen Lung *(Chairman)*
Ms Wong Lam Kit Yee
Ms Cao Qian

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
Ms Cao Qian

COMPANY SECRETARY

Ms Tang Yuk Bo, Yvonne

AUTHORISED REPRESENTATIVES

Mr Cheung Shuen Lung
Mr Fang Hao

AUDITORS

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
Pingan 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

"Practicing the development model of "quality plus resources" and "industry plus capital""

Dear shareholders,

Over the past year 2015, the growth of China's economy has shown a downward trend, with a year-over-year GDP growth of 6.9% recorded, hitting a history low for twenty five years. With the overall sluggish economy, the stocks in real estate market remain high which has adversely hurt the enterprises' desire to invest. In that context, the performance of various indicators representative of the real estate industry is barely satisfactory. In terms of the real estate projects that completed their development and investment, the growth dropped down for a consecutive nineteen months, reaching a lowest level on record, with rather poor performance of indicators such as acquired land area, newly constructed project area. However, such bad situation was improved by progressive recovery in sale volume as well as selling price of the real estate, since the government has successively launched policies to relax restrictions based on its firm determination to uphold the keynote of policy to destock and promote consumption. A growth in trading volume of real estates in the first-tier, second-tier and third-tier cities is recorded to a varying extent, with trading prices grow at a steady pace in the first-tier cities, but are clearly differentiated in the second-tier and third-tier cities.

In the face of the weak macro economy and complicated industrial situation, the Board has been able to consolidate its principal activity of real estate constantly with acute market sensibility, leading to a continuous growth in key operation indicators. The Group's comprehensive transformation to a property developer was achieved through its acquisition of 12 projects under the parent, which was completed in January 2015, since when projects in cities such as Chongqing, Changsha, Foshan, Chengdu, Guiyang, Qingdao and Wuhan were gained. During the year, the Group has obtained the land use rights of 5 projects in 4 cities, namely Chengdu, Kunming, Hangzhou and Zhuzhou, through public transfer procedures, with an aggregate GFA of approximate 1.60 million sq.m., thereby further expands its footprint. As of 31 December 2015, the Group has 24 property development projects distributed in 14 cities, with GFA of the land bank up to 5,750,549 sq.m., among which, the projects in the first-tier and second-tier cities as well as in the third-tier and fourth-tier cities accounted for 71% and 29%, respectively. Meanwhile, the Group achieves a better balance of its business distribution among the first-tier, second-tier and third-tier cities by replenishing the land bank with selected high-quality projects.

In 2015, the strategic transformation from "a traditional property developer" to "a property developer and living service provider" was accelerated. During which, the Group provides high-quality service for residents in communities in terms of finance, education, medical, culture, etc. through "two centers & one platform", that is to take the new cultural center and community health care management center as physical carriers and to take the"Resources Home" community service network as platform to form an online and offline combined O2O service model.

As of 31 December 2015, the new culture centers of Jiangshan Mingmen and Yannan projects in Chongqing of our Group have been put into operation and the PKU health care community management center of the Jiangshan Mingmen project in Chongqing has been opened for business. During the year, the 2.0 version of the "Resources Home" community service network platform was launched, providing the residents in community with the convenience to enjoy healthcare, educational, money management and community service via network and mobile phone. Moreover, the branch of Peking University Kindergarten* (北京大學附屬幼兒園) within the Jiangshan Mingmen project in Chongqing and the branch school of the Affiliated High School of Peking University* (北京大學附屬中學) within the Yuefu project in Tianjin of our Group has started their operation, bringing about educational resources renowned at home and abroad from first-tier cities to the local community. Meanwhile, the branch school of the Affiliated High School of Peking University within the Kaifeng PKU Resources City project is now under construction. Besides, the Group took the community as a platform to hold high-quality cultural activities, such as PKU Resources Hall, Peking University Archeology Summer Camp* (北大考古夏令營), Peking University Culture Night* (北大文化之夜) and Peking University art exhibitions, which enables the residents to achieve close encounter with the school culture of Peking University. At the same time, the Group discharges its social responsibility as a university-run enterprise by participating in public cultural construction.

Looking into 2016, there will still be great downward pressure facing the macro economy in the face of multiple challenges such as weak foreign trades, declined investment, etc.. The development of the real estate industry will reach its peak from the perspective of long-term circle, while reaching its bottom from the perspective of short-term circle. Based on the central government's keynote to ensure steady growth and destock, the government is determined to launch real estate policy to relax restrictions, indicating that there will still be ongoing policy dividend. Since January and February 2016, both the newly constructed area and investment in real estate have somewhat rebounded with the launch of loose policy in industry, but the trend will continue in a steady and differentiated manner as a whole. Some of the first-tier and second-tier cities, where the population continues its upwards trend, will remain the focused areas that generate strong demand. While in most of the third-tier and fourth-tier cities, it's difficult to achieve increase in both sale volume and selling prices because of the high inventories and poor capability to attract population.

In that context, our Group will take health development of our enterprises as the first priority by practicing the development model of "quality plus resources" and "industry plus capital", so as to realize synergetic development with high quality and features. In terms of quality, the Group will pay more attention to the enhancement of the quality of our products by focusing on the development of projects with high turnover rate and high gross margin and delivering fine, green, smart and humanistic residence that are customer-demand-oriented, thus improving the competitiveness of our products. In terms of resources, our Group will not only integrate the fine resources in education, healthcare, finance, culture and technology of Peking University and Founder Group, but also integrate the high-quality resources of our projects from local areas and other channels effectively, so as to create an open, inclusive and resources-integrated platform to proceed with "two centers & one platform", thus enhancing the service ability of our communities. In terms of capital, our Group will put more focus on the access of industry to the capital market through joint bidding land, cooperative development, capital operation as well as consolidation and reorganization that can diversify risks and speed up our development.

I hereby express my heartfelt thanks to the management and all the staff for their hard works. We acknowledge that the trust from and support of our shareholders as well as the efforts and dedication of all the staff is what powers our development. Lastly, we are committed to be a leading integrated operating service company of urban life in The People's Republic of China by continuing to pursue our goals to deliver maximum value for our enterprises, shareholders and even the society.

Cheung Shuen Lung
Chairman

24 March 2016

* *For identification purpose only*

PROPERTY DEVELOPMENT

PROJECTS

PROJECT LOCATIONS

14 Cities and Districts

Total Land Bank

5,750,549 sq.m.

CHENGDU, SICHUAN

PKU Resources • Yannan International
PKU Resources • Xishanyue
PKU Resources • Park 1898
PKU Resources • Yihe Emerald Mansion
The Project of Xinjin County in Chengdu

CHONGQING

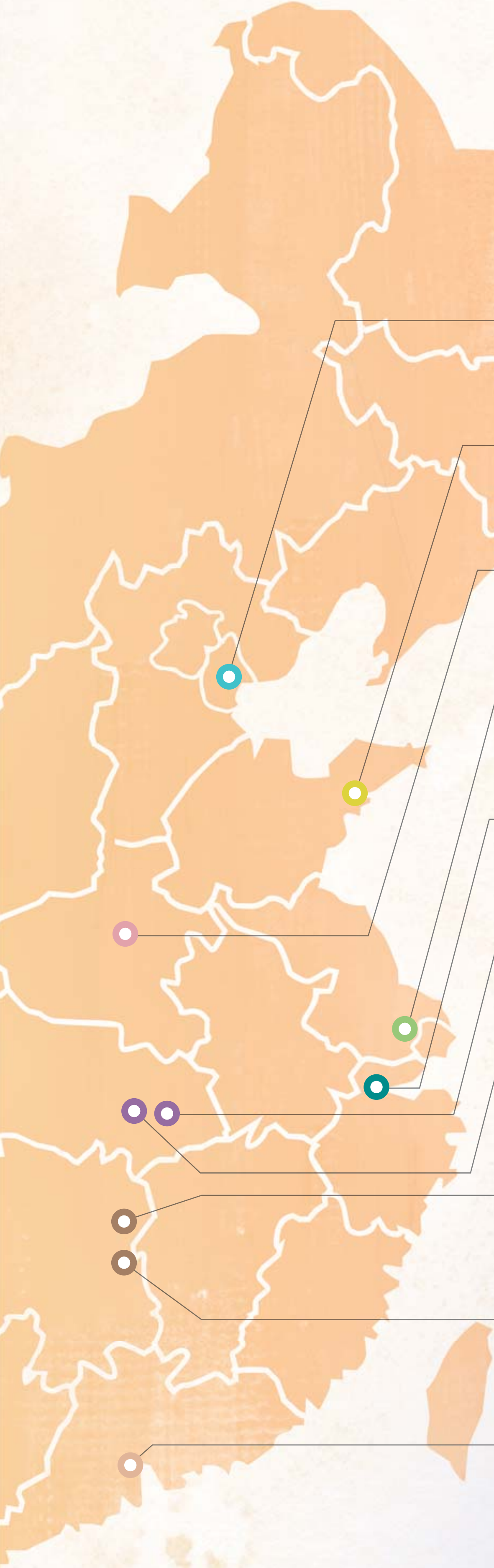
PKU Resources • Jiangshan Mingmen
PKU Resources • Yannan
PKU Resources • Boya
PKU Resources • Yuelai

KUNMING, YUNNAN

KUMMING Yida Plaza

GUIYANG, GUIZHOU

PKU Resources • Dream City



TIANJIN
PKU Resources • Yuefu
PKU Resources • Yuecheng

QINGDAO, SHANDONG
PKU Resources Plaza
Xinduxinyuan

KAIFENG, HENAN
Kaifeng PKU Resources City

KUNSHAN, JIANGSU
PKU Resources • Licheng

HANGZHOU, ZHEJIANG
PKU Resources • Wei Ming Mansion

EZHOU, HUBEI
PKU Resources • Lianhu Jincheng

WUHAN, HUBEI
PKU Resources • Shanshuinianhua
Wuhan International Building

CHANGSHA, HUNAN
PKU Resources • Time (West)
PKU Resources • Time (East)

ZHUZHOU, HUNAN
The Project of Lusong District
in Zhuzhou

FOSHAN, GUANGDONG
PKU Resources • Boya Binjiang

Property Development Projects (continued)

TIANJIN

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Expected Launch Time	Equity Share
PKU Resources • Yuefu	Tianjin	Residential/Commercial	235,635	278,365	September 2014	70%
PKU Resources • Yuecheng	Tianjin	City Complex Integrating Residential/Commercial/ Office/Apartment	69,084	476,000	April 2015	60%

QINGDAO, SHANDONG

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Expected Launch Time	Equity Share
PKU Resources Plaza	Qingdao, Shandong	Commercial/Office	21,155	140,138	October 2016	70%
Xinduxinyuan*	Qingdao, Shandong	Residential/Commercial	20,594	77,075	December 2013	70%

KAIFENG, HENAN

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Expected Launch Time	Equity Share
Kaifeng PKU Resources City	Kaifeng, Henan	Commercial/Residential	647,147	647,147	December 2016	100%

KUNSHAN, JIANGSU

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Expected Launch Time	Equity Share
PKU Resources • Licheng	Kunshan, Jiangsu	Residential/Commercial	378,369	736,634	October 2012	51%

HANGZHOU, ZHEJIANG

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Expected Launch Time	Equity Share
PKU Resources • Wei Ming Mansion	Hangzhou, Zhejiang	Commercial/Office	63,551	196,860	July 2016	100%

EZHOU, HUBEI

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Expected Launch Time	Equity Share
PKU Resources • Lianhu Jincheng	Ezhou Hubei	Residential	674,597	674,597	July 2015	90%

WUHAN, HUBEI

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Expected Launch Time	Equity Share
PKU Resources • Shanshuinianhua*	Wuhan, Hubei	Residential	123,949	275,717	February 2015	70%

CHANGSHA, HUNAN

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Expected Launch Time	Equity Share
PKU Resources • Time (West)	Changsha, Hunan	Residential/Commercial	39,631	134,700	January 2014	63%
PKU Resources • Time (East) *	Changsha, Hunan	Residential	69,337	184,301	June 2016	70%

ZHUZHOU, HUNAN

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Expected Launch Time	Equity Share
The Project of Lusong District in Zhuzhou	Zhuzhou, Hunan	Residential/Commercial	153,584	549,956	October 2016	82%

CHENGDU, SICHUAN

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Expected Launch Time	Equity Share
PKU Resources • Yannan International*	Chengdu, Sichuan	Residential/Commercial	127,029	542,910	April 2014	70%
PKU Resources • Xishanyue*	Chengdu, Sichuan	Residential	113,011	129,993	May 2013	70%
PKU Resources • Park 1898	Chengdu, Sichuan	Residential	51,961	229,175	May 2015	70%
PKU Resources • Yihe Emerald Mansion	Chengdu, Sichuan	Residential/Commercial	58,474	219,039	April 2016	80%
The Project of Xinjin County in Chengdu	Chengdu, Sichuan	Residential/Commercial	69,496	208,487	August 2016	70%

CHONGQING

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Expected Launch Time	Equity Share
PKU Resources • Jiangshan Mingmen*	Chongqing	Residential/Commercial	453,419	1,161,547	October 2013	100%
PKU Resources • Yannan*	Chongqing	Residential	144,063	699,932	November 2013	70%
PKU Resources • Boya*	Chongqing	Residential/Commercial	143,648	495,115	October 2013	70%
PKU Resources • Yuelai*	Chongqing	Residential/Commercial	183,457	423,486	April 2016	70%

KUNMING, YUNNAN

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Expected Launch Time	Equity Share
Kunming Yida Plaza	Kunming, Yunnan	Residential/Commercial/ Office	55,500	430,445	November 2015	85%

FOSHAN, GUANGDONG

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Expected Launch Time	Equity Share
PKU Resources • Boya Binjiang*	Foshan, Guangdong	Residential/Commercial	199,287	953,597	October 2014	51%

GUIYANG, GUIZHOU

Project Name	Project Location	Form	Site Area (sq.m)	Planned GFA (sq.m)	Expected Launch Time	Equity Share
PKU Resources • Dream City*	Guiyang, Guizhou	Commercial residential	247,426	996,162	November 2013	70%

Investment Property Overview

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

Note: The projects marked with * were acquired by the Company on 2 January 2015.

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.

PROJECT DEVELOPMENT:

Under development and construction.

TOTAL GFA

476,000 sq.m.

CHENGDU

PKU RESOURCES • PARK 1898

DESCRIPTION:

The project has been launched as the first class improvement product in Shuangliu, Chengdu, focusing on the demand of potential clients in old Shuangliu. It is positioned as the first class improvement product in Shuangliu.

PROJECT TARGET:

The site area is 51,961 sq.m. The total GFA is 229,175 sq.m.

PROJECT DEVELOPMENT:

Under development and construction.

TOTAL GFA

229,175 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.

PROJECT DEVELOPMENT:

Construction is expected to commence in 2016.

TOTAL GFA

219,039 sq.m.

CHONGQING

PKU RESOURCES • BOYA

DESCRIPTION:

The project meticulously creates a high-quality humanistic residential area, which integrates gentle slopes ocean villa, near-subway households, and pedestrians in shopping district. The project is close to Metro Line 5 Jinzhou Avenue Station, enjoying "Seven Golden Road Network", with unimpeded and convenient access throughout the city. With 1,000,000 sq.m. business cluster center in the region, it integrates leisure shopping, business entertainment and other features, close to Zhaomushan Forest Park, breathing 1,000 mu green lung of the city.

PROJECT TARGET:

The site area is 143,648 sq.m. The total GFA is 495,115 sq.m.

PROJECT DEVELOPMENT:

Under development and construction.

TOTAL GFA

495,115 sq.m.

FOSHAN

PKU RESOURCES • BOYA BINJIANG

TOTAL GFA

953,597 sq.m.

DESCRIPTION:

The project is located the southwest central section of Sanshui District, Foshan, with a convenient transportation, mature life support, and rich landscape resources, being a unique platform for city life. The project integrates the resource advantages of Peking University and Peking Founder Group, to well-build a "southwest-centered 900,000-sq.m new cultural community", and set the industry benchmark and lead the market, creating a unique cultural boutique property in Sanshui, and even Guangzhou-Foshan region.

PROJECT TARGET:

The site area is 199,287 sq.m. The total GFA is 953,597 sq.m.

PROJECT DEVELOPMENT:

Under development and construction.

GUIYANG

PKU RESOURCES • DREAM CITY

DESCRIPTION:

The Project is located at the eastern part of Guanshanhu District, Guiyang, and within the integrated hub functional block of North Train Station, with remarkable traffic advantages. The project plans to build high-end residences, style streets, urban complexes, 5A offices, LOFT apartments, SOHO office properties and other forms of products. Once upon completion, it will form the city-level shopping center and outdoor pedestrian area throughout Guanshanhu District.

PROJECT TARGET:

The site area is 247,426 sq.m. The total GFA is 996,162 sq.m.

PROJECT DEVELOPMENT:

Under development and construction.

TOTAL GFA

996,162 sq.m.

Property Investment Project

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

There was still great downward pressure facing the real estate industry in 2015, leading to continued low sentiment in real estate investment and development. As a result, growth in acquired land area, newly constructed area and saleable area of commodity houses slowed down. In 2015, an amount of RMB9,597.9 billion was contributed to the development of real estate nationwide, representing a notional growth of 1.0% (and an actual growth of 2.8% after adjustment of price) over last year. A land area of 228,110,000 sq.m. has been acquired by real estate development enterprises, representing a decrease of 31.7% over last year, and the land transaction volume amounted to RMB762.2 billion, representing a decrease of 23.9% over last year. Last year, the Chinese government proposed to stabilize housing consumption on the two sessions by supporting the resident's housing demand for self-occupation or improved housing according to local conditions. In that context, the government has successively launched policies to relax restrictions to the real estate market, with promoting the stable development of the real estate as the keynote.

At the end of 2015, the areas available-for-sale of commercial houses amounted to 718,530,000 sq.m., representing an increase of 15.6% as compared with that at the end of previous year. While the overall stock continued to go up, the stock removal cycle differentiated among regional markets, with the timing to destock commercial houses in the first-tier and second-tier cities dropping to a reasonable level and the destock pressure mainly concentrating on the third-tier and fourth-tier cities. Therefore, stock removal remains the highlight of our work in the future in respect of easing excessive capacity. In the short term, the government shall further restructure regional markets to control the balance between demand and supply. In the long run, the government shall deepen registered population urbanization and housing system reform to match supply with demand and stabilize the real estate market. In view of the fact that the housing price remains resilient attributable to strong demands arising from the more and more centralized distribution of population, resources and wealth in the first tier-cities, it is expected that there will still be great upward pressure facing such cities in coming years. In the second-tier and third-tier cities, despite steadily released demand stimulated by relevant policies, the housing price still lacks of momentum to go up due to large stock. Based on the strategic orientation of stock removal, the government will successively introduce further supporting policies related to currency, finance and taxation and other aspects. Consequently, it is expected that, in the future, the stock pressure would be further released, with housing price gradually stabilized after falling in the second-tier and third-tier cities.

The year 2015 also represents an extremely important year for Peking University Resources (Holdings) Company Limited (hereinafter referred to as the "Group" or "PKU Resources"). At the beginning of 2015, the Group has completed the very substantial acquisitions of subsidiaries. It acquired from PKU Resources Group, the substantial shareholder of the Company, 12 property development projects owned and operated in Chongqing, Changsha, Foshan, Chengdu, Guiyang, Qingdao and Wuhan, and successfully completed the placing of new shares of HK$945 million, to get full realisation of the strategic transformation to the real estate business and steadily expand its footprint.

OVERALL PERFORMANCE

The Group reported a loss attributable to owners of the Company for the year ended 31 December 2015 of approximately HK$237.7 million (year ended 31 December 2014: HK$215.2 million). The Group's revenue for the current financial year has increased by 25.1% to approximately HK$7,804.3 million (year ended 31 December 2014: HK$6,237.4 million) mainly as a result of expansion of property development business. The Group's gross profit has decreased by 53.2% to approximately HK$141.4 million (year ended 31 December 2014: HK$302.4 million) mainly due to increase in provision against properties under development. Total selling and distribution expenses, administrative expenses and other expenses and losses for the current financial year have increased by 21.0% to approximately HK$851.3 million (year ended 31 December 2014: HK$703.6 million).

The reduction in the Group's loss 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 (year ended 31 December 2014: Nil);

b. one-off gain on bargain purchase arising from acquisition of subsidiaries engaged in property development business of approximately HK$92.3 million for the year ended 31 December 2014;

c. an increase in selling and distribution expenses and administrative expenses by 9.9% to approximately HK$772.3 million (year ended 31 December 2014: HK$702.4 million) attributable to the expansion of the property development business;

d. an increase in other expenses and losses by HK$77.8 million to approximately HK$79.0 million (year ended 31 December 2014: HK$1.2 million) due to increase in exchange loss arising from loan to a subsidiary;

e. a decrease in finance cost by 36.7% to approximately HK$67.5 million (year ended 31 December 2014: HK$106.6 million) attributable to decline in bank borrowings; and

f. an increase in income tax expenses by HK$246.5 million to approximately HK$265.7 million (year ended 31 December 2014: HK$19.2 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 2015 were HK3.98 cents (year ended 31 December 2014: HK8.96 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$3,284.0 million (year ended 31 December 2014: HK$1,714.4 million). The segment results recorded a profit of approximately HK$83.0 million (year ended 31 December 2014: loss of HK$284.5 million). The improvement in segment results was due to net effect of gain on disposal of subsidiaries of approximately HK$739.0 million, provision against properties under development of approximately HK$167.4 million, provision against properties held for sale of approximately HK$42.8 million for the current financial year and gain on bargain purchase of approximately HK$92.3 million in prior financial year.

In 2015, the Group started 6 new construction projects and pre-sell 4 projects; there will be 19 projects under construction and an accumulated total of 15 projects on sale. As at 31 December 2015, the Group's total construction area has reached 5,110,829 sq.m., of which 1,678,605 sq.m. is newly constructed in 2015.

Contracted Sales

A rapid growth was seen in the number of the Group's real estate projects upon completion of the very substantial acquisitions at the beginning of the year, as a result, both the amount and the area of contracted sales increased substantially as compared with last year. In 2015, the Group realised an accumulated contacted sales of approximately RMB5,815 million and sold an accumulated GFA of approximately 750,334 sq.m., with average selling price being RMB7,750 per sq.m.. The amount of contracted sales is mainly from projects such as Park 1898 and Yannan International in Chengdu, Yue City(閱城) in Tianjin, Dream City in Guiyang and Boya Binjiang in Foshan.

PKU Resources • Dream City, a project developed and constructed by 貴陽恒隆置業有限公司 (Guiyang Henglong Property Co., Limited*), a subsidiary of the Group, has a GFA of approximately 990,000 sq.m. and the delivery of its first phase has commenced on 30 December 2015. As of 31 January 2016, the delivered area carried forward was 162,000 sq.m. and the Group realized an accumulated revenue of RMB1.642 billion. The total gross margin was approximately RMB590 million and the gross profit margin was 35.93%. We expect such revenue and profit to be reflected in the interim report of 2016.

Land Bank

In 2015, the Group has taken an even more prudent strategy to procure land, based on which, we replenish the land bank with selected high-quality projects that have been carried out detailed investigation and research. In that context, we penetrate into regional hub cities, such as Hangzhou and Kunming, with enormous growth potential and huge population absorption in due course. Thus, the Group achieves a better balance of its business distribution among the first-tier, second-tier and third-tier cities. As of 31 December 2015, the Group had a total of 24 property development projects and 1 hold-type property project in 14 cities around China and had a reserved land area of 5,750,549 sq.m..

In 2015, the Group has obtained the land use rights of 5 projects in Hangzhou, Kunming, Chengdu, Zhuzhou etc. through public transfer procedures.

List of New Land Parcels

Project	Location	Intended use	Total site area (sq.m.)	Planned total GFA (sq.m.)	Interests held by the Group
PKU Resources • Wei Ming Mansion	Hangzhou	Commercial/Office	63,551	196,860	100%
Kunming Yida Plaza	Kunming	Residential/Commercial/Office	55,500	430,445	85%
PKU Resources • Yihe Emerald Mansion	Chengdu	Residential/Commercial	58,474	219,039	80%
The Project of Xinjin County in Chengdu	Chengdu	Residential/Commercial	69,496	208,487	70%
The Project of Lusong District in Zhuzhou	Zhuzhou	Residential/Commercial	153,584	549,956	82%

Property Investment

The property investment business of the Group (the "Property Investment Business") recorded a turnover of approximately HK$33.5 million (year ended 31 December 2014: HK$65.8 million) and segment profit of approximately HK$2.0 million (year ended 31 December 2014: HK$46.8 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 decline in segment revenue and increase in fair value losses 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 all through the year 2015, Wuhan International Building realised an accumulated rental income of RMB7.60 million, with an occupancy rate of approximately 99%. The rental income increased by 8.54% 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 recorded a turnover of approximately HK$4,486.8 million representing a slight increase of 0.7% as compared to last financial year (year ended 31 December 2014: HK$4,457.2 million). The segment results recorded a profit of HK$27.9 million (year ended 31 December 2014: HK$44.2 million). The decline in segment results was due to decline in gross profit margin attributable to intense market competition.

The distribution business of the Group (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 and UPS power supply of a number of internationally famed and branded information product manufacturers such as HP, H3C, CommScope, Brocade, Microsoft, Corning, Avaya and Eaton.

As the business environment in China is becoming more competitive and the unfavorable factors arising from the macrocontrol 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

The real estate development business represents a key and fundamental business of principal activities of the Group. Looking ahead, our Group will put more focus on the growth of real estate development business and have more delicate operations in existing business cities of importance to create customer-demand-oriented products, thus enabling the Group to deliver its product based and service first commitment.

In the aspect of product, the Group will make greater efforts to adapt to market changes by reference to advanced operation approaches from leading enterprises in the industry, keep refining our products and develop a model specific to "PKU Resources" with craftsmanship. Meanwhile, the Group will set up an internal benchmark for standardisation of model project development, and then share and copy it to each city across our network footprint. In addition to the maintenance of high quality, the Group will shorten development cycle and reduce inventories as soon as practicable in pursuit of high turnover and profit margin, and achieve a virtuous circle of real estate development business. In terms of development mode, the Group will keep searching for external cooperation in various ways, identifying opportunities of joint land and project acquisition with small equity interests and tentatively implementing asset-light strategy.

In view of service, the Group will focus on the integration of core resources and develop value-added core services in a rapid manner. The Group will place community service into the process of sales, i.e., to proactively provide clients with sound health care, culture, education, and financial services before product delivery, and thereby increase positive interactions between community service and real estate development service. Meanwhile, the Group will set up an internal service benchmark in respect of model project for standardisation of management and modularity of services, and then share and copy it to other projects.

Meanwhile, to achieve its ultimate goal of maximizing the shareholders' value, the Group shall always devote itself to optimising the corporate governance and organization structure, reducing finance cost, completing talent's incentive mechanism and enhancing the overall quality of staff, and then deliver outstanding performance than benefit our shareholders.

Distribution Business

The Distribution Business will continuously refine its product structure to avoid product overlapping and minimize market risk. The Group will focus on the distribution of information products with better trading terms and 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 1,410 employees as at 31 December 2015 (31 December 2014: 1,215). The increase in number of employees mainly arose from the expansion of Property Development Business during the current financial year.

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 China. As at 31 December 2015, the Group had approximately HK$22,621.5 million interest-bearing bank and other borrowings (31 December 2014: HK$24,632.9 million), of which approximately HK$1,140.8 million (31 December 2014: HK$359.5 million) were floating interest bearing and HK$21,480.7 million (31 December 2014: HK$24,273.4 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.*) (a substantial shareholder of the Company).

Bank and other borrowings are denominated in Renminbi ("RMB") and United States Dollars ("U.S. dollars"), of which HK$3,762.3 million (31 December 2014: HK$7,543.3 million) were repayable within one year and HK$18,859.1 million (31 December 2014: HK$17,089.6 million) were repayable within two to third years. The Group's banking facilities were secured by corporate guarantee given by the Company, 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder") (a substantial shareholder of the Company) and Peking University Resources Group Co., Ltd., and certain of the investment properties, properties under development and properties held for sale. The decrease in bank and other borrowings was mainly attributed to the repayment during the current financial year.

As at 31 December 2015, the Group recorded total assets of approximately HK$43,850.5 million (31 December 2014: HK$44,478.7 million) which were financed by liabilities of approximately HK$41,385.7 million (31 December 2014: HK$41,853.6 million), non-controlling interests of approximately HK$225.3 million (31 December 2014: HK$915.9 million) and equity attributable to owners of the parent of approximately HK$2,239.4 million (31 December 2014: HK$1,709.2 million). The decrease in equity was attributable to loss for the current financial year and allotment of shares of the Company for acquisition of subsidiaries and placing. The Group's net asset value per share as at 31 December 2015 was HK$0.41 (31 December 2014: HK$1.08). The decrease in net asset value per share was attributable to the increase in number of shares of the Company.

The Group had total cash and cash equivalents and restricted cash of approximately HK$3,048.4 million as at 31 December 2015 (31 December 2014: HK$5,962.7 million). As at 31 December 2015, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total equity, was 9.18 (31 December 2014: 9.38) while the Group's current ratio was 1.96 (31 December 2014: 1.81).

As at 31 December 2015, the capital commitments for contracted, but not provided for, properties under development were approximately HK$6,129.4 million (31 December 2014: HK$2,605.0 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 and associates

On 16 September 2014, the Company, Beijing Tianranju Technology Co., Ltd., Fine Noble Global Limited, Peking University Resources Group Property Co., Limited, Peking Founder, Founder Information (Hong Kong) Limited ("Founder Information"), Starry Realm Limited, Peking University Resources Group Holdings Co., Ltd. and Peking University Resources Group Co., Ltd. entered into a sales and purchase agreement, pursuant to which the Company and Beijing Tianranju Technology Co., Ltd. have agreed to acquire entire issued shares in Extol High Enterprises Limited, Keen Delight Global Limited, Chongqing Peking University Resources Property Co., Limited, Chengdu Peking University Resources Property Co., Limited, Guiyang Peking University Resources Property Co., Limited and Qingdao Peking University Resources Property Co., Ltd. at total consideration of HK$1,934 million, including HK$1,361 million for the offshore acquisition and HK$573 million for the onshore acquisition, which would be satisfied by a combination of the issuance of consideration shares to Founder Information, and/or all or part of the cash proceeds from the issuance of placement shares and/or all or part of the cash proceeds from the issuance of additional shares and/or the Company's internal cash, external financing and/or financing from the controlling shareholder. The sales shares represented 100% issued shares of entities which are engaged in property development business. Further details of the transactions were set out in the announcements of the Company dated 16 September 2014, 30 November 2014 and 22 December 2014 and the circular of the Company dated 2 December 2014. The above transactions have been completed on 2 January 2015.

On 16 February 2015, Qingdao Boya Huafu Property Co., Limited, CITIC Shenzhen (Group) Co., Limited, Qingdao Bolai Property Co., Limited, the Company, Hong Kong Tianranju Holdings Limited, Tibet Zhao Rong Investment Co., Ltd. and Qingdao Bofu Property Co., Limited entered into a framework agreement, pursuant to which (i) CITIC Shenzhen (Group) Co., Limited has conditionally agreed to acquire and Qingdao Boya Huafu Property Co., Limited has conditionally agreed to sell the 100% equity interest in Qingdao Bolai Property Co., Limited; and (ii) CITIC Shenzhen (Group) Co., Limited has conditionally agreed to acquire and the Company has conditionally agreed to sell 100% equity interest in Hong Kong Tianranju Holdings Limited, a direct wholly-owned subsidiary of the Company. The total consideration is approximately RMB2,398 million including: (a) approximately RMB650 million, being payment for the share transfer of Qingdao Bolai Property Co., Limited; (b) repayment of (i) RMB500 million, being all the principal of the entrusted loan provided by Peking University Resources Group Co., Limited to Qingdao Bolai Property Co., Limited in August 2014; (ii) approximately RMB544 million, being the principal of the entrusted loan owed to Huaneng Guicheng Trust Co., Ltd., an independent third party, since May 2014; and (iii) the interest of the entrusted loan under (i) and (ii), which is excluded from the total consideration; and (c) approximately RMB704 million for the share transfer of Hong Kong Tianranju Holdings Limited. On 16 February 2015, Qingdao Boya Huafu Property Co., Limited, CITIC Shenzhen (Group) Co., Limited, Qingdao Bolai Property Co., Limited, the Company, Hong Kong Tianranju Holdings Limited, Tibet Zhao Rong Investment Co., Ltd. and Qingdao Bofu Property Co., Limited entered into a sale and purchase agreement, pursuant to which CITIC Shenzhen (Group) Co., Limited has conditionally agreed to acquire and Qingdao Boya Huafu Property Co., Limited has conditionally agreed to sell the 100% equity interest in Qingdao Bolai Property Co., Limited. The total consideration is approximately RMB650 million. Further details of the transactions were set out in the announcement of the Company dated 3 March 2015 and the circular of the Company dated 25 March 2015. On 10 March 2015, Qingdao Boya Huafu Property Co., Limited, CITIC Real Estate (Hong Kong) Development Limited, Qingdao Bolai Property Co., Limited, the Company, Hong Kong Tianranju Holdings Limited, Tibet Zhao Rong Investment Co., Ltd. and Qingdao Bofu Property Co., Limited entered into a subsequent sale and purchase agreement, CITIC Real Estate (Hong Kong) Development Limited has conditionally agreed to acquire and the Company has conditionally agreed to sell the 100% equity interest in Hong Kong Tianranju Holdings Limited at a total consideration of approximately RMB704 million. Further details of the transactions were set out in the announcement of the Company dated 10 March 2015 and the circular of the Company dated 25 March 2015. The above disposal transactions were completed on 4 May 2015.

Save as disclosed above, the Group had no acquisition or disposal of subsidiaries and associates for the year ended 31 December 2015.

Charges on assets

As at 31 December 2015, investment properties of approximately HK$210.6 million, properties under development of approximately HK$12.9 million, properties held for sale of approximately HK$12.0 million and bank deposits of approximately HK$1,210.2 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 2015, 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$4,090.4 million (31 December 2014: HK$1,359.9 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 2015.

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 2015, 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. All Independent Non-executive Directors of the Company could not attend the annual general meeting of the company held on 5 June 2015 due to prior or unexpected business engagements. Mr Li Fat Chung and Ms Wong Lam Kit Yee, Independent Non-executive Directors of the Company, could not attend the special general meeting of the Company held on 15 April 2015 due to other business commitment.

Provision E.1.2 of the CG Code provides that the Chairman of the board should attend the annual general meeting. Ms Yu Li could not attend the special general meeting of the Company held on 15 April 2015 and the annual general meeting of the Company held on 5 June 2015 because Ms Yu has been requested to assist in an investigation by the related authorities since 5 January 2015. Mr Zhou Bo Qin, Executive Director of the Company, was present thereat to be available to answer questions at the special general meeting and the annual general meeting.

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 2015.

BOARD OF DIRECTORS

As at the date of this Corporate Governance Report, 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 Fang Hao (President), Mr Zhou Bo Qin, Mr Wei Jun Min, Mr Xie Ke Hai and Mr Zheng Fu Shuang, the independent non-executive directors are Mr Li Fat Chung, Ms Wong Lam Kit Yee and Ms Cao Qian. To the best of knowledge of the directors, there is no relationship (including financial, business, family or other material/ relevant relationship) among members of the Board.

The biographical details of each director are disclosed on pages 38 to 39 of this Annual Report.

The Board oversees the Group's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls the operating and financial performance in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the management of the Company under the supervision of the executive directors. The functions and powers that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are the overall strategy of the Group, major acquisitions and disposals, major capital investments, dividend policy, significant changes in accounting policies, material contracts, appointment and retirement of directors, remuneration policy and other major operational and financial matters. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives. The 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 2015. 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 meetings is as follows:

Name of director	Board Meetings attended/ Eligible to attend	Annual General Meeting attended/ Eligible to attend	Special General Meetings attended/ Eligible to attend
Executive Directors			
Mr Cheung Shuen Lung *(Chairman)* (appointed on 29 October 2015)	2/2	0/0	0/0
Mr Fang Hao	4/4	0/1	0/1
Mr Zhou Bo Qin	4/4	1/1	1/1
Mr Wei Jun Min (appointed on 3 July 2015)	3/3	0/0	0/0
Mr Xie Ke Hai	3/4	0/1	0/1
Mr Zheng Fu Shuang	4/4	0/1	0/1
Mr Zhang Zhao Dong (resigned on 29 October 2015)	2/2	0/1	0/1
Ms Yu Li (removed on 3 July 2015)	0/1	0/1	0/1
Independent Non-executive Directors			
Mr Li Fat Chung	2/4	0/1	0/1
Ms Wong Lam Kit Yee	2/4	0/1	0/1
Ms Cao Qian	4/4	0/1	1/1

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 2015. The individual training record of each director received for the year ended 31 December 2015 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)* (appointed on 29 October 2015)	✔	✔
Mr Fang Hao	✔	✔
Mr Zhou Bo Qin	✔	✔
Mr Wei Jun Min (appointed on 3 July 2015)	✔	✔
Mr Xie Ke Hai	✔	✔
Mr Zheng Fu Shuang	✔	✔
Mr Zhang Zhao Dong (resigned on 29 October 2015)	✔	✔
Ms Yu Li (removed on 3 July 2015)		
Independent Non-executive Directors		
Mr Li Fat Chung	✔	✔
Ms Wong Lam Kit Yee	✔	✔
Ms Cao Qian	✔	✔

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. Prior to 3 July 2015, Ms Yu Li was the Chairwoman of the Board. Mr Zhang Zhao Dong succeeded Ms Yu Li as the Chairman of the Board on 3 July 2015 until 29 October 2015. Mr Cheung Shuen Lung succeeded Mr Zhang Zhao Dong as the Chairman of the Board on 29 October 2015. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. Mr Fang Hao is the President of the board. 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 2015, 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 2015 is set out in Note 8 to the Company's 2015 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. 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 2015, 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
Ms Cao Qian	*(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 2015, the Audit Committee met three times. During the meetings, the Audit Committee reviewed reports from the independent auditors regarding their audit on annual financial statements, review on interim financial results, discussed the internal control of the Group, and met with the independent auditors. 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
Ms Cao Qian	3/3

INTERNAL CONTROL

The Board has the ultimate responsibility to maintain a sound and effective internal control system 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 internal control system and reporting to the Board.

The Group's internal control system comprises 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 Board 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 internal control system of the Group had functioned effectively and was adequate during the year under review.

AUDITORS' 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	2,805
Other professional services:	
Agreed-upon procedures on interim results	650
Limited assurance services on continuing connected transactions	40
Tax compliance services	63
	753
Total	3,558

DIRECTORS' AND AUDITORS' 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 2015 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 Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 52 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 2015.

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.

ON BEHALF OF THE BOARD

Cheung Shuen Lung
Chairman

Hong Kong
24 March 2016

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr Cheung Shuen Lung, aged 59, is an executive director and chairman of the Company since October 2015. He is also the director of Peking University Founder Group Company Limited ("Peking Founder"), the substantial shareholder of the Company. He was the executive chairman of PUC Founder (MSC) Berhad, a company listed on the ACE Market of Bursa Malaysia (stock code: 0007), before 1 January 2014, and is now the non-independent non-executive director of this company. 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 Fang Hao, aged 42, is an executive director and president of the Company since May 2013. He is a director of a number of associated companies of Peking Founder. Mr Fang obtained an MBA degree from Victoria University of Technology in Australia. He is also a Certified Public Accountant in the People's Republic of China (the "PRC") and has extensive experience in corporate strategic management. Mr Fang is responsible for the overall strategic planning and development of the Group.

Mr Zhou Bo Qin, aged 52, is an executive director of the Company since May 2013. He is a director of a number of associated companies of Peking Founder. He is also a director of China Hi-Tech Group Co., Ltd. (Stock Code: 600730), a company listed in the Shanghai Stock Exchange. Mr Zhou obtained a graduate diploma of Finance in Chinese Academy of Social Sciences and has extensive experience in finance and management.

Mr Wei Jun Min, aged 53, is an executive director of the Company since July 2015. He is also the director and senior vice president of Peking University Asset Management Company Limited, director of Peking Founder, deputy secretary of industry party working committee run by Peking University. He is the director of Founder Securities Co., Ltd. (Stock code: 601901) and the Chairman of China Hi-Tech Group Co., Ltd (Stock code: 600730), which are companies listed in the Shanghai Stock Exchange. He is also a director of a number of associated companies of Peking Founder. He is a part time lawyer of Beijing Tian Yuan Law Firm and has extensive legal professional experience.

Mr Xie Ke Hai, aged 50, is an executive director of the Company since November 2004. He is also the director, the president and the chief executive officer of Peking Founder. Mr Xie graduated from the University of Science & Technology Beijing and obtained a master's degree. He is also a director of a number of associated companies of Peking Founder.

Mr Zheng Fu Shuang, aged 50, 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 55, is an independent non-executive director of the Company since September 2004. He is also the independent non-executive director of Founder Holdings Limited (Stock code: 00418), a company listed on the main board of The Stock Exchange of Hong Kong Limited and a related company of the Company. 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 52, is an independent non-executive director of the Company since September 2004. She is also the independent non-executive director of Founder Holdings Limited (Stock code: 00418), a company listed on the main board of The Stock Exchange of Hong Kong Limited and a related company of the Company. 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.

Ms Cao Qian, aged 52, is an independent non-executive director of the Company since March 2005. Ms Cao is a Certified Public Accountant in the PRC. Ms Cao graduated from the Central University of Finance & Economics and obtained a bachelor's degree in finance and revenue professional. Ms Cao also received her EMBA degree from the Peking University Guanghua School of Management. Ms Cao has over 20 years of experience in auditing, accounting and financial management.

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 2015.

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 2015 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 137.

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 21 to 30 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 21 to 30 and "Financial Highlights" on page 140 of the annual report.

Discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are set out below.

Environmental Policies and Performance

Environmental Protection

The Group promotes environmental protection by raising the employees' awareness of resources saving and efficient use of energy. In recent years, the Group has implemented several policies to encourage employees for saving energy and paper. All these policies aim at reducing resources and saving costs which are beneficial to the environment and meet the commercial goals of the Group.

Operating Practices

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Group upholds high standards of operating practices and complies with the relevant standards. The Group has stringent requirements to maintain high levels of quality control and responsible business practices. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

Relationship with Employees, Suppliers and Customers

The Group believes that employees are important assets and provides competitive remuneration packages to attract and retain employees. The management regularly reviews the Group's remuneration to its employees is up to prevailing market standard.

The Group values mutually beneficial relationships with its suppliers and customers. The Group aims at delivering high quality products to its customers and developing on mutual trust among its suppliers.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 139 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 12 and 13 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 138 of the annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 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.

DISTRIBUTABLE RESERVES

At 31 December 2015, 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 50% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 19%.

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 *(appointed on 29 October 2015)*
Mr Fang Hao
Mr Zhou Bo Qin
Mr Wei Jun Min *(appointed on 3 July 2015)*
Mr Xie Ke Hai
Mr Zheng Fu Shuang
Mr Zhang Zhao Dong *(resigned on 29 October 2015)*
Ms Yu Li *(removed on 3 July 2015)*

Independent, non-executive directors:
Mr Li Fat Chung
Ms Wong Lam Kit Yee
Ms Cao Qian

In accordance with the Company's Bye-laws, Mr Cheung Shuen Lung, Mr Wei Jun Min, Mr Fang Hao, Mr Zhou Bo Qin and Ms Wong Lam Kit Yee 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 Ms Cao Qian and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 38 to 39 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.

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 2015, 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			
Name of director	Directly beneficially owned	Through controlled corporation (note)	Total	Percentage of the Company's issued share capital
Mr Zheng Fu Shuang	200,019,000	584,984,000	785,003,000	13.11

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.

Long positions in share options of the Company:

Name of director	Number of options directly beneficially owned
Mr Fang Hao	16,339,690
Mr Zhou Bo Qin	16,339,690
Mr Xie Ke Hai	16,339,690
	49,019,070

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 2015, 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 2015	Lapsed during the year	Transferred in-between categories	At 31 December 2015	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 Zhang Zhao Dong	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
Ms Yu Li	16,339,690	(16,339,690)	–	–	10.6.2013	10.6.2014 to 9.6.2016	0.910
Subtotal	81,698,450	(16,339,690)	(16,339,690)	49,019,070			
Other employees of the Group							
In aggregate	81,698,450	–	(16,339,690)	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	163,396,900	(16,339,690)	–	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) 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 the 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 2015, 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*)	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	65.96	–	–
		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 purpose 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 2015, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

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

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

Information products of approximately HK$314,061,000 (2014: HK$362,736,000) 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 would purchase certain software products until 31 December 2017.

During the year, software products of approximately HK$35,574,000 (2014: HK$8,529,000) were 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 29 August 2011, the Company entered into a master agreement with Founder Holdings Limited ("FHL") to govern the sale of information products to FHL and its subsidiaries (collectively "Founder Group") for a term of three years from 1 January 2011 to 31 December 2013. On 9 December 2013, the Company renewed the master agreement with FHL, pursuant to which the Group would sell information products to Founder Group for the three years ending 31 December 2016.

During the year, information products of approximately HK$108,000 (2014: HK$98,000) were sold to 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.

(d) On 23 December 2013, the Company, PKU Founder Group Finance Co., Ltd. ("Founder Finance") (a subsidiary of Peking Founder) 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 ending 31 December 2016. Peking Founder has provided the guarantee to the Company in the financial services agreement.

As at 31 December 2015, the Group placed deposits of approximately HK$139,591,000 (2014: HK$123,282,000) in Founder Finance and the related interest of approximately HK$306,000 (2014: HK$463,000) was earned by Group during the year ended 31 December 2015. 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 (the "Master Lease Agreement") with Peking Founder, pursuant to which Peking Founder shall 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.

During the year ended 31 December 2015, rental income of approximately HK$15,209,000 (2014: HK$26,931,000) were received from Peking Founder Group. Related rental receivable of approximately HK$2,555,000 from Peking Founder Group remained unpaid as at 31 December 2015 (2014: Nil).

(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 agree to manage landscape construction in the property projects of the Group.

During the year ended 31 December 2015, no construction fees (2014: HK$12,337,000) were 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 agree to provide pre-sale property management services to the Group for the three years ending 31 December 2016.

During the year ended 31 December 2015, property management service fees of approximately HK$15,817,000 (2014: HK$3,700,000) 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 2015, trademark licensing fees of approximately HK$58,312,000 (2014: HK$1,252,000) were charged to PKU Resources Group. The directors consider that the licensing fees were paid to PKU Resources Group in accordance with the Master Trademark Licensing Agreement.

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

The annual caps for the service fees to be paid by the Entrustor to the Entrustee for the services under the agreement for each of the three years ending 31 December 2015, 2016 and 2017 is RMB40,000,000 (approximately HK$48,000,000).

During the year, consultancy services of approximately HK$6,567,000 were charged to PKU Resources Group. The directors consider that the charges were made according to published prices and conditions similar to those offered to other customers of the Group.

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

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

PLACING OF NEW SHARES

Price Determination Agreement

On 22 December 2014, the Company and the placing agent entered into a price determination agreement (the "Price Determination Agreement"), pursuant to which the final issue price of the placement shares has been determined at HK$0.65 per share, which is the low-end of the proposed issue price range (exclusive of the brokerage, SFC transaction levy and Stock Exchange trading fee), and the total number of placement shares has been determined to be 1,454,376,000. The placing agent has confirmed that as at the date of the Price Determination Agreement, the placing shares of approximately HK$945 million had been subscribed by purchasers procured by it in accordance with the placing agreement.

The final issue price of HK$0.65 per share represents a discount of approximately 4.41% to the closing price of HK$0.68 per share as quoted on the Stock Exchange on 19 December 2014.

Since the number of allottees is less than six, the Company is required to disclose the name of the allottees pursuant to Rule 13.28(7) of the Listing Rules, which are Kanway International Development Limited, Rongtong Fund Management Co., Ltd, Noble Dragon International Holdings Limited and Starry Nation Limited. Save as Starry Nation Limited through which the respective placement shares are placed to Mr Zheng Fu Shuang, each of Kanway International Development Limited, Rongtong Fund Management Co., Ltd and Noble Dragon International Holdings Limited, to the best of the Directors' knowledge, information and belief having made all reasonable enquires, is independent of and not connected or acting in concert with the Company, the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or associates of any of them.

The placing was completed on 2 January 2015. 1,454,376,000 placing shares was successfully placed at a price of HK$0.65 per share pursuant to the placing agreement. The aggregate nominal value of the placing shares is HK$145,437,600. The aggregate gross and net proceeds from the placing are approximately HK$945.3 million and approximately HK$927.3 million, respectively. The net price to the Company of each placing share, which is calculated by dividing the aggregate net proceeds from the placing by the total number of placing shares, is approximately HK$0.64.

Use of Proceeds

As at 31 December 2015, the net proceeds of the placing had been fully utilized as intended for land acquisition and general corporate use.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Cheung Shuen Lung
Chairman

Hong Kong
24 March 2016

Independent Auditors' Report

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22/F CITIC Tower
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To the shareholders of Peking University Resources (Holdings) Company Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Peking University Resources (Holdings) Company Limited (the "Company") and its subsidiaries set out on pages 54 to 137, which comprise the consolidated statement of financial position as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

24 March 2016

Consolidated Statement of Profit or Loss

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
REVENUE	5	**7,804,286**	6,237,433
Cost of sales		**(7,662,887)**	(5,935,012)
Gross profit		**141,399**	302,421
Other income and gains	5	**774,078**	185,653
Selling and distribution expenses		**(450,889)**	(423,173)
Administrative expenses		**(321,382)**	(279,229)
Other expenses and losses		**(79,044)**	(1,222)
Finance costs	7	**(67,526)**	(106,563)
Share of loss of an associate		**(3,275)**	(7,121)
LOSS BEFORE TAX	6	**(6,639)**	(329,234)
Income tax expense	10	**(265,722)**	(19,188)
LOSS FOR THE YEAR		**(272,361)**	(348,422)
Attributable to:			
Owners of the parent		**(237,695)**	(215,245)
Non-controlling interests		**(34,666)**	(133,177)
		(272,361)	(348,422)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		**HK3.98 cents**	HK8.96 cents
Diluted		**HK3.98 cents**	HK8.96 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	2015 HK$'000	2014 HK$'000 (Restated)
LOSS FOR THE YEAR	**(272,361)**	(348,422)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(134,182)**	(44,053)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(134,182)**	(44,053)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(134,182)**	(44,053)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(406,543)**	(392,475)
Attributable to:		
Owners of the parent	**(337,969)**	(269,827)
Non-controlling interests	**(68,574)**	(122,648)
	(406,543)	(392,475)

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**97,407**	68,982
Investment properties	13	**360,807**	362,256
Prepaid land lease payments	14	**14,621**	10,549
Goodwill	15	**–**	–
Other intangible assets	16	**1,014**	1,138
Investment in an associate	17	**19,488**	22,763
Total non-current assets		**493,337**	465,688
CURRENT ASSETS			
Properties under development	18	**33,443,212**	30,564,739
Properties held for sale	19	**3,680,178**	790,355
Inventories	20	**323,585**	338,748
Trade and bills receivables	21	**826,856**	1,079,160
Prepayments, deposits and other receivables	22	**1,673,955**	5,052,290
Prepaid tax		**360,951**	225,083
Restricted cash	23	**1,210,154**	1,545,793
Cash and cash equivalents	24	**1,838,246**	4,416,870
Total current assets		**43,357,137**	44,013,038
CURRENT LIABILITIES			
Trade and bills payables	25	**3,902,537**	5,187,603
Other payables and accruals	26	**14,283,672**	11,512,577
Interest-bearing bank and other borrowings	27	**3,762,308**	7,543,279
Tax payable		**158,038**	67,709
Total current liabilities		**22,106,555**	24,311,168
NET CURRENT ASSETS		**21,250,582**	19,701,870
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,743,919**	20,167,558

Consolidated Statement of Financial Position (continued)

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,743,919**	20,167,558
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**18,859,146**	17,089,641
Long term payable	28	**177,699**	182,046
Deferred tax liabilities	29	**242,344**	270,700
Total non-current liabilities		**19,279,189**	17,542,387
Net assets		**2,464,730**	2,625,171
EQUITY			
Equity attributable to owners of the parent			
Issued capital	30	**598,825**	244,003
Reserves	32	**1,640,607**	1,465,241
		2,239,432	1,709,244
Non-controlling interests		**225,298**	915,927
Total equity		**2,464,730**	2,625,171

Cheung Shuen Lung
Director

Xie Ke Hai
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

		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 2014 (restated)														
As previously reported		239,797	654,341	–	22,070	520,156	–	60,404	10,558	132,108	(463,671)	1,175,763	356,245	1,532,008
Effect of business combination		–	–	232,850	–	–	–	15,372	–	–	(194,220)	54,002	139,909	193,911
As restated		239,797	654,341	232,850	22,070	520,156	–	75,776	10,558	132,108	(657,891)	1,229,765	496,154	1,725,919
Loss for the year (restated)		–	–	–	–	–	–	–	–	–	(215,245)	(215,245)	(133,177)	(348,422)
Other comprehensive loss for the year:														
Exchange differences on translation of foreign operations (restated)		–	–	–	–	–	–	(54,582)	–	–	–	(54,582)	10,529	(44,053)
Total comprehensive loss for the year (restated)		–	–	–	–	–	–	(54,582)	–	–	(215,245)	(269,827)	(122,648)	(392,475)
Issue of shares	30	4,206	12,163	–	(4,551)	–	–	–	–	–	–	11,818	–	11,818
Acquisition of subsidiaries (restated)		–	–	–	–	–	–	–	–	–	–	–	16,057	16,057
Acquisition of non-controlling interests (restated)		–	–	–	–	–	(13,622)	–	–	–	–	(13,622)	(5,083)	(18,705)
Capital contributions from the then shareholding companies of subsidiaries (restated)		–	–	729,672	–	–	–	–	–	–	–	729,672	–	729,672
Capital contributions from non-controlling shareholders of subsidiaries (restated)		–	–	–	–	–	–	–	–	–	–	–	162,309	162,309
Deemed contributions from non-controlling shareholders of subsidiaries (restated)		–	–	–	–	–	–	–	–	–	–	–	369,138	369,138
Equity-settled share option arrangements	31	–	–	–	21,438	–	–	–	–	–	–	21,438	–	21,438
At 31 December 2014		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

Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2015

		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

* These reserve accounts comprise the consolidated reserves of HK$1,640,607,000 (2014: HK$1,465,241,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax:		**(6,639)**	(329,234)
Adjustments for:			
Finance costs	7	**67,526**	106,563
Share of loss of an associate		**3,275**	7,121
Interest income	5	**(25,749)**	(21,199)
Depreciation	6	**23,411**	20,667
Gain on disposal of items of property, plant and equipment	5	**(67)**	(62)
Amortisation of intangible assets	6	**391**	1,253
Amortisation of prepaid land lease payments	6	**538**	331
Impairment of trade receivables	6	**16,476**	1,222
Provision/(reversal of provision) against obsolete inventories	6	**(220)**	2,402
Provision against properties under development	6	**167,371**	–
Provision against properties held for sale	6	**42,767**	–
Fair value losses/(gains) on investment properties, net	5,6	**4,722**	(12,893)
Gain on disposal of subsidiaries	5	**(738,971)**	–
Gain on bargain purchase	5	**–**	(92,257)
Equity-settled share option expense	31	**6,005**	21,438
		(439,164)	(294,648)
Increase in properties under development		**(9,974,740)**	(3,985,909)
Decrease in properties held for sale		**747,588**	253,170
Decrease/(increase) in inventories		**15,383**	(116,370)
Decrease/(increase) in trade and bills receivables		**235,828**	(384,909)
Decrease/(increase) in prepayments, deposits and other receivables		**2,474,604**	(2,063,306)
Increase/(decrease) in trade and bills payables		**(1,284,797)**	2,510,282
Increase/(decrease) in other payables and accruals		**4,332,258**	(3,784,606)
Increase/(decrease) in long term payable		**(4,347)**	119,975
Effect of foreign exchange rate changes, net		**(181,583)**	(674,471)
Cash used in operations		**(4,078,970)**	(8,420,792)
Interest received		**25,749**	21,199
Interest paid		**(67,526)**	(106,563)
Mainland China corporate income tax paid		**(229,998)**	(64,908)
Land appreciation tax paid		**(81,282)**	(92,682)
Hong Kong profits tax refunded		**19**	–
Net cash flows used in operating activities		**(4,432,008)**	(8,663,746)

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
Net cash flows used in operating activities		**(4,432,008)**	(8,663,746)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	12	**(18,112)**	(34,284)
Purchases of intangible assets	16	**(394)**	(1,078)
Purchase of an investment property	13	**–**	(145,536)
Proceeds from disposal of items of property, plant and equipment		**8,117**	788
Decrease/(increase) in time deposits with original maturity of over three months when acquired		**2,853,309**	(2,771,973)
Decrease/(increase) in restricted cash		**335,639**	(560,581)
Disposal of subsidiaries	34	**770,193**	–
Acquisition of subsidiaries		**–**	(889,151)
Net cash flows from/(used in) investing activities		**3,948,752**	(4,401,815)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	30	**2,306,344**	11,818
Share issue expenses	30	**(18,025)**	–
New bank and other loans		**19,538,206**	19,841,176
Repayment of bank and other loans		**(19,135,902)**	(7,934,467)
Acquisition of non-controlling interests		**–**	(18,705)
Deemed capital contributions from non-controlling shareholders of subsidiaries		**–**	369,138
Capital contributions from the then shareholding companies of subsidiaries		**–**	729,672
Capital contributions from non-controlling shareholders of subsidiaries		**9,114**	162,309
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		**663,641**	13,160,941
NET INCREASE IN CASH AND CASH EQUIVALENTS		**180,385**	95,380
Cash and cash equivalents at beginning of year		**1,563,561**	1,469,892
Effect of foreign exchange rate changes, net		**94,300**	(1,711)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,838,246**	1,563,561

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000 (Restated)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**1,838,246**	1,514,269
Non-pledged time deposits	24	**–**	2,902,601
Cash and cash equivalents as stated in the consolidated statement of financial position		**1,838,246**	4,416,870
Non-pledged time deposits with original maturity of over three months when acquired		**–**	(2,853,309)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,838,246**	1,563,561

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 2015, 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 81.64% by 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"). In the opinion of the directors, the ultimate holding company is 北大資產經營有限公司 (Peking University Asset Management Company Limited*) ("PKU Asset Management"), which is established in the People's Republic of China (the "PRC").

During the year, the Company acquired 100% equity interests in Extol High Enterprises Limited and Keen Delight Global Limited, at an aggregate consideration of HK$1,361,000,000, and 北大資源集團投資有限公司 (Peking University Resources Group Investment Co., Limited*) ("Peking Investment"), an indirect wholly-owned subsidiary of the Company, acquired 100% interests in 重慶北大資源地產有限公司 (Chongqing Peking University Resources Property Co, Limited*), 成都北大資源地產有限公司 (Chengdu Peking University Resources Property Co., Limited*), 貴陽北大資源地產有限公司 (Guiyang Peking University Resources Property Co., Limited*) and 青島北大資源地產有限公司 (Qingdao Peking University Resources Property Co., Limited*), at an aggregate consideration of HK$567,427,000. These acquired entities were indirect non-wholly-owned subsidiaries of PKU Asset Management and are principally engaged in the property development in the PRC.

These transactions are collectively referred to as the "Acquisition Transactions" and the entities acquired in the Acquisition Transactions are collectively referred to as the "Acquired Entities".

* *For identification purpose only*

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
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 Co., 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
Qingdao Boya Real Estate Co., Limited ("Qingdao Boya")^	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
Zhuhai Yingfeng Property Co., Limited^	PRC/Mainland China	Registered RMB50,000,000	–	70	Property development

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Chengdu Hangmei Property Development Co., Limited^	PRC/Mainland China	Registered RMB30,000,000	–	70	Property development
Kunming Lebang Property Co., Limited^	PRC/Mainland China	Registered RMB50,000,000	–	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^	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#	PRC/Mainland China	RMB80,000,000	–	100	Property development
Foshan Peking University Resources Property Co., Limited@	PRC/Mainland China	RMB100,000,000	–	51	Property development
Wuhan Tianhe Jincheng Property Development Co., Limited^	PRC/Mainland China	RMB50,000,000	–	70	Property development
Changsha Longxin Property Development Co., Limited@	PRC/Mainland China	RMB 30,000,000	–	70	Property development

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Chengdu Lihui Property Co., Limited@	PRC/Mainland China	RMB50,000,000	–	70	Property development
Zhejiang Peking University Resources Property Co., Limited#	PRC/Mainland China	USD120,000,000	–	100	Property development
Chongqing Fangyuan Yingrun Property Co., Limited@	PRC/Mainland China	RMB642,600,000	–	70	Property development
Chongqing Peking University Resources Property Co., Limited^	PRC/Mainland China	RMB100,000,000	–	100	Property development
Chongqing Yingpu Investment Co., Limited^	PRC/Mainland China	RMB50,000,000	–	70	Property development
Chongqing Yuefeng Property Co., Limited^	PRC/Mainland China	RMB50,000,000	–	70	Property development
Chengdu Peking University Resources Property Co., Limited^	PRC/Mainland China	RMB50,000,000	–	100	Property development
Xinjin Beichuang 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^	PRC/Mainland China	RMB50,000,000	–	70	Property development

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guiyang Peking University Resources Property Co., Limited^	PRC/Mainland China	RMB50,000,000	–	100	Property development
Kaifeng Botao Property Development Co., Limited^	PRC/ Mainland China	RMB50,000,000	–	100	Property development
Kaifeng Boming Property Development Co., Limited^	PRC/Mainland China	RMB20,000,000	–	100	Property development
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
Beijing Deyu investment Management Co., Limited^	PRC/Mainland China	RMB200,000	–	100	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

Except for FDC, PRC Century, Century (Hong Kong) and Yongqin Limited, the English names of the above companies represent the best efforts 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 (the "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.

Merger accounting for business combinations under common control

Pursuant to the Acquisition Transactions, the Company became a holding company of the Acquired Entities. Since the Company and the Acquired Entities were ultimately controlled by Peking Founder both before and after the completion of the Acquisition Transactions, the Acquisition Transactions were accounted for using the principles of merger accounting.

The consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 December 2015 and 2014 included the results, changes in equity and cash flows of all companies then comprising the Group and the Acquired Entities, as if the corporate structure of the Group immediately after the completion of the Acquisition Transactions had been in existence throughout the years ended 31 December 2015 and 2014, or since their respective dates of acquisition, incorporation or registration, where this is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2014 was prepared to present the state of affairs of the Group and the Acquired Entities as if the corporate structure of the Group immediately after the completion of the Acquisition Transactions had been in existence and in accordance with the respective equity interests and/or the power to exercise control over the individual companies attributable to the Company as at 31 December 2014.

The operating results previously reported by the Group for the year ended 31 December 2014 have been restated to include the operating results of the Acquired Entities as set out below:

	The Group (as previously reported) HK$'000	Acquired Entities HK$'000	The Group (combined) HK$'000 (Restated)
Revenue	4,713,472	1,523,961	6,237,433
Loss before tax	130,019	199,215	329,234
Loss for the year	153,785	194,637	348,422

2.1 BASIS OF PREPARATION *(continued)*

Merger accounting for business combinations under common control *(continued)*

The financial position previously reported by the Group at 31 December 2014 has been restated to include the assets and liabilities of the Acquired Entities as set out below:

	The Group (as previously reported) HK$'000	Acquired Entities HK$'000	The Group (combined) HK$'000 (Restated)
Non-current assets	422,243	43,445	465,688
Current assets	16,723,252	27,289,786	44,013,038
Current liabilities	9,149,662	15,161,506	24,311,168
Non-current liabilities	6,545,831	10,996,556	17,542,387
Total equity	1,450,002	1,175,169	2,625,171

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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 revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010–2012 Cycle
Annual Improvements to HKFRSs 2011–2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) *The Annual Improvements to HKFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

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

(c) The *Annual Improvements to HKFRSs 2011–2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the acquisition of investment properties during the year was not a business combination and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") issued by The Stock Exchange of Hong Kong Limited relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

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.

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]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

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 upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

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

The 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 Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

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 September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

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.

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

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 Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

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 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 to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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

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

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

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated statement of 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 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 asset's 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 in those expense categories consistent with the function of the impaired 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.

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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

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

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

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

Furniture, fixtures and office equipment	$12^1/_2$% to $33^1/_3$%
Motor vehicles	10% to 25%
Leasehold improvements	Over the shorter of the lease terms or $66^2/_3$%
Buildings	$4^3/_4$%

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.

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 in accordance with the policy stated under "Property, plant and equipment and depreciation" above. 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 in finance costs for loans and in other expenses and losses for receivables.

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 to the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group 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.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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 share option schemes 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.

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:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and properties held for sale

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

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

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of 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.

Provision for properties held for sale and obsolete inventories

Management reviews the market conditions and ageing analysis of properties held for sale and inventories of the Group at the end of each reporting period, and makes provision for obsolete and slow-moving properties held for sale and inventory items identified that are no longer suitable for sale. Management estimates the net realisable value for such inventories 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.

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

Estimation uncertainty *(continued)*

Estimation of fair value of investment properties

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

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

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

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

The carrying amount of investment properties at 31 December 2015 was HK$360,807,000 (2014: HK$362,256,000). Further details, including the key assumptions used for the fair value measurement, are given in note 13 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.

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.

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

(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 resources 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 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.

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
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)*

Year ended 31 December 2014

	Distribution of information products HK$'000 (Restated)	Property development HK$'000 (Restated)	Property investment HK$'000 (Restated)	Total HK$'000 (Restated)
Segment revenue				
Sales to external customers	4,457,199	1,714,403	65,831	6,237,433
Other revenue	6,240	145,537	12,677	164,454
	4,463,439	1,859,940	78,508	6,401,887
Segment results	44,218	(284,530)	46,822	(193,490)
Reconciliation:				
Interest income				21,199
Corporate and unallocated expenses				(50,380)
Finance costs				(106,563)
Loss before tax				(329,234)
Segment assets	2,571,557	38,848,158	855,384	42,275,099
Reconciliation:				
Elimination of intersegment receivables				(1,428,718)
Corporate and other unallocated assets				3,632,345
Total assets				44,478,726
Segment liabilities	639,739	31,946,817	1,116,932	33,703,488
Reconciliation:				
Elimination of intersegment payables				(1,428,718)
Corporate and other unallocated liabilities				9,578,785
Total liabilities				41,853,555
Other segment information:				
Share of loss of an associate	7,121	–	–	7,121
Fair value gains on investment properties, net	–	–	12,893	12,893
Impairment of trade receivables	1,222	–	–	1,222
Provision against inventories	2,402	–	–	2,402
Provision against properties under development	–	–	–	–
Provision against properties held for sale	–	–	–	–
Depreciation and amortisation	1,105	20,792	354	22,251
Capital expenditure*	3,266	32,092	145,540	180,898

* 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 (2014: Nil).

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; gross proceeds from the sale of properties; 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	2015 HK$'000	2014 HK$'000 (Restated)
Revenue			
Sale of goods		4,486,784	4,457,199
Sale of properties		3,284,048	1,714,403
Gross rental income		33,454	65,831
		7,804,286	6,237,433
Other income			
Bank interest income		21,800	21,199
Other interest income		3,949	–
Government grants*		483	1,511
Others		8,808	55,094
		35,040	77,804
Gains			
Fair value gains on investment properties, net	14	–	12,893
Gain on disposal of subsidiaries	34	738,971	–
Gain on bargain purchase		–	92,257
Gain on disposal of items of property, plant and equipment, net		67	62
Foreign exchange gains, net		–	2,637
		739,038	107,849
		774,078	185,653

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

6. LOSS BEFORE TAX

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

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
Cost of inventories sold		**4,326,130**	4,259,531
Cost of properties sold		**3,126,839**	1,673,079
Provision/(reversal of provision) against inventories		**(220)**	2,402
Provision against properties under development	18	**167,371**	–
Provision against properties held for sale		**42,767**	–
Cost of sales		**7,662,887**	5,935,012
Auditors' remuneration		**2,805**	2,550
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**1,146**	1,308
Depreciation	12	**23,411**	20,667
Less: Depreciation capitalised in properties under development		**(9,670)**	(8,091)
		13,741	12,576
Amortisation of prepaid land lease payments	14	**538**	331
Amortisation of intangible assets	16	**391**	1,253
Impairment of trade receivables*	21	**16,476**	1,222
Operating lease rentals in respect of land and buildings		**41,416**	35,832
Foreign exchange losses, net*		**57,846**	–
Fair value losses on investment properties, net*		**4,722**	–
Employee benefit expense (including directors' remuneration — note 8):			
Wages and salaries		**210,612**	198,467
Pension scheme contributions**		**4,995**	3,178
Equity-settled share option expense		**6,005**	21,438
		221,612	223,083

* Impairment of trade receivables, net fair value losses on investment properties and net foreign exchange losses are included in "Other expense and losses" in the consolidated statement of profit or loss.

** At 31 December 2015, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2014: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 HK$'000	2014 HK$'000 (Restated)
Interest on bank loans and other loans	**1,259,964**	649,284
Interest on loans from subsidiaries of Peking Founder	**8,996**	10,345
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	**990,765**	1,222,413
Interest on loans from non-controlling shareholders	**32,135**	17,826
Interest on discounted bills	**24,904**	25,264
Total interest expense	**2,316,764**	1,925,132
Less: Interest capitalised	**(2,249,238)**	(1,818,569)
	67,526	106,563

* *For identification purpose only*

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to 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:

	Group	
	2015 HK$'000	2014 HK$'000
Fees	**378**	378
Other emoluments:		
Salaries, allowances and benefits in kind	**1,266**	–
Performance related bonuses	**–**	–
Equity-settled share option expense	**3,005**	10,720
Pension scheme contributions	**–**	–
	4,271	10,720
	4,649	11,098

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:

	2015 HK$'000	2014 HK$'000
Mr Li Fat Chung	126	126
Ms Wong Lam Kit Yee	126	126
Ms Cao Qian	126	126
	378	378

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

(b) Executive directors

	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	–	–	–	–	–	–
Mr Zhang Zhao Dong**	–	–	–	601	–	601
Ms Yu Li*	–	–	–	601	–	601
	–	1,266	–	3,005	–	4,271

* Ms Yu Li was removed as an executive director of the Company and Mr Wei Jun Min was appointed as an executive director of the Company with effect from 3 July 2015.

** Mr Zhang Zhao Dong resigned as an executive directors of the Company and Mr Cheung Shuen Lung was appointed as an executive director of the Company with effect from 29 October 2015.

Mr Fang Hao is also the chief executive of the Company.

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

(b) Executive directors *(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
2014						
Executive directors:						
Ms Yu Li	–	–	–	2,144	–	2,144
Mr Fang Hao	–	–	–	2,144	–	2,144
Mr Zhou Bo Qin	–	–	–	2,144	–	2,144
Mr Zhang Zhao Dong	–	–	–	2,144	–	2,144
Mr Xie Ke Hai	–	–	–	2,144	–	2,144
Mr Zheng Fu Shuang	–	–	–	–	–	–
	–	–	–	10,720	–	10,720

9. FIVE HIGHEST PAID EMPLOYEES

No director (2014: three) was included in the five highest paid employees during the year, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the five (2014: two) non-director highest paid employees who are neither a director nor chief executive of the company are as follows:

	2015 HK$'000	2014 HK$'000
Salaries, allowances and benefits in kind	**5,501**	1,344
Performance related bonuses	**8,758**	2,262
Equity-settled share option expense	**601**	4,288
Pension scheme contributions	**149**	67
	15,009	7,961

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	
	2015	2014
HK$2,000,001 to HK$3,000,000	**3**	–
HK$3,000,001 to HK$4,000,000	**1**	1
HK$4,000,001 to HK$5,000,000	**1**	1
	5	2

In a prior year, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures 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 non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

	Group	
	2015 HK$'000	2014 HK$'000 (Restated)
Current — Hong Kong		
Charge for the year	**2**	–
Overprovision in prior years	**(19)**	–
Current — Mainland China		
Charge for the year	**251,859**	29,523
Underprovision in prior years	**–**	1,188
PRC land appreciation tax	**29,278**	6,952
	281,120	37,663
Deferred (note 29)	**(15,398)**	(18,475)
Total tax charge for the year	**265,722**	19,188

10. INCOME TAX *(continued)*

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made in 2014 as the Group did not generate any assessable profits arising in Hong Kong in 2014.

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2014: 25%) on the taxable profits of the Group's PRC subsidiaries.

PRC land appreciation tax ("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:

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)
Adjustment 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)

10. INCOME TAX *(continued)*

2014

	Hong Kong		Mainland China		Total	
	HK$'000 (Restated)	% (Restated)	HK$'000 (Restated)	% (Restated)	HK$'000 (Restated)	% (Restated)
Profit/(loss) before tax	39,946		(369,180)		(329,234)	
Tax at the statutory tax rate	6,591	16.5	(92,295)	25.0	(85,704)	26.0
Loss attributable to an associate	1,175	2.9	–	–	1,175	(0.4)
Income not subject to tax	(17,519)	(43.8)	(3,732)	0.9	(21,251)	6.6
Expenses not deductible for tax	7,072	17.7	34,469	(9.3)	41,541	(12.6)
Tax losses utilised from the previous periods	–	–	(19,673)	5.3	(19,673)	6.0
Tax losses not recognised	2,880	7.2	88,299	(23.9)	91,179	(27.7)
Temporary differences not recognised	(199)	(0.5)	5,718	(1.5)	5,519	(1.7)
Adjustment in respect of current tax of previous periods	–	–	1,188	(0.3)	1,188	(0.4)
LAT	–	–	6,952	(1.9)	6,952	(2.1)
Tax effect of LAT	–	–	(1,738)	0.5	(1,738)	0.5
Tax charge at the Group's effective rate	–	–	19,188	(5.2)	19,188	(5.8)

The share of tax credit attributable to an associate amounting to approximately HK$7,000 (2014: share of tax expense of HK$694,000) 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$237,695,000 (2014: HK$215,245,000 (restated)), and the weighted average number of ordinary shares of 5,978,527,514 (2014: 2,401,887,882) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2015 and 2014 in respect of a dilution because the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2015						
At 31 December 2014 and 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

All of the Group's buildings are situated in Mainland China.

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

	Furniture fixtures and office equipment HK$'000 (Restated)	Motor vehicles HK$'000 (Restated)	Leasehold improvements HK$'000 (Restated)	Total HK$'000 (Restated)
31 December 2014				
At 31 January 2014:				
Cost	24,185	37,503	13,749	75,437
Accumulated depreciation	(10,596)	(10,799)	(3,405)	(24,800)
Net carrying amount	13,589	26,704	10,344	50,637
At 1 January 2014, net of accumulated depreciation	13,589	26,704	10,344	50,637
Additions	8,354	13,315	12,615	34,284
Acquisition of a subsidiary	1,994	3,421	1,628	7,043
Disposals	(437)	(289)	–	(726)
Depreciation provided during the year	(5,310)	(8,578)	(6,779)	(20,667)
Exchange realignment	(382)	(820)	(387)	(1,589)
At 31 December 2014, net of accumulated depreciation	17,808	33,753	17,421	68,982
At 31 December 2014:				
Cost	30,081	55,323	28,647	114,051
Accumulated depreciation	(12,273)	(21,570)	(11,226)	(45,069)
Net carrying amount	17,808	33,753	17,421	68,982

13. INVESTMENT PROPERTIES

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January	**362,256**	209,180
Addition	–	145,536
Transfer from properties held for sale (note 18)	**15,107**	–
Net gain/(loss) from a fair value adjustment (notes 5 and 6)	**(4,722)**	12,893
Exchange realignment	**(11,834)**	(5,353)
Carrying amount at 31 December	**360,807**	362,256

The Group's investment properties consist of various residential and commercial properties. The Group's investment properties were revalued on 31 December 2015 based on valuations performed by LCH (Asia-Pacific) Surveyors Limited, independent professionally qualified valuers, at HK$360,807,000.

As at 31 December 2015, one of the Group's investment properties with a carrying amount of approximately HK$210,630,000 (2014: Nil) was pledged to a financial institute to secure loans granted to the Group (note 27).

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 page 138.

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 2015 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	–	–	**359,450**	**359,450**
Residential properties	–	–	**1,357**	**1,357**
	–	–	**360,807**	**360,807**

13. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

	Fair value measurement as at 31 December 2014 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	–	–	361,483	361,483
Residential properties	–	–	773	773
	–	–	362,256	362,256

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 (2014: 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 2014	208,477	703
Addition	145,536	–
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	12,805	88
Exchange realignment	(5,335)	(18)
Carrying amount at 31 December 2014 and 1 January 2015	361,483	773
Transfer from properties held for sale	15,107	–
Net gain/(loss) from a fair value adjustment recognised in other expenses and losses in profit or loss	(5,373)	651
Exchange realignment	(11,767)	(67)
Carrying amount at 31 December 2015	359,450	1,357

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	
			2015	2014
Residential properties	Market approach	Adjustment on market unit price (per sq.m.)	**-15% to -23%**	-13% to -17%
Commercial properties	Income approach	Adjustment on market rental (per sq.m. and per month)	**-5.0% to -25.0%**	-12.6% to -32.8%
		Adopted yield	**5.0% to 6.0%**	5.5%
	Market approach	Adjustment on market unit price (per sq.m.)	**23.9% to 31.1%**	23.2% to 49.9%

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 comparables against the subject property.

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

A significant increase (decrease) in the unit prices of comparable 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 comparables in terms of location, size, age and the listing nature of the comparables. 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 comparables.

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

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January	**10,880**	11,717
Transfer from properties under development (note 18)	**5,330**	–
Recognised during the year	**(538)**	(331)
Exchange realignment	**(513)**	(506)
Carrying amount at 31 December	**15,159**	10,880
Current portion included in prepayments, deposits and other receivables	**538**	331
Non-current portion	**14,621**	10,549

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

15. GOODWILL

	2015 HK$'000	2014 HK$'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 product cash-generating unit, which was fully impaired in the prior year.

16. OTHER INTANGIBLE ASSETS

	Computer software HK$'000
31 December 2015	
Cost at 1 January 2015, net of accumulated amortisation (restated)	**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**
31 December 2014	
At 1 January 2014:	
Cost (restated)	341
Accumulated amortisation (restated)	(62)
Net carrying amount (restated)	279
Cost at 1 January 2014, net of accumulated amortisation	279
Additions (restated)	1,078
Acquisition of a subsidiary	1,052
Amortisation provided during the year (restated)	(1,253)
Exchange realignment	(18)
At 31 December 2014 (restated)	1,138
At 31 December 2014:	
Cost (restated)	3,894
Accumulated amortisation (restated)	(2,756)
Net carrying amount (restated)	1,138

17. INVESTMENT IN AN ASSOCIATE

	2015 HK$'000	2014 HK$'000
Share of net assets	**19,488**	22,763

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 Group's associate is not material to the Group.

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

	2015 HK$'000	2014 HK$'000
Share of the associate's loss and total comprehensive loss for the year	**3,275**	7,121
Carrying amount of the Group's investment in an associate	**19,488**	22,763

18. PROPERTIES UNDER DEVELOPMENT

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
Carrying amount at 1 January		**30,564,739**	18,676,521
Acquisition of a subsidiary		**–**	4,090,001
Additions		**9,974,740**	9,158,180
Transfer to investment properties	13	**(15,107)**	–
Transfer to properties held for sale		**(3,680,178)**	(790,355)
Transfer to prepaid land lease payments	14	**(5,330)**	–
Transfer to property, plant and equipment	12	**(45,096)**	–
Disposal of subsidiaries	34	**(1,540,974)**	–
Impairment	6	**(167,371)**	–
Exchange realignment		**(1,642,211)**	(569,608)
Carrying amount at 31 December		**33,443,212**	30,564,739

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

As at 31 December 2015, certain of the Group's properties under development with an aggregate carrying amount of approximately HK$12,913,109,000 (2014: HK$854,415,000 (restated)) were pledged to banks and financial institutes 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 2015, certain of the Group's properties held for sale with an aggregate carrying amount of approximately HK$12,017,000 (2014: Nil) were pledged to banks and financial institutes to secure loans granted to the Group (note 27).

20. INVENTORIES

	2015 HK$'000	2014 HK$'000
Trading stocks	**323,585**	338,748

21. TRADE AND BILLS RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade and bills receivables	**851,969**	1,090,822
Impairment	**(25,113)**	(11,662)
	826,856	1,079,160

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:

	2015 HK$'000	2014 HK$'000
Within 6 months	**807,005**	1,057,531
7 to 12 months	**19,009**	10,505
13 to 24 months	**842**	11,124
	826,856	1,079,160

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

	2015 HK$'000	2014 HK$'000
At 1 January	**11,662**	12,115
Impairment losses recognised (note 6)	**16,476**	1,222
Amount written off as uncollectible	**(1,830)**	(1,373)
Exchange realignment	**(1,195)**	(302)
At 31 December	**25,113**	11,662

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$25,113,000 (2014: HK$11,662,000) with a carrying amount before provision of HK$43,147,000 (2014: HK$83,038,000). 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:

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	758,815	941,162
Past due but not impaired:		
Less than 1 month past due	20,935	34,133
1 to 3 months past due	26,776	28,947
Over 3 months past due	2,296	3,542
	808,822	1,007,784

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 2015, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of HK$13,086,000 (2014: HK$361,243,000) to certain of its suppliers in order to settle the trade payables due to such 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$13,086,000 as at 31 December 2015 (2014: HK$361,243,000).

21. TRADE AND BILLS RECEIVABLES *(continued)*

Financial assets that are derecognised in their entirety

At 31 December 2015, 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$426,739,000 (2014: HK$29,341,000). 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.

As at 31 December 2015, the Group's bills receivable with an aggregate carrying amount of approximately HK$53,404,000 (2014: HK$32,784,000) 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 an intermediate holding company and fellow subsidiaries of approximately HK$10,567,000 (2014: HK$357,502,000) and HK$8,955,000 (2014: HK$254,526,000), respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000 (Restated)
Prepayments	**761,013**	582,079
Deposits	**535,322**	234,426
Other receivables	**377,620**	4,235,785
	1,673,955	5,052,290

Included in the Group's other receivables are amounts due from the ultimate holding company amounting to HK$168,914,000 (2014: HK$572,175,000 (restated)) which are unsecured, interest-free and have no fixed terms of repayment.

23. RESTRICTED CASH

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

24. CASH AND CASH EQUIVALENTS

	2015 **HK$'000**	2014 HK$'000 (Restated)
Cash and bank balances	**1,838,246**	1,514,269
Time deposits	**–**	2,902,601
Cash and cash equivalents	**1,838,246**	4,416,870

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to approximately HK$1,464,581,000 (2014: HK$3,473,476,000 (restated)). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods from one to six months depending on the immediate cash requirement of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2015, included in the Group's cash and cash equivalents were cash and bank balances of HK$134,167,000 (2014: HK$123,282,000) placed with PKU Founder Group Finance Co., Ltd. ("Founder Finance"), a financial institution approved by The People's Bank of China (the "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

	2015 **HK$'000**	2014 HK$'000 (Restated)
Trade payables	**3,386,178**	4,629,391
Bills payable	**516,359**	558,212
	3,902,537	5,187,603

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:

	2015 HK$'000	2014 HK$'000 (Restated)
Within 6 months	3,898,582	4,967,629
Over 6 months	3,955	219,974
	3,902,537	5,187,603

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

At 31 December 2015, certain of the Group's bills payable amounting to HK$89,208,000 (2014: HK$59,392,000) were secured by the pledge of the Group's bills receivable amounting to HK$53,404,000 (2014: HK$32,784,000) (note 21).

Included in the Group's trade and bills payables are amounts due to fellow subsidiaries of approximately HK$52,695,000 (2014: HK$218,671,000), which are repayable on credit terms similar to those offered by other similar suppliers of the Group.

26. OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000 (Restated)
Other payables	4,957,063	4,899,613
Accruals	82,689	46,466
Receipt in advance	9,235,115	6,566,498
Deferred income	8,805	–
	14,283,672	11,512,577

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 ultimate holding company amounting to HK$1,163,356,000 (2014: HK$630,036,000 (restated)) which are unsecured, interest-free and have no fixed terms of repayment.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2015			2014		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000 (Restated)
Current						
Bank loans — secured	5.4-8.0	2016	660,500	5.4–8.8	2015	331,428
Bank loans — unsecured	4.5-6.5	2016	324,500	5.9–6.6	2015	1,577,426
Trust receipt loans — unsecured	–	–	–	2.0–2.7	2015	49,068
Other loans — secured*	–	–	–	7.9–11.3	2015	2,186,963
Other loans — secured#	9.8	2016	236,000	–	–	–
Other loans — unsecured*	9.1-12.0	2016	767,000	5.5–12.0	2015	2,393,897
Other loans — unsecured^	9.3	2016	165,200	–	–	–
Other loans — unsecured#	5.6-12.0	2016	1,609,108	6.2–11.5	2015	1,004,497
			3,762,308			7,543,279
Non-current						
Bank loans — secured	6.2–9.3	2017–2018	1,022,769	8.0–11.5	2016	814,607
Other loans — secured*	10.6	2017	587,050	–	–	–
Other loans — secured#	8.2–10.0	2017–2018	9,353,919	8.2–11.6	2016-2017	5,954,425
Other loans — unsecured*	8.6–12.0	2017–2018	6,892,408	10.4–12.0	2016-2017	2,791,580
Other loans — unsecured#	9.7–9.9	2017	1,003,000	10.1–13.0	2016	7,529,028
			18,859,146			17,089,641
			22,621,454			24,632,920

* The balances represent loans from PKU Resources.

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

The balances represent borrowings from financial institutes.

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

	2015 HK$'000	2014 HK$'000 (Restated)
Analysed into:		
Bank loans repayable:		
Within one year	**985,000**	1,957,922
In the second year	**550,769**	814,608
In the third year	**472,000**	–
	2,007,769	2,772,530
Other loans repayable:		
Within one year	**2,777,308**	5,585,356
In the second year	**14,166,480**	15,606,528
In the third year	**3,669,897**	668,506
	20,498,635	21,860,390
	22,621,454	24,632,920

Notes:

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

(a) the pledge of one of the Group's investment properties amounting to HK$210,630,000 (2014: Nil);

(b) the pledge of one of the Group's properties under development amounting to HK$12,913,109,000 (2014: HK$854,415,000 (restated));

(c) the pledge of one of the Group's properties held for sale amounting to HK$12,017,000 (2014: Nil); and

(d) the pledge of certain of the Group's bank deposits amounting to HK$23,600,000 (2014: HK$120,909,000 (restated)).

In addition, Peking Founder and PKU Resources have provided corporate guarantees for loans amounting to HK$4,093,196,000 (2014: HK$3,026,095,000) and HK$859,040,000 (2014: HK$1,371,700,000), respectively, which were utilised to the extent of approximately HK$4,093,196,000 (2014: HK$3,026,095,000) and HK$859,040,000 (2014: HK$1,371,700,000).

(b) As at 31 December 2015, all borrowings were denominated in RMB (2014: all except for the trust receipt loans of HK$49,068,000 which were denominated in USD).

28. LONG TERM PAYABLE

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

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 2014 (restated)	5,431	12,411	204,741	222,583
Acquisitions of a subsidiary (restated)	–	–	72,189	72,189
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10) (restated)	3,169	1,724	(23,368)	(18,475)
Exchange realignment (restated)	(136)	(339)	(5,122)	(5,597)
At 31 December 2014 and 1 January 2015 (restated)	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	7,656	14,716	219,972	242,344

The Group has tax losses arising in Hong Kong of HK$142,527,000 (2014: HK$114,855,000 (restated)) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in Mainland China of HK$1,073,247,000 (2014: HK$775,774,000 (restated)) that will expire in one to five years for offsetting against future taxable profits.

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

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

29. DEFERRED TAX *(continued)*

At 31 December 2015, 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$686,328,000 at 31 December 2015 (2014: HK$144,077,000 (restated)).

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

30. SHARE CAPITAL

Shares

	2015 HK$'000	2014 HK$'000
Authorised:		
15,000,000,000 (2014: 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 (2014: 2,440,026,518) ordinary shares of HK$0.10 each	**598,825**	244,003

Pursuant to an ordinary resolution passed on 18 December 2014, the authorised share capital of the Company was increased from HK$300,000,000 to HK$1,500,000,000 by the creation of 1,200,000,000 additional shares of HK$0.10 each, ranking pari passu in all respects with the existing shares of the Company.

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 2014	2,397,970,318	239,797	654,341	894,138
Share options exercised (a)	42,056,200	4,206	12,163	16,369
At 31 December 2014 and 1 January 2015	2,440,026,518	244,003	666,504	910,507
Issue of new shares (b)	2,093,846,153	209,385	1,151,615	1,361,000
Placing of new shares (c)	1,454,376,000	145,437	799,907	945,344
Share issue expenses	–	–	(18,025)	(18,025)
At 31 December 2015	5,988,248,671	598,825	2,600,001	3,198,826

30. SHARE CAPITAL *(continued)*

Notes:

(a) During the year ended 31 December 2014, the subscription rights attaching to 42,056,200 share options were exercised at the subscription price of HK$0.281 per share (note 31), resulting in the issue of 42,056,200 shares for a total cash consideration, before expenses, of HK$11,818,000. An amount of HK$4,551,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(b) 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, further details of which are set out in note 1 to the financial statements.

(c) 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$954,344,000.

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.

31. SHARE OPTION SCHEME *(continued)*

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

The exercise price of the share options is determinable by the directors, but should be the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of 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:

	2015		2014	
	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**	**163,397**	0.781	205,453*
Exercised during the year	**–**	**–**	0.281	(42,056)*
Lapsed during the year	**0.910**	**(16,340)**	–	–
At 31 December	**0.910**	**147,057**	0.910	163,397

* The amount included 42,056,000 share options issued under the share option scheme previously adopted by the Company on 24 May 2002, all of which have been exercised by 31 December 2014.

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2014 was HK$0.69 per share.

31. SHARE OPTION SCHEME *(continued)*

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period 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**

2014

Number of options '000	Exercise price HK$ per share (Note 1)	Exercise period (Notes 2 and 3)
163,397	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) 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.

The fair value of the share options at the date of grant was HK$44,962,000 (HK$0.275 each), of which the Group recognised a share option expense of HK$6,005,000 (2014: HK$21,438,000) during the year.

The fair value of equity-settled share options granted during the year ended 31 December 2013 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0
Expected volatility (%)	50
Historical volatility (%)	50
Risk-free interest rate (%)	0.35
Exercise multiple	3

31. SHARE OPTION SCHEMES *(continued)*

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had an aggregate of 147,057,000 share options outstanding under the Scheme. The exercise in full of the remaining share options under the Scheme would, under the present capital structure of the Company, result in the issue of 147,057,000 additional ordinary shares of the Company and additional share capital of approximately HK$14,706,000 and share premium of approximately HK$119,116,000 (before issue expenses).

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 pages 58 to 59 of the financial statements.

The employee share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in note 2.4 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 Kunshan Hi-Tech, a subsidiary of the Group, which has material non-controlling interests are set out below:

	2015	2014
Percentage of equity interest held by non-controlling interests	51%	51%

	2015 HK$'000	2014 HK$'000
Profit/(loss) for the year allocated to non-controlling interests	21,174	(9,043)
Accumulated balances of non-controlling interests at the reporting dates	293,405	289,426

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

	2015 HK$'000	2014 HK$'000
Revenue	770,461	201,526
Total expenses	(727,249)	(219,982)
Profit/(loss) and total comprehensive income/(loss) for the year	43,212	(18,456)
Current assets	1,989,542	2,325,900
Non-current assets	51,303	2,207
Current liabilities	(881,592)	(1,369,960)
Non-current liabilities	(560,468)	(367,482)
Net cash flows from/(used in) operating activities	75,618	(295,424)
Net cash flows used in investing activities	(29,323)	(19,202)
Net cash flows from financing activities	89,751	203,332
Net increase/(decrease) in cash and cash equivalents	136,046	(111,294)

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

(a) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2015 HK$'000	2014 HK$'000
Guarantees given to suppliers in connection with credit facilities granted to a subsidiary	–	24,940

(b) As at 31 December 2015, 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$4,090,372,000 (2014: HK$1,359,885,000 (restated)). This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible 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 interests and penalties and therefore no provision has been made for the guarantees in the consolidated financial statements as at 31 December 2015 (2014: Nil).

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15 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:

	2015 HK$'000	2014 HK$'000
Within one year	**9,491**	44,626
In the second to fifth years, inclusive	**46,980**	13,882
After five years	**26,153**	–
	82,624	58,508

(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:

	2015 HK$'000	2014 HK$'000 (Restated)
Within one year	**11,960**	46,808
In the second to fifth years, inclusive	**9,610**	80,750
	21,570	127,558

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:

	2015 HK$'000	2014 HK$'000 (Restated)
Contracted, but not provided for:		
Properties under development	**6,129,375**	2,605,037

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	2015 HK$'000	2014 HK$'000
Transactions with fellow subsidiaries:			
Sales of goods*	(i)	**313,926**	449,901
Purchases of goods**	(i)	**37,374**	161,810
Service fee income*	(i)	**6,567**	–
Rental income*	(i)	**17,764**	26,931
Service fee expenses*	(i)	**75,156**	4,952
Interest income	(ii)	**306**	368
Interest expenses	(iii)	**990,765**	1,222,413
Transactions with intermediate holding company:			
Sales of goods*	(i)	**247**	761

* These related party transactions also constituted 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 rates ranging from 0.455% to 1.455% per annum.

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

38. RELATED PARTY TRANSACTIONS *(continued)*

Transactions and commitments with related parties *(continued)*

(b) On 7 January 2015, Kunshan Hi-Tech entered into an entrusted loan master agreement with PKU Resources pursuant to which PKU Resources agreed to provide an one-year term loan of HK$342,200,000 through a financial institution to Kunshan Hi-Tech which bear interests at an interest rate of 12% per annum.

(c) On 8 May 2015, Qingdao Boya entered into an entrusted loan master agreement with PKU Resources pursuant to which PKU Resources agreed to provide a two-year term loan of HK$418,334,000 through a financial institution to Qingdao Boya which bear interests at the interest rate of 10.4% per annum.

(d) On 11 May 2015, Chengdu Hangmei entered into an entrusted loan master agreement with PKU Resources pursuant to which PKU Resources agreed to provide a two-year term loan of HK$413,000,000 through a financial institution to Chengdu Hangmei which bear interests at an interest rate of 10.4% per annum.

(e) On 22 May 2015, Chongqing Yingpu entered into an entrusted loan master agreement with PKU Resources pursuant to which PKU Resources agreed to provide an one-year term loan of HK$590,000,000 through a financial institution to Chongqing Yingpu which bear interests at an interest rate of 10% per annum.

Compensation of key management personnel of the Group

	2015 **HK$'000**	2014 HK$'000
Short term employee benefits	**378**	378
Salaries, allowances and benefits in kind	**1,266**	–
Equity-settled share option expense	**3,005**	10,720
Post-employment benefits	**–**	–
Total compensation paid to key management personnel	**4,649**	11,098

Further details of directors' 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:

	2015 HK$'000	2014 HK$'000 (Restated)
Financial assets — Loans and receivables		
Trade and bills receivables	826,856	1,079,160
Financial assets included in prepayments, deposits and other receivables	912,942	4,470,211
Restricted cash	1,210,154	1,545,793
Cash and cash equivalents	1,838,246	4,416,870
	4,788,198	11,512,034
Financial liabilities — Financial liabilities at amortised cost		
Trade and bills payables	3,902,537	5,187,603
Financial liabilities included in other payables and accruals	4,957,063	4,899,613
Interest-bearing bank and other borrowings	22,621,454	24,632,920
Long term payable	177,699	182,046
	31,658,753	34,902,182

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values 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	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000 (Restated)**	2014 HK$'000 (Restated)
Financial liability				
Long term payable	**177,699**	182,046	**169,641**	172,392

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 the current portion of 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 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 long term payable as at 31 December 2015 was assessed to be insignificant.

Fair value hierarchy

The Group did not have any financial assets and liabilities measured at fair value as at 31 December 2015 (2014: Nil).

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 loss before tax (through the impact on floating rate borrowings).

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

	Increase/ (decrease) in basis points	Decrease/ (increase) in loss before tax HK$'000 (Restated)
2014		
HKD	100	(3,595)
HKD	(100)	3,595

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:

	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 other 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

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

Liquidity risk *(continued)*

	2014		
	Within 1 year HK$'000 (Restated)	Over 1 year HK$'000 (Restated)	Total HK$'000 (Restated)
Trade and bills payables	5,187,603	–	5,187,603
Financial liabilities included in other payables and accruals	4,899,613	–	4,899,613
Interest-bearing bank and other borrowings	8,314,754	17,652,922	25,967,676
Long term payable	–	182,046	182,046
	18,401,970	17,834,968	36,236,938

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 2015 and 31 December 2014.

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:

	2015 HK$'000	2014 HK$'000 (Restated)
Interest-bearing bank and other borrowings	**22,621,454**	24,632,920
Total equity attributable to owners of the parent	**2,239,432**	1,709,244
Debt to equity ratio	**10.10**	14.41

42. COMPARATIVE AMOUNTS

As further explained in note 1 to the financial statements, due to the acquisition of subsidiaries under common control during the year, certain comparative amounts have been restated.

43. 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:

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**2,406,423**	1,221,584
Total non-current assets	**2,406,423**	1,221,584
CURRENT ASSETS		
Prepayments, deposits and other receivables	**891,448**	740
Cash and cash equivalents	**38,377**	24,745
Total current assets	**929,825**	25,485
CURRENT LIABILITIES		
Other payables and accruals	**10,400**	12,879
Total current liabilities	**10,400**	12,879
NET CURRENT ASSETS	**919,425**	12,606
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,325,848**	1,234,190
NON-CURRENT LIABILITY		
Long term payable	**177,699**	182,046
Net assets	**3,148,149**	1,052,144
EQUITY		
Issued capital	**598,825**	244,003
Reserves	**2,549,324**	808,141
Total equity	**3,148,149**	1,052,144

43. 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 2014		654,341	22,070	528,980	132,108	(508,186)	829,313
Total comprehensive loss for the year		–	–	–	–	(50,222)	(50,222)
Issue of shares	30	12,163	(4,551)	–	–	–	7,612
Equity-settled share option arrangements	31	–	21,438	–	–	–	21,438
At 31 December 2014 and at 1 January 2015		**666,504**	**38,957**	**528,980**	**132,108**	**(558,408)**	**808,141**
Total comprehensive loss for the year		**–**	**–**	**–**	**–**	**(198,318)**	**(198,318)**
Issue of shares	30	**1,933,497**	**–**	**–**	**–**	**–**	**1,933,497**
Equity-settled share option arrangements	31	**–**	**6,006**	**–**	**–**	**–**	**6,006**
At 31 December 2015		**2,600,001**	**44,963**	**528,980**	**132,108**	**(756,726)**	**2,549,326**

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.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2016.

Particulars of Investment Properties

31 December 2015

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 Lot No. B062416250-1 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 for kindergarten located at northern part of Jin Zhou Avenue Beibu New District Chongqing City Sichuan Provision The PRC	Commercial	Medium term lease	70

Five Year Financial Summary

31 December 2015

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 and restated as a result of the common control business combination as detail in note 2.1 to the financial statements as appropriate, is set out below.

RESULTS

	Year ended 31 December				
	2015 HK$'000	2014 HK$'000 (Restated)	2013 HK$'000 (Restated)	2012 HK$'000 (Restated)	2011 HK$'000 (Restated)
REVENUE	**7,804,286**	6,237,433	3,028,185	2,724,229	5,400,140
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**(237,695)**	(215,245)	(53,182)	(103,633)	(14,135)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2015 HK$'000	2014 HK$'000 (Restated)	2013 HK$'000 (Restated)	2012 HK$'000 (Restated)	2011 HK$'000 (Restated)
TOTAL ASSETS	**43,850,474**	44,478,726	21,909,884	5,390,971	2,414,950
TOTAL LIABILITIES	**(41,385,744)**	(41,853,555)	(20,297,539)	(4,842,217)	(1,818,758)
NON-CONTROLLING INTERESTS	**(225,298)**	(915,927)	(352,465)	(13,391)	(21,713)
	2,239,432	1,709,244	1,259,880	535,363	574,479

Financial Highlights

31 December 2015

	2015 HK$'million	2014 (Restated) HK$'million	+/(-) Change
FINANCIAL PERFORMANCE			
Revenue	**7,804**	6,237	25.1%
Gross profit margin (%)	**1.8%**	4.8%	
Loss attributable to owners of the parent	**(238)**	(215)	10.4%
KEY FINANCIAL INDICATORS			
Cash and cash equivalents	**1,838**	4,417	(58.4%)
Net current assets	**21,251**	19,702	(7.9%)
Total assets	**43,850**	44,479	(1.4%)
Total liabilities	**41,386**	41,854	(1.1%)
Interest-bearing bank and other borrowings	**22,621**	24,633	(8.2%)
Equity attributable to owners of the parent	**2,239**	1,709	31.0%
Current ratio (times)	**1.96**	1.81	
Gearing ratio	**9.2**	9.4	
Basic loss per share (HK cents)	**(3.98)**	(8.96)	

北大资源
PKU RESOURCES