北大资源
PKU RESOURCES

Peking University Resources (Holdings) Company Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 00618

ANNUAL REPORT **2013**

Contents

Corporate Information

BOARD OF DIRECTORS

Executive directors
Ms Yu Li *(Chairwoman)*
Mr Fang Hao *(President)*
Mr Zhou Bo Qin
Mr Zhang Zhao Dong
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 Li Fat Chung *(Chairman)*
Ms Wong Lam Kit Yee
Ms Cao Qian

Remuneration Committee
Mr Li Fat Chung *(Chairman)*
Ms Yu Li
Ms Wong Lam Kit Yee

Nomination Committee
Ms Yu Li *(Chairwoman)*
Ms Wong Lam Kit Yee
Ms Cao Qian

COMPANY SECRETARY
Ms Tang Yuk Bo, Yvonne

AUTHORISED REPRESENTATIVES
Ms Yu Li
Mr Fang Hao

AUDITORS
Ernst & Young
Certified Public Accountants

LEGAL ADVISERS
Jun He Law Offices
DLA Piper Hong Kong

PRINCIPAL BANKERS
Bank of Beijing
China Everbright Bank
China Merchants Bank
DBS Bank (Hong Kong) Limited
Hang Seng Bank 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
Unit 1408, 14th Floor
Cable TV Tower
9 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

PUBLIC RELATIONS
Strategic Financial Relations (China) Limited

SHARE REGISTRARS AND TRANSFER OFFICE

Principal registrars
MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
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

Financial Highlights

Year	2013	2012	2011	2010	2009
Turnover *(HK$' million)*	3,028	2,724	5,400	4,649	3,813
Net profit/(loss) attributable to owners of the parent *(HK$' million)*	60	(25)	(8)	16	33
Total assets *(HK$' million)*	5,793	1,345	1,922	2,130	1,451
Total liabilities *(HK$' million)*	4,261	1,025	1,583	1,782	1,130
Net assets attributable to owners of the parent *(HK$' million)*	1,176	320	339	348	321
Net assets per share *(HK$)*	0.49	0.29	0.31	0.31	0.29
Current ratio	1.63	1.28	1.19	1.17	1.24
Earnings/(loss) per share – basic *(HK cents)*	3.51	(2.24)	(0.76)	1.43	3.01

Company Profile

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 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"). In addition, the Company has also obtained the entrusted rights of operation of Founder International Building located in Zhongguancun of Beijing. In May 2013, the Company has secured a land bid at a consideration of RMB453.2 million for a land parcel in Yuelu District of Changsha City, Hunan Province for residential and commercial use and another at a consideration of RMB452.6 million in Laoshan District of Qingdao City, Shandong Province for commercial and financial use in October. While further enhancing the competitiveness of its distribution business of information products ("Distribution Business") in the domestic market, the Company has been actively diversifying its business, entering into the area of property development and commercial property management.

Peking Founder, the substantial shareholder of the Company, was established in 1986 by Peking University. 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. Peking Founder has possessed and created core technologies crucial for the development of China's IT and healthcare & pharmaceutical industries and has attracted international investment from a number of parties, with its business encompassing IT, healthcare & pharmaceuticals, property, finance, bulk-commodity trading, etc. Peking Founder has also created one of the classic models of the concept of innovation within China.

MISSION

A deep and abiding concern for the arts and humanities and integrating resources in order to bring culture into the activities of urban communities and enhance the well-being of citizens.

VISION

The Group will strive to become the pioneer of introducing distinctive urban operation development in China.

Milestones

September 2000	Through Founder (Hong Kong) Limited (Currently name as Founder Holdings Limited, HKEx stock code: 00418), Peking Founder successfully acquired 39.6% equity interest of Management Investment & Technology (Holdings) Limited. Together with the 10.4% equity interest held by the management, it has become the controlling shareholder of the Company
November 2000	The Company name was changed to EC-Founder (Holdings) Company Limited
January 2013	Acquired subsidiaries engaged in two property development projects in Hubei Ezhou and Jiangsu Kunshan, as well as an office building project in Wuhan from the subsidiary of Peking Founder
May 2013	Secured a bid at a consideration of RMB453 million for a land parcel for commercial and residential use in Yuelu District of Changsha City, Hunan Province which occupies a GFA of 99,077 sq.m.
October 2013	Secured a bid at a consideration of RMB453 million for a land parcel for commercial and financial use in Laoshan District of Qingdao City, Shandong Province which occupies a GFA of 103,659 sq.m.
November 2013	The Company name was changed to Peking University Resources (Holdings) Company Limited
December 2013	Successfully raised approximately HK$260.0 million through a share placing at a price of HK$0.80 per share, which further strengthened its capital resources in expanding the property business
February 2014	Secured a bid for two land parcels in Tianjin at a consideration of RMB647 million for residential use and commercial and residential use respectively
March 2014	Achieved a business turnaround in the annual results in 2013 since the implementation of its business diversification strategy

Chairwoman's Statement

SUCCEEDS IN CONVEYING THE INNOVATIVE SPIRIT OF PEKING UNIVERSITY

Believes in the positive potential of culture

Our products have been created and inspired by the concept of a "new cultural community", in which humane values are taken into account in planning and development, demonstrating the knowledge and culture of a historical university and tapping into the abundant medical and healthcare resources available in every corner of our communities. PKU Resources is committed to fulfilling our responsibility to society and realising our dream to go beyond tradition and achieve genuine innovation. By introducing new concepts, products and standards, we can better serve the community where we work and live and promote the well-being of people everywhere.

"Step by step, we can journey more than a thousand miles." The year 2013 marked a major step forward as a time of transformation for the Group. To expand our income sources and achieve stable growth in the future, the Group has implemented diverse business development strategies and decided to enter the property market by leveraging our synergies with Peking Founder, our substantial shareholder. In the past year, the Group managed to take a big step forward into the development of its property business, and laid a solid foundation for its future progress through acquiring quality assets.

During the year, the Group has also completed the restructuring of the Board of Directors while infusing it with a new management philosophy and confirming its development direction and operational strategies. This milestone has been reflected in our renaming as "Peking University Resources (Holdings) Company Limited" to more appropriately convey our new corporate image based on diversified business strategies.

On behalf of the Board of Directors, I am pleased to present the annual results of the Company for the year ended 31 December 2013 ("Year under review"). I would also like to take this opportunity to thank for your unwavering support to the Company in the past year.

Yu Li
Chairwoman
27 March 2014

President's Statement

In 2013, the Group achieved a business turnaround and recorded profit attributable to shareholders of HK$59.8 million with basic earnings per share of HK3.51 cents. This success was assisted by the acquisition of subsidiaries engaged in the business of property development and property investment from the subsidiary of Peking Founder at a competitive price, so the Company recorded a gain on bargain purchase of HK$128.6 million, and the turnaround in the Distribution Business which also provided a considerable profit contribution for the Group.

During the Year under review, the Chinese economy remained strong, and the new government administration confirmed an economic structural adjustment and the speeded up the pace of reform, which provided a sound foundation for macro-economic growth. While the global economy was only modestly expanding, the Chinese economy recorded relatively stable growth with 7.7% GDP in 2013. This favorable backdrop has boosted the rigid demand for property and created a fertile market environment for the local property market.

Although the Group's property projects are still in the development stage and no profit and revenue contribution was recorded during the Year under review, the construction and sales of projects on hand are nonetheless progressing well. The first batch of high-rise apartments and villas of Li Cheng project in Kunshan City have been pre-sold in December 2013. The remaining part is also progressing well, and is to be launched this year, and should generate a strong cash flow for the Group.

Riding this strong momentum, to counter the keen competition from other developers, a unique property brand is our biggest asset. We believe that what the market needs is not just a house, but a community service which is the key to improve the living quality and lifestyle of residents and satisfying the need for adding value in step with the progress of society. Established by Peking University, PKU Resources leverages the successful experience, distinguished culture, and academic achievement of both Peking University and Peking Founder and positions itself as an integrated urban developer In this role, PKU Resources can most effectively allocate and consolidate internal and external resources on education, IT infrastructure and applications, healthcare and finance with the aim to improve quality of life. This is aimed at increasing the value of the community as the advances of this centennial university in these fields can be transmitted to every corner of our communities.

President's Statement

Peking Founder, our substantial shareholder has also provided strong support for our development. In the future, we will continue to seek support from our substantial shareholder. In the meantime, the Group will seek investment opportunities for property projects, and further increase our land bank across different regions to establish a nationwide footprint and balance the investment returns and risks in various cities and regions.

As we embark on our second year in the property market, the Group will bolster consolidation of its internal resources while improving its efficiency aimed at capturing opportunities in the market, as we position our projects to address customer demand and market trends in a timely fashion. The Group will also enhance its management capability and promote our unique brand name. Equipped with our enhanced assets portfolio, we will closely monitor the changing market and are well-prepared to gain widespread recognition from prospective customers.

The Group will steadfastly adhere to our mission to provide high quality green living areas and excellence in our services to provide a quality lifestyle to more and more people as we maximize value to our shareholders, customers and staff. We will also strive to maintain good corporate governance practices and a high degree of transparency as we enhance the communication with international investors and capital markets. At the same time, we will constantly work to improve our project quality and strengthen the competitiveness of our brand. Looking ahead, the Group will not forget these objectives, as we make every effort to become a pioneer and leader in China's urban development.

Fang Hao
President
27 March 2014

Property Information

PROPERTY DEVELOPMENT SUMMARY

Project	Location	Type	Total Site Area (sq.m.)	Planned GFA (sq.m.)	Ownership (%)	Remark
PKU Resources-Li Cheng Project	Kunshan, Jiangsu	Residential/Commercial	378,369	740,738	51%	3 parcels of land Company acquired
Honglianhu Project in Hubei	Wuhan, Hubei	Residential	674,597	661,856	90%	
PKU Resources-Time Project	Changsha Hunan	Residential/Commercial	39,631	99,077	70%	
PKU Resources-Plaza Project	Qingdao, Shandong	Commercial/Financial	21,155	103,659	70%	
PKU Resources-Yuefu Project	Tianjin	Residential/Commercial/ Financial	235,635	235,720	70%	Newly acquired in 2014
Total			1,349,387	1,841,050		

PROPERTY INVESTMENT SUMMARY

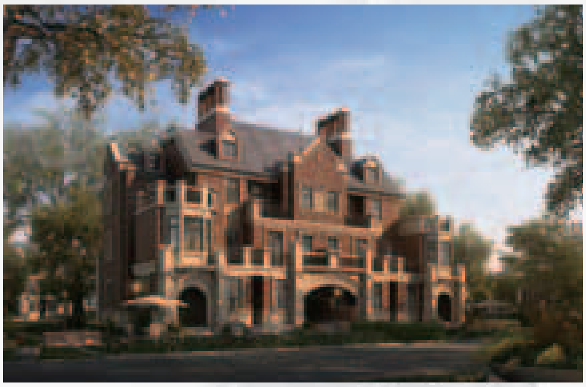
Project	Location	Type	Total GFA (sq.m.)
Wuhan International Building	Wuhan, Hubei	Commercial/Office building	26,963

ENTRUSTED OPERATING PROPERTY SUMMARY

Project	Location	Type	Total GFA (sq.m.)
Founder International Building	Beijing	Commercial/Office building	51,159

Property Development Projects

PKU RESOURCES – LI CHENG PROJECT



Location:
Erected on two parcels of land on the west bank of Zhangjiagang River and the southern side of Yingbin Road, Bacheng Town of Kunshan City, Jiangsu Province

Type: Residential/Commercial

- Project description: A new type of concept city for culture and creativity. The project is located at the interchange of the west and north of Kunshan city. This project comprises a variety of properties types including residential, office, SOHO, pedestrianized street and creative industry park. The aim is to build a large urban complex with cultural and creative industries at the core. It is developed and managed by Kunshan Hi-tech Electronic Arts Creative Industry Development Company Limited.

- Project target: The total site area of the project that Company acquired is 378,369 sq.m., with a total gross floor area ("GFA") covering 740,738 sq.m. Total annual contract amount totaled RMB406.43 million in 2013.

- Project development: Accumulative area under construction is 195,440 sq.m., while accumulative completion area is 56,941 sq.m. Currently, part of the project has launched sales.

Property Development Projects

HUBEI HONGLIANHU PROJECT

Location:
This residential land in Hubei comprises six adjacent vacant land parcels located in Huarong District of Ezhou City, Hubei Province, China.

Type: Residential

- Project description: The project is located in Miaoling town of Huarong district in Ezhou City, Hubei Province. With the construction of cultural centers, it will meet multiple needs including health regimen, business meetings, leisure travel, high-end residence and etc. Ezhou is a renowned historic-cultural city also known as "Landscape Garden City" (山水園林城) or "Eco-tourism City" (生態旅遊城), which made it an ideal place to live. There are 133 lakes and 650,000 mu of water areas in the city, thus, it is the famous "100-Lake City"(百湖之市) and a "Land of Plenty Resources" (魚米之鄉). The project is developed and managed by Tianhe Property Development Limited and Ezhou Jinfeng Property Development Company Limited.

- Project target: Total land use area of the project is 674,597 sq.m., and the total GFA is 661,856 sq.m.

- Project development: Under construction.

Property Development Projects

PKU RESOURCES – TIME PROJECT

Location:
Yanghu area, Yuelu District, west of Xiangjiang, Changsha City, Hunan Province

Type: Residential/Commercial

- Project description: The project is located at the Yanghu area in Yuelu District, which is at the west of Xiangjiang, Changsha City. It is east of Xiangjiang, north of Yuelu Mountain and south of remarkable landscapes such as Dawangshan Resort, Tourism and Exhibition Centre (大王山度假旅遊會議中心), Yanghu Wetland Park (洋湖濕地公園) and the Jin Jiang River scenic belt. The project comprises large-scaled high-rise residential buildings, deluxe apartments and villas and a developed business district. It is developed and managed by Changsha Henglong Property Development Company Limited.

- Project target: The project has a total site area of 39,631 sq.m., and the total GFA is 99,077 sq.m.

- Project development: Under development and construction.

Property Development Projects

PKU RESOURCES – PLAZA PROJECT

Location:
Laoshan district, Qingdao City, Shandong Province

Type: Commercial/Financial

- Project description: The project is located at the core of Universal Wealth Centre in the Laoshan district of Qingdao City, Shandong Province. It is a high-end commercial complex comprised of financial commercial operations and 5A office buildings. The project is developed and managed by Qingdao Boya Real Estate Company Limited.

- Project target: The total land use area is 21,155 sq.m., and the total GFA is 103,659 sq.m.

- Project development: Under development and construction.

Property Development Projects

PKU RESOURCES – YUEFU PROJECT

Location:
Donglihu district, Tianjin City

Type: Residential/Commercial/Financial

- Project description: The project is located at Donglihu district of Tianjin City. It is designed to include French town houses and high-rise apartments. The project is developed and managed by Tianjin Peking University Resources Properties Limited.
- Project target: The total site area is 235,635 sq.m., and the total GFA is 235,720 sq.m.
- Project development: Under development and construction.

Property Investment Projects

INTERNATIONAL BUILDING OF WUHAN

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

Type: Commercial/office building

- Description of the project: It comprises office units at specified levels and an office complex. It is located at Wuguang business district of Wuhan, where established advanced transportation network, near hotels and other business facilities. The project is managed by Hubei Tianranju Business Management Limited.

- Scale of the project: The total GFA is 35,000 sq.m. Hubei Tianranju Business Management Limited owns 26,963 sq.m. of the total GFA.

Entrusted Operating Properties

FOUNDER INTERNATIONAL BUILDING

Location:
In the west district of Zhongguancun, Haidian District, Beijing City

Type: Commercial/office building

- Description of the project: Founder International Building is an office building, operated by Beijing Tianranju Technology Company Limited, a wholly-owned subsidiary of PKU Resources. The project is superbly located in the west district of Zhongguancun, Haidian District of Beijing with Zhongguancun Street e-Center to the east and Beisihuan Road to the north. It is fortuitously situated on an established transportation network, as well as near hotels and other business related facilities, and in close proximity to a number of renowned domestic and international corporations and the head offices of state-owned enterprises. The building comprises electronics stores and commercial offices, with the 7th to 17th floors leased as offices and equipped with comprehensive functional facilities. Based on the functions of the offices in the electronic market segment, the 7th, 9th, 11th and 13th floor of the project are duplex units. Some of the rooms have a height of 6.6m, which meets the installation needs of mid-to-large scale equipment such as large servers, digital machines and communications equipment. This design can also meet the development positioning of Zhongguancun Industrial Park and the needs of the companies stationed in the Park.

- Scale of the project: The site area is 5,121 sq.m. The total GFA is 51,159 sq.m.

Market Review

The year 2013 marked the sixth year since the outbreak of the global financial crisis. Although during the year there were signs of a rebound in the global economy, the fundamentals of the recovery faced greater downward pressure and remained fragile during the first half of the year in particular. The effects of the financial crisis along with the European debt crisis has continued to spread to countries around the world, which has resulted in a slow recovery, weak growth and frequent volatility in the global economy. Developed countries have still experienced a higher unemployment rate and relatively weak resilience, while the economic growth of the emerging markets was generally tepid and much lower than expected.

In 2013, the general direction of China's domestic economic reform has become more apparent. Issues resulting from overcapacity were clearly evident, as companies faced greater difficulties in their production and operations and as restrictions on expanding domestic demand have also increased. These factors have combined to impose greater downward pressure on the economy. Facing myriad domestic and international economic challenges, the Central Government has persevered in its reform, guided by its philosophy of achieving progress while ensuring stability, actively implementing austerity measures and maintaining growth, while adjusting the structure of the economy and industry and facilitating reforms. This strategy has enabled the country to realize stable yet fast economic growth without the need to initiate a large scale stimulus. In 2013, China's GDP recorded a growth of 7.7% against last year, achieving the target set in the beginning of the year.

After nearly two years of austerity measures implemented by the Central Government, the property industry in China has stabilised in 2013 and rebounded in the second half of the year. During the year under review, the government continued to implement restrictions on purchase and credit to combat speculative purchases. The overall market also faced challenges such as high land premiums and tight market liquidity.

Market Review

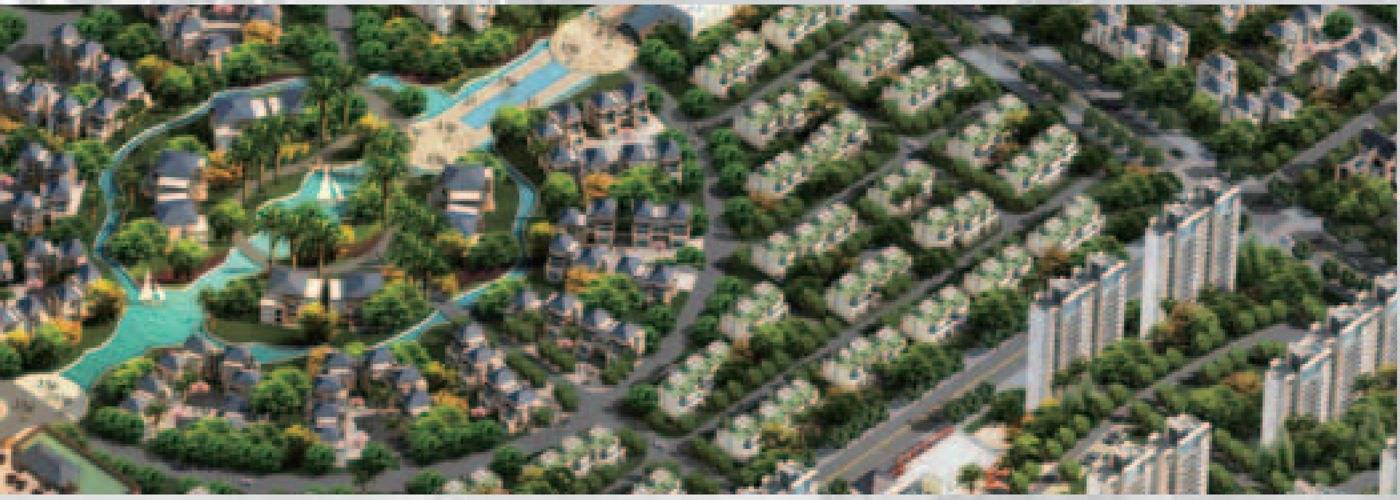
However, as one of the major drivers of China's economic growth and led by the strong housing demand, the property industry still offers immense development opportunities. Many property developers have aggressively bid for land parcels, thereby pushing up the land price, which has led to new heights in the transaction price of land in first-tier cities and stable growth in their property prices and transaction volumes. This was especially true in first-and second-tier cities, reflecting the ongoing strong demand and solid market fundamentals. According to the data from the National Bureau of Statistics, the sales area of commodity housing reached 1,305.51 million sq.m. in 2013, a growth of 17.3% over last year. Sales of commodity housing reached RMB8,142.8 billion, a substantial increase of 26.3%.

Property market review of the Yangtze River Delta Area

The Yangtze River Delta Area includes Shanghai municipality, Jiangsu province and Zhejiang province, with an area of 210,700 sq.km.. In 2013, the GDP of the Yangtze River Delta Area almost amounted to RMB1 trillion, accounting for 17.2% of the country's total. The Yangtze River Delta Area is the most economically and socially advanced area in the country, with the greatest overall strength and a relatively complete urban infrastructure and administration.

During the year, the property development and investment capital in the Yangtze River Delta Area amounted to RMB1.0108 trillion, with a year-on-year increase of 15.4%. The commercial residential buildings sold in the key cities in the Yangtze River Delta Area included an area of 74.39 million sq.km., rising 22.4% year-on-year, with an average selling price of RMB12.436 per sq.km., increasing by 10.1 ppts year-on-year. The sales volume was 925.1 billion RMB, with a year-on-year surge of 34.8%.

In 2013, property development and investment in Shanghai municipality grew rapidly as the market demand remained strong. Property development and investment capital in Shanghai municipality amounted to RMB281.96 billion within the year, increasing by 18.4% year-on-year, maintaining double-digit growth throughout the whole year. The sales of commercial residential buildings within the year grew continuously and rapidly, at a rate exceeding 25% throughout the year.



Within the year, many premium land parcels in the Yangtze River Delta Area set new record highs. For example, the Xujiahui Center Project recorded the highest total value with a selling price of RMB21.77 billion. The three land parcels in Huajiachi, Hangzhou, combined to register a high dealer price of RMB13.673 billion. The Jingji Lake land parcel in Suzhou set a new record in terms of a local floor price at RMB15,150 per sq.km.

In 2013, cities in the Yangtze River Delta Area implemented local versions of the "Five Measures" to bolster real estate industry regulation. The regulation policies were effective in controlling speculative demand to some extent. The trend is more obvious in urban areas with the implementation of regulation policies. As a result, the property industry has begun to gradually transform and will be encompassing wider fields. Many property developers are not only working to meet people's basic living requirements, but also focusing more on value-added aspects such as pleasant living, health maintenance and needs of an aging population. They are vigorously developing a low carbon environmentally friendly industry, and are differentiating their offerings in niches such as green property, retirement residences, resort property, cultural and creative facilities, etc.

Property market review of the Beijing-Tianjin-Hebei region

The Beijing-Tianjin-Hebei Region is a major planned economic zone in China with the densest city distribution and greatest comprehensive strength. This region is of the same importance with the Yangtze River Delta Area and Pearl River Delta region in the country's overall economy geographically and widely recognised as the 'Third Pillar' of China's economic growth. Beijing and Tianjin form the dual-core of the Beijing-Tianjin-Hebei Region which covers Beijing and Tianjin Municipalities and eight prefecture-level cities, namely Shijiazhuang, Qinhuangdao, Tangshan, Langfang, Baoding, Changzhou, Zhangjiakou and Chengde.

In the first half of the year, "Five Measures" has imposed stricter regulatory measures on the property market in Beijing. While the rises in housing prices have been lower than the same period last year, the trend of increasing purchasing demand and soaring housing prices continues. In 2013, the property development and investment capital of Beijing amounted to RMB348.34 billion, increasing 10.5% year-on-year. Among which, the investment in residential buildings amounted to RMB172.46 billion, increasing 5.9% year-on-year, in office buildings amounted to RMB61.17 billion, soaring 59% year-on-year, and in commercial, non-public and other buildings amounted to RMB114.71 billion, increasing 0.6% year-on-year. With the economy turning around, the ongoing steady monetary policy and property enterprises acting actively, the real estate market sales in Beijing are expected to keep growing but at a lower rate in 2014.

Market Review

In 2013, the property market in Tianjin grew steadily with investment and sales being more rational. Within the year, the real estate development and investment capital of Tianjin amounted to RMB148.082 billion, a strong increase of 17.5% year-on-year. The commercial residential buildings sold covered 18.4711 million sq.m., which was up by 11.2%. As the economic center of China's north area, the core city of the Bohai Sea economic zone, as well as a city supporting the Capital, including Beijing's transportation and infrastructure, the real estate industry in Tianjin still has significant scope for development.

In the future, the Beijing-Tianjin-Hebei Region is expected to sustain its rapid growth. With the integration policy, the Beijing-Tianjin-Hebei Region is set to develop synergies across many areas and complement each other's advantages, thus boosting the Region's growth and supporting its real estate market.

Property market review of central and southern region (Hubei, Hunan)

In 2013, the GDP in Hunan Province reached RMB2,450.2 billion, with a year-on-year increase of 10.1%. Income of the citizens continued to grow, with disposable personal income of rural and urban residents increased by 12.5% and 9.8% respectively. Household consumption expenditure grew at a faster level, with consumption expenditure of rural residents increased by 12.6% and urban residents increased by 8.7% respectively. In 2013, the GDP in Hubei Province reached RMB 2,466.8 billion, with a year-on-year increase of 10.1% (calculated by comparable price) and higher than the national average of 2.4 percentage points. The annual per capita income of urban residents was RMB25,180.49. In which, the per capita disposable income of urban residents was RMB 22,906.42, with an increase of 9.9%.

Steady economic growth has further promoted the development of property markets in both Hubei and Hunan Provinces. Under the backdrop of maintaining stable property regulatory measures, consumption willingness within the region grew steadily. Therefore rigid demand, demand for improving and investment were substantially unleashed, contributing to the growth in terms of both investment and sales.

During the year, new construction area of commodity housing in Hunan Province amounted to 88.7 million sq.m., with an increase of 33.7% as compared to the previous year. Growth in Hunan Province ranked the fifth in the country, with a year-on-year increase of 16 rankings, and ranked the second among six provinces in the central region. In which, new construction area of residential projects amounted to 68.5 million sq.m., with an increase of 35.6%. Growth of fixed assets investment of Hubei Province maintained at a fast level and reached a record high of RMB2 trillion. Aggregate fixed assets investment for the year reached RMB2,017.8 billion, with a year-on-year increase of 25.8%. In which, investment in property development reached RMB328.6 billion, with a year-on-year increase of 29.4%.

Regulatory control over the property markets in first-tier cities such as Beijing, Shanghai and Guangzhou etc. have become more stringent. In view of this, some constrained demand will go to second and third tier cities, contributing to an increase in demand of property purchase in cities of central and southern region in the future. Meanwhile, the acceleration of urbanisation and regional integration has boost the inelastic demand of property market in central and southern region, thus bringing new growth opportunities for the local development.

(The information sources of the Market Review: China Real Estate Information Network, Oriental Morning Post-2013 Yangtze River Delta Investments & Development Real Estate Summit, Caijing.com.cn, Beijing Municipal Commission of Housing and Urban-rural Development, Statistical Information of Hunan, Hubei Provincial Bureau of Statistics and other third-party public sources)

Management Discussion and Analysis

After nearly two years of adjustments, the property market in the People's Republic of China (the "PRC" or "Mainland China") showed signs of recovery since the second half of 2012. In 2013, the overall market in the PRC has been facing various challenges, such as high land costs and low liquidity. In addition to this, the Central Government also has strengthened regulatory control over the market in an attempt to suppress speculation purchases. However, both residential house prices and transaction volumes have managed to maintain a steady growth in 2013, especially in first-tier and second-tier cities in the PRC. This persistent inelastic demand for real estate in the PRC remained strong in 2013 under favourable market conditions.

Riding on the favourable market conditions and with strong support from Peking University Founder Group Company Limited ("Peking Founder"), the substantial shareholder of the Company, the Group successfully completed the acquisition of subsidiaries engaged in the business of property development and property investment from Founder Information (Hong Kong) Limited ("Founder Information") – a subsidiary of Peking Founder – which conducted property development projects at Ezhou City of Hubei Province and Kunshan City of Jiangsu Province as well as a commercial office project in Wuhan City of Hubei Province in 2013. During the year under review, the Group also won a bid for a residential and commercial project and a commercial and financial development project in Changsha City of Hunan Province and Qingdao City of Shandong Province, respectively, which further solidifies the foundation of the Group's future development in the property business.

Property Development

The Group has been actively preparing pre-development work in respect of a number of properties and has achieved significant progress since the property business has become the Group's core business. During the year under review, the total area the Group under construction was 441,340 sq.m., mainly involving the Li Cheng project in Kunshan City and the Shiguang project in Changsha City.

During the year ended 31 December 2013, the Group recorded a segment loss of HK$56.6 million (Year ended 31 December 2012: Nil) in property development business.

Contracted Sales

During the year ended 31 December 2013, property with a total area of 56,263 sq.m. has been pre-sold, at an average price of approximately RMB7,258 per sq.m. as a result of the satisfactory pre-sale of the first batch of high-rise flats and villas of the Li Cheng project Phase I, within which, some of the units had been sold at more than RMB11,500 per sq.m..

During the year ended 31 December 2013, the Group recorded contracted pre-sale of property of RMB408.4 million (Year ended 31 December 2012: Nil).

Land Bank

As at 31 December 2013, the Group possessed four projects in four cities, with a total land bank amounting to 1,113,752 sq.m..

Management Discussion and Analysis

Property Investment

Properties owned or entrusted by the Group are located in superb locations in various cities in the PRC and have been providing steady cash inflow for the Group during the year under review. Among these assets, the Founder International Building office structure located in the west zone of Zhongguancun, Haidian District, Beijing was leased by and directly managed and operated by Beijing Tianranju Technology Company Limited, a wholly-owned subsidiary of the Group, with an occupancy rate of around 93%. The occupancy rate of International Building Wuhan, an investment property of the Group which is located at Dandong Road, Jianghan District, Wuhan City, exceeded 97% during the year and it was operated by Hubei Tianranju Business Management Limited, another wholly-owned subsidiary of the Group.

During the year ended 31 December, 2013, the Group recorded a segment revenue of HK$51.1 million (Year ended 31 December 2012: Nil) and a segment profit of HK$21.5 million (Year ended 31 December 2012: Nil) in property investment business.

Distribution Business

The Distribution Business is mainly focused on the distribution of information products such as servers, printers, switches, networking products, storage devices, workstations and optical screen products of a number of internationally famed and branded information product manufacturers such as HP, H3C, CommScope, Uniview, Ruckus, Brocade, Microsoft, Samsung, Corning, Lifesize and Iomega.

During the year under review, the Group launched a number of new products of the existing product lines, which was the main reason that revenue of the distribution business increased 9.3% to HK$2,977.1 million (Year ended 31 December 2012: HK$2,724.2 million) in 2013. That offset some of the negative impact from intense market competition that trimmed the gross profit margin from 5.8% in 2012 to 4.8% in 2013.

During the year, the Group recorded a segment profit of HK$35.2 million (Year ended 31 December 2012: HK$18.6 million) due to reversal of impairment of trade receivables and write back of trade and other payables which offset the effect of provision for a fine for late payment of the Chinese customs duties.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2013, revenue of the Group increased by 11.2% to HK$3,028.2 million (Year ended 31 December 2012: HK$2,724.2 million). The increase was mainly attributable to the revenue generated from several newly acquired property investment projects and the continuous growth of the Distribution Business. During the year under review, the Distribution Business remained to be the Group's primary revenue stream. Revenue generated from the Distribution Business amounted to HK$2,977.1 million, accounting for approximately 98.3% of the total revenue of the Group. Revenue generated from the newly injected property investment business amounted to approximately HK$51.1 million, accounting for approximately 1.7% of the total revenue of the Group.

Gross Profit and Gross Profit Margin

During the year under review, gross profit and gross profit margin of the Group were HK$163.4 million and 5.4%, respectively. Gross profit increased slightly by approximately 2.9% (Year ended 31 December 2012: HK$158.8 million), mainly due to the increase in total revenue. Gross profit margin declined to approximately 5.4% (Year ended 31 December 2012: 5.83%), mainly due to the decrease in selling price of information products as a result of intensified market competition. During the year under review, gross profit and gross profit margin of the property investment business were HK$21.3 million and 41.6% respectively, while that for the Distribution Business were HK$142.1 million and 4.8% respectively.

Gain on Bargain Purchase

Gain on bargain purchase of HK$128.6 million arose from the acquisition of subsidiaries engaged in property development and investment business during the year ended 31 December 2013.

Selling and Distribution Expenses

During the year ended 31 December 2013, selling and distribution expenses of the Group amounted to HK$129.1 million, with an increase of 4.2% as compared to 2012 (Year ended 31 December 2012: HK$123.9 million). It was mainly attributable to the expenses related to property development and investment business.

Administrative Expenses

During the year ended 31 December 2013, administrative expenses of the Group amounted to HK$87.3 million, with an increase of 103.0% as compared with 2012 (Year ended 31 December 2012: HK$43.0 million). It was mainly attributable to the expenses of recruiting employees for the Group's new business, and other related administrative expenses.

Management Discussion and Analysis

Finance Costs

During the year ended 31 December 2013, finance costs of the Group amounted to HK$60.7 million, with an increase of 72.4% as compared with the same period of 2012 (Year ended 31 December 2012: HK$35.2 million). It was mainly attributable to the increase of new loans for both new business and existing business.

Share of Profits and Losses of Associates

During the year ended 31 December 2013, the Group recorded an increase in the share of losses of associates of HK$5.1 million (Year ended 31 December 2012: Profit of HK$0.8 million) as a result of decline in sales of mobile phones distributed in Hong Kong.

Net Profit

During the year, the Group has achieved a turnaround and recorded a profit attributable to shareholders of HK$59.8 million (Year ended 31 December 2012: loss attributable to shareholders of HK$24.8 million). It was mainly attributable to the revenue growth of the Group's businesses and gain on bargain purchase from acquisition of subsidiaries of HK$128.6 million with total consideration below net asset values.

Net Current Assets and Current Ratio

As at 31 December 2013, net current assets of the Group were HK$2,132.0 million (31 December 2012: HK$282.6 million). Current ratio was 1.63 (31 December 2012: 1.28). The increase in net current assets was mainly because of the newly acquired business.

Material Acquisitions and Disposals

On 2 January 2013, the Group completed the acquisition of 100% equity interests in Hong Kong Tianranju Holdings Limited and Hong Kong Tianhe Holdings Limited, which are principally engaged in property development and property investment, from Founder Information. The consideration was satisfied by the issue of shares and the convertible bonds of the Company. As the total consideration was below the net asset value of the acquired assets, the Group recorded a gain on bargain purchase of HK$128.6 million during the year under review.

In addition, the Group secured a premium land parcel for commercial and residential use for approximately RMB453 million in May 2013. The plot of land is located in Yuelu District of Changsha City, Hunan Province and covers a GFA of approximately 99,077 sq.m.. In October 2013, the Group also won a land bid to secure another land parcel for commercial and financial use for approximately RMB453 million. The land parcel is located in Laoshan District of Qingdao City, Shandong Province and occupies a total GFA of approximately 103,659 sq.m..

Borrowings and Charges on Assets

As at 31 December 2013, total bank and other borrowings of the Group amounted to HK$1,458.3 million. The borrowings, which were subject to little seasonality, consisted of mainly bank loans and trust receipt loans, of which HK$12.1 million were floating interest bearing and HK$1,446.2 million were fixed interest bearing. The borrowings were denominated in United States dollars ("U.S. dollars") and Renminbi ("RMB").

Bank and other borrowings of HK$880.1 million and HK$578.2 million were repayable within one year and within two years, respectively. As at 31 December 2013, the Group's banking facilities were secured by corporate guarantees given by the Company and Peking Founder, and certain of the Group's bank deposits and bills receivable. The increase in bank loans was mainly attributed to the development of new business and existing business.

As at 31 December 2013, gearing ratio of the Group (calculated by total borrowings as a percentage of total equity attributable to owners of the parent) was 1.24 (31 December 2012: 0.82).

As at 31 December 2013, the Group's bank deposits of HK$194.6 million (31 December 2012: HK$106.3 million) were pledged to banks to secure general banking facilities granted to the Group, 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 and Capital Commitments

As at 31 December 2013, 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 HK$294.9 million (31 December 2012: Nil). 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 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 2013.

As at 31 December 2013, the capital commitment for contracted, but not provided for, properties under development was HK$565.2 million (31 December 2012: Nil).

Management Discussion and Analysis

Cash Position and Financial Status

As at 31 December 2013, cash and bank deposits of the Group increased to HK$1,012.0 million (31 December 2012: HK$398.3 million). It was mainly attributable to the cash inflow from the Group's property sales and net proceed of HK$260 million from the issue of 326,792,000 shares at HK$0.8 per share in December 2013. Cash surplus is generally placed in short-term deposits denominated in Hong Kong dollar ("HKD"), RMB and U.S. dollars.

Treasury Policy and Exposure to Fluctuations in Exchange Rate

The Group has adopted conservative treasury policies, with tight controls over its cash and risk management. The Group operates mainly in mainland China and most of its revenue and costs are denominated in RMB. Therefore, given the appreciation of RMB against HKD during the year, no financial instrument was used for hedging purposes, including related foreign exchange contracts, interest rate or currency swaps, as well as other derivative instruments. Nevertheless, the Group closely monitored the exposure to fluctuations in exchange rates.

Human Resources and Remuneration Policies

The Group has 600 employees (including offices in Hong Kong and the PRC) as at 31 December 2013. The remuneration policies of the Group are determined according to performance, experience and competence of the employee. The emolument of the Company's directors is determined by the remuneration committee, with regard to the operating results of the Company, the individual performance and comparable market statistics. Staff benefits include Social Security Scheme, the Mandatory Provident Fund retirement benefit scheme and discretionary bonus payments which are linked to the profitability of the Group and individual performances. During the year, the Group had adopted a share option scheme as an incentive to directors and eligible employees and granted share options to its eligible directors and employees. The Group believes that the pay level of its employees is competitive. During the year, the Group provided on-the-job training to its employees. Activities were regularly organised for employees and their family members, so as to enhance the human capital of the Group and the sense of belonging within the staff.

FUTURE OUTLOOK AND DEVELOPMENT STRATEGIES

Entering into 2014, the property market in China remains promising. Driven by the rising housing demand, home prices are expected to grow steadily, with first-tier and second-tier cities underpinning the growth. The market believes that, under the principle of "maintaining property price stability" of the Central Government, the property market in the PRC will continue to grow stably and speculative purchases will be suppressed for a healthier and more stable overall property market in the PRC. Based on this solid foundation, the Group will seize available opportunities to further develop its property development and property investment business.

Integrates resources and leverages the strong support from Peking University

The Group's substantial shareholder, a renowned brand name in China, boasts a long development and operating history with a distinctive cultural dimension and owns a range of quality property resources. The strong cultural and resources support from the substantial shareholder as well as the Group's overseas listing platform is set to inject a strong growth impetus into future development of its projects. The Group repositioned itself in 2013 and integrated the internal resources provided by its substantial shareholder in a systematic bid to strategically expand. The Group has been making a clear progress with the support from the substantial shareholder.

Clear and unique positioning while building a new cultural community

The Group rides on the national policy to accelerate urbanization and endeavors to bring culture into the community as it establishes a unique property brand.

Enhances sales capability and achieves higher earnings

Supported by the strong demand for housing, the Group is confident of the future development of the property industry. Upon the completion of the property development projects for which pre-sales have been progressively booked, the Group expects its business transformation will be gradually reflected in its profits. During 2014, the Group will be accelerating the pace of project development and sales. Through improving ancillary facilities at its investment properties, enhancing service quality and operational efficiency, the Group aims to further uplift the rental level of its investment properties.

Going forward, the Group will step up investments in the property markets in the PRC, re-enforcing property development to be the Group's principal business and main revenue stream. The Group will aim to become one of the largest property developers in the Mainland China.

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 2013, except for the following deviations:

Provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Ms Cao Qian (independent non-executive director of the Company) could not attend the special general meeting of the Company held on 29 May 2013 and the annual general meeting of the company held on 29 May 2013 due to business commitment in the PRC. However, all other independent non-executive directors of the Company were present thereat to be available to answer any question to ensure effective communication with shareholders of the Company.

Provision E.1.2 of the CG Code provides that the Chairman of the board should attend the annual general meeting. Mr Zhang Zhao Dong, the then Chairman of the board, could not attend the annual general meeting of the Company held on 29 May 2013 due to business commitment in the PRC. Mr Chen Geng, the President of the Company, was present thereat to be available to answer questions at the annual general meeting.

Provision A.4.2 of the CG Code provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Ms Yu Li, Mr Fang Hao and Mr Zhou Bo Qin who were appointed on 30 May 2013 by the board of directors of the Company, have not retired and offered themselves for re-election at the first general meeting held on 25 October 2013 after appointment. They have retired and offered themselves for re-election at the subsequent special general meeting held on 13 February 2014.

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 2013.

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 Ms Yu Li (Chairwoman), Mr Fang Hao (President), Mr Zhou Bo Qin, Mr Zhang Zhao Dong, 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 35 to 36 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. 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 2013. 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 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			
Ms Yu Li *(Chairwoman)* (appointed on 30 May 2013)	3/3	N/A	1/1
Mr Fang Hao (appointed on 30 May 2013)	3/3	N/A	1/1
Mr Zhou Bo Qin (appointed on 30 May 2013)	3/3	N/A	1/1
Mr Zhang Zhao Dong	4/4	0/1	0/2
Mr Xie Ke Hai	2/4	0/1	0/2
Mr Zheng Fu Shuang	3/4	0/1	0/2
Mr Chen Geng (resigned on 30 May 2013)	0/1	1/1	1/1
Mr Xia Yang Jun (resigned on 30 May 2013)	0/1	0/1	0/1
Independent Non-executive Directors			
Mr Li Fat Chung	2/4	1/1	2/2
Ms Wong Lam Kit Yee	2/4	1/1	2/2
Ms Cao Qian	3/4	0/1	0/2

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

Corporate Governance Report

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 2013. The individual training record of each director received for the year ended 31 December 2013 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		
Ms Yu Li *(Chairwoman)* (appointed on 30 May 2013)	✓	✓
Mr Fang Hao (appointed on 30 May 2013)	✓	✓
Mr Zhou Bo Qin (appointed on 30 May 2013)	✓	✓
Mr Zhang Zhao Dong	✓	✓
Mr Xie Ke Hai	✓	✓
Mr Zheng Fu Shuang	✓	✓
Mr Chen Geng (resigned on 30 May 2013)	✓	✓
Mr Xia Yang Jun (resigned on 30 May 2013)	✓	✓
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 on 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 30 May 2013, Mr Zhang Zhao Dong was the Chairman of the Board. Ms Yu Li succeeded Mr Zhang Zhao Dong as the Chairwoman of the Board on 30 May 2013. 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. Prior to 30 May 2013, Mr Chen Geng was the President of the Company, who acted as the Chief Executive Officer of the Company. Mr Fang Hao succeeded Mr Chen Geng as the President of the board on 30 May 2013. 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 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 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 2013, 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 2013 is set out in Note 8 to the Company's 2013 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
Ms Yu Li *(Executive director)*	1/1
Ms Wong Lam Kit Yee *(Independent non-executive director)*	1/1

Corporate Governance Report

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 committee include determining the policy for the nomination of directors, setting out the nomination procedures and the process and criteria adopted to select and recommending 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 2013, 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**
Ms Yu Li *(Chairwoman) (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 with specific written terms of reference in 1998 which deal clearly with its authorities and duties. 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, and overseeing the Company's financial reporting system and internal control procedures.

In 2013, the Audit Committee met three times. During the meetings, the 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	1/3

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 Company 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 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	2,300
Non-audit services:	
Completion review services	620
Agreed-upon procedures on interim results	450
Limited assurance services on continuing connected transactions	200
Tax compliance services	46
	1,316
Total	3,616

Corporate Governance Report

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group 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 45 to 46 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 2013.

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

Yu Li
Chairwoman

Hong Kong
27 March 2014

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Ms Yu Li, aged 48, is an executive director and chairwoman of the Company. She is also the director and president of Peking University Founder Group Company Limited ("Peking Founder"). She is a director of a number of associated companies of Peking Founder. Ms Yu is a director of Founder Securities Co., Ltd. (Stock Code: 601901) and the Chairwoman of China Hi-Tech Group Co., Ltd. (Stock Code: 600730), companies listed in Shanghai Stock Exchange. Ms Yu obtained an EMBA degree from Peking University Guanghua School of Management. Ms Yu has extensive experience in corporate management.

Mr Fang Hao, aged 40, is an executive director and president of the Company. He is also the vice president of Peking Founder. 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 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 50, is an executive director of the Company. He is also the vice president of Peking Founder. He is a director of a number of associated companies of Peking Founder. Mr Zhou is 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 Zhang Zhao Dong, aged 64, is an executive director of the Company. He is also the director of Peking Founder and president of Peking University Asset Management Company Limited. He is a director of a number of associated companies of Peking Founder. Mr Zhang graduated from the Department of Geophysics at the Peking University in 1977 and is a research fellow at the Peking University.

Mr Xie Ke Hai, aged 48, is an executive director of the Company. He is also a Senior Vice-President and Chief Human Resources 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. He has extensive experience in human resources.

Mr Zheng Fu Shuang, aged 48, is an executive director of the Company. 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 People's Republic of China. 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」）.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Li Fat Chung, aged 53, is an independent non-executive director of the Company and Founder Holdings Limited. 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 50, is an independent non-executive director of the Company and Founder Holdings Limited. 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 50, is an independent non-executive director of the Company. Ms Cao is a Certified Public Accountant in the People's Republic of China. 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 2013.

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 18 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 47 to 142.

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

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 143 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.

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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Report of the Directors

DISTRIBUTABLE RESERVES

At 31 December 2013, the Company's reserves available for distribution amounted to approximately HK$20,794,000. In addition, the Company's share premium account, in the amount of approximately HK$654,341,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$303,000.

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 70% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 30%.

At 31 December 2013, Peking University Founder Group Company Limited ("Peking Founder"), the substantial shareholder of the Company, has beneficial interests in Founder Holdings Limited, the holding company of one of the five largest suppliers of the Group. Save as disclosed above, 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 issued share capital) had any beneficial interest in the Group's five largest suppliers and customers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Ms Yu Li	(appointed on 30 May 2013)
Mr Fang Hao	(appointed on 30 May 2013)
Mr Zhou Bo Qin	(appointed on 30 May 2013)
Mr Zhang Zhao Dong	
Mr Xie Ke Hai	
Mr Zheng Fu Shuang	
Mr Chen Geng	(resigned on 30 May 2013)
Mr Xia Yang Jun	(resigned on 30 May 2013)

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 Xie Ke Hai, Ms Wong Lam Kit Yee and Ms Cao Qian 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 35 to 36 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 AND UNDERLYING SHARES

At 31 December 2013, the interests and short positions of the directors in the share capital and underlying shares 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:

Name of director	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr Zhang Zhao Dong	Directly beneficially owned	3,956,000	0.16
Mr Zheng Fu Shuang	Directly beneficially owned	200,019,000	8.34

Report of the Directors

Long positions in share options of the Company:

Name of director	Number of options directly beneficially owned
Ms Yu Li	16,339,690
Mr Fang Hao	16,339,690
Mr Zhou Bo Qin	16,339,690
Mr Zhang Zhao Dong	10,514,050
Mr Zhang Zhao Dong	16,339,690
Mr Xie Ke Hai	10,514,050
Mr Xie Ke Hai	16,339,690
	102,726,550

Save as disclosed above, as at 31 December 2013, 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 2013	Granted during the year	At 31 December 2013	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						
Ms Yu Li	–	16,339,690	16,339,690	10.6.2013	10.6.2014 to 9.6.2016	0.910
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 Zhang Zhao Dong	10,514,050	–	10,514,050	5.12.2011	5.12.2012 to 4.12.2014	0.281
Mr Xie Ke Hai	10,514,050	–	10,514,050	5.12.2011	5.12.2012 to 4.12.2014	0.281
Mr Xie Ke Hai	–	16,339,690	16,339,690	10.6.2013	10.6.2014 to 9.6.2016	0.910
Subtotal	21,028,100	81,698,450	102,726,550			
Other employees of the Group						
In aggregate	10,514,050	–	10,514,050	5.12.2011	5.12.2012 to 4.12.2014	0.281
In aggregate	–	81,698,450	81,698,450	10.6.2013	10.6.2014 to 9.6.2016	0.910
Subtotal	10,514,050	81,698,450	92,121,500			
Other employee of the substantial shareholder of the Company						
In aggregate	10,514,050	–	10,514,050	5.12.2011	5.12.2012 to 4.12.2014	0.281
Total	42,056,200	163,396,900	205,453,100			

Report of the Directors

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 5 December 2011 are exercisable in the following two tranches:

   (i) First 40% of the options are exercisable from 5 December 2012 to 4 December 2014; and

   (ii) The remaining 60% of the options are exercisable from 5 December 2013 to 4 December 2014.

   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.

   The closing price of the Company's shares immediately before the date on which the options were granted during the year was HK$1.00 per share.

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 2013, 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 position:

Name	Notes	**Capacity and nature of interest**	**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	1,756,288,254	73.24
北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder")	2	Through a controlled corporation	1,756,288,254	73.24
Founder Information (Hong Kong) Limited ("Founder Information")	3	Directly beneficially owned	1,756,288,254	73.24
Mr Zheng Fu Shuang		Directly beneficially owned	200,019,000	8.34

* *For identification purpose only*

Notes:

1. Peking University Asset Management Company Limited is deemed to be interested in the 1,756,288,254 shares of the Company under the SFO by virtue of its interest in Peking Founder.

2. Peking Founder is deemed to be interested in the 1,756,288,254 shares of the Company under the SFO by virtue of its interest in Founder Information.

3. Founder Information is interested in the 1,756,288,254 shares of the Company, out of which 427,906,976 shares are to be allotted and issued upon exercise of convertible bonds.

Save as disclosed above, as at 31 December 2013, 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

Details of the continuing connected transactions are set out in notes 37(I)(a) to (f), (j) and (l) to the financial statements.

The independent non-executive directors of the Company have reviewed the continuing connected transactions as set out in notes 37(I)(a) to (f), (j) and (l) to the financial statements, 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 interests 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.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

Ernst & Young 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

Yu Li
Chairwoman

Hong Kong
27 March 2014

Independent Auditors' Report

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 (together, the "Group") set out on pages 47 to 142, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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.

Independent Auditors' Report (continued)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

27 March 2014

Consolidated Statement of Profit or Loss

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
REVENUE	5	**3,028,185**	2,724,229
Cost of sales		**(2,864,829)**	(2,565,464)
Gross profit		**163,356**	158,765
Gain on bargain purchase	33	**128,568**	–
Other income and gains	5	**7,491**	10,857
Selling and distribution expenses		**(129,128)**	(123,941)
Administrative expenses		**(87,309)**	(42,996)
Other operating income, net		**19,037**	8,687
Finance costs	7	**(60,672)**	(35,210)
Share of profits and losses of associates		**(5,106)**	821
PROFIT/(LOSS) BEFORE TAX	6	**36,237**	(23,017)
Income tax expense	10	**(6,809)**	(1,736)
PROFIT/(LOSS) FOR THE YEAR		**29,428**	(24,753)
Attributable to:			
Owners of the parent	11	**59,767**	(24,753)
Non-controlling interests		**(30,339)**	–
		29,428	(24,753)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**HK3.51 cents**	HK(2.24) cents
Diluted		**HK2.64 cents**	HK(2.24) cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
PROFIT/(LOSS) FOR THE YEAR	**29,428**	(24,753)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**29,928**	2,565
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**29,928**	2,565
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**29,928**	2,565
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**59,356**	(22,188)
Attributable to:		
Owners of the parent	**77,305**	(22,188)
Non-controlling interests	**(17,949)**	–
	59,356	(22,188)

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**12,378**	7,849
Investment properties	14	**209,180**	–
Prepaid land lease payments	15	**11,385**	–
Goodwill	16	**–**	2,892
Other intangible assets	17	**56**	–
Investments in associates	19	**29,884**	34,990
Total non-current assets		**262,883**	45,731
CURRENT ASSETS			
Properties under development	20	**3,202,723**	–
Properties held for sale	21	**253,170**	–
Inventories	22	**224,780**	186,578
Trade and bills receivables	23	**695,473**	633,704
Prepayments, deposits and other receivables		**122,575**	80,390
Taxes recoverable		**19,374**	–
Restricted cash	24	**194,642**	106,320
Cash and cash equivalents	25	**817,391**	291,994
Total current assets		**5,530,128**	1,298,986
CURRENT LIABILITIES			
Trade and bills payables	26	**968,181**	583,636
Other payables and accruals		**1,544,820**	170,011
Interest-bearing bank and other borrowings	27	**880,140**	262,695
Tax payable		**5,010**	–
Total current liabilities		**3,398,151**	1,016,342
NET CURRENT ASSETS		**2,131,977**	282,644

Consolidated Statement of Financial Position (continued)

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,394,860**	328,375
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings	27	**578,198**	–
Long term payable	28	**62,071**	8,400
Deferred tax liabilities	29	**222,583**	–
Total non-current liabilities		**862,852**	8,400
Net assets		**1,532,008**	319,975
EQUITY			
Equity attributable to owners of the parent			
Issued capital	30	**239,797**	110,606
Reserves	32(a)	**935,966**	209,369
		1,175,763	319,975
Non-controlling interests		**356,245**	–
Total equity		**1,532,008**	319,975

Yu Li
Director

Fang Hao
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

		Attributable to owners of the parent										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Employee share-based compensation reserve HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	General reserve HK$'000 (note 32)	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012		110,606	156,019	256	520,156	40,301	10,558	–	(498,685)	339,211	–	339,211
Loss for the year		–	–	–	–	–	–	–	(24,753)	(24,753)	–	(24,753)
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	2,565	–	–	–	2,565	–	2,565
Total comprehensive income/(loss) for the year		–	–	–	–	2,565	–	–	(24,753)	(22,188)	–	(22,188)
Equity-settled share option arrangements	31	–	–	2,952	–	–	–	–	–	2,952	–	2,952
At 31 December 2012 and 1 January 2013		110,606	156,019*	3,208*	520,156*	42,866*	10,558*	–*	(523,438)*	319,975	–	319,975
Profit/(loss) for the year		–	–	–	–	–	–	–	59,767	59,767	(30,339)	29,428
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	17,538	–	–	–	17,538	12,390	29,928

Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2013

		Attributable to owners of the parent										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Employee share-based compensation reserve HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	General reserve HK$'000 (note 32)	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Total comprehensive income/(loss) for the year		–	–	–	–	17,538	–	–	59,767	77,305	(17,949)	59,356
Acquisition of subsidiaries	30(a), 33	52,791	179,488	–	–	–	–	205,088	–	437,367	355,247	792,614
Issue of convertible bonds classified as equity	33	–	–	–	–	–	–	62,000	–	62,000	–	62,000
Conversion of convertible bonds	30(b)	43,721	91,259	–	–	–	–	(134,980)	–	–	–	–
Placing of new shares	30(c)	32,679	227,575	–	–	–	–	–	–	260,254	–	260,254
Capital contributions from non-controlling shareholders		–	–	–	–	–	–	–	–	–	18,947	18,947
Equity-settled share option arrangements	31	–	–	18,862	–	–	–	–	–	18,862	–	18,862
At 31 December 2013		239,797	654,341*	22,070*	520,156*	60,404*	10,558*	132,108*	(463,671)*	1,175,763	356,245	1,532,008

* These reserve accounts comprise the consolidated reserves of HK$935,966,000 (2012: HK$209,369,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:		**36,237**	(23,017)
Adjustments for:			
Finance costs	7	**60,672**	35,210
Share of profits and losses of associates		**5,106**	(821)
Interest income	5	**(6,165)**	(10,664)
Depreciation	6	**4,081**	3,812
Loss/(gain) on disposal of items of property, plant and equipment	6	**(721)**	6
Amortisation of intangible assets	6	**10**	–
Amortisation of land lease payments	6	**332**	–
Impairment of goodwill	6	**2,892**	–
Impairment/(reversal of impairment) of trade receivables	6	**(25,058)**	12,958
Write off of prepayments, deposits and other receivables	6	**–**	74
Write-back of trade and other payables	6	**(15,517)**	(21,686)
(Reversal of provision of)/provision for obsolete inventories	6	**2,222**	(5,209)
Changes in fair value of investment properties	5	**(1,326)**	–
Gain on bargain purchase	33	**(128,568)**	–
Equity-settled share option expense	31	**18,862**	2,952
		(46,941)	(6,385)
(Increase)/decrease in inventories		**(40,745)**	112,159
(Increase)/decrease in trade and bills receivables		**(37,997)**	58,764
Increase in properties under development		**(1,648,082)**	–
Increase in properties held for sale		**(253,170)**	–
(Increase)/decrease in prepayments, deposits and other receivables		**(57,546)**	29,296
Increase/(decrease) in trade and bills payables		**314,150**	(242,274)
Increase in other payables and accruals		**899,735**	8,554
Increase/(decrease) in long term payable		**(3,000)**	3,000
Exchange differences		**54,245**	2,534
Cash used in operations		**(819,351)**	(34,352)
Interest received		**2,876**	5,463
Interest paid		**(113,404)**	(35,210)
Mainland of the People's Republic of China ("Mainland China" or the "PRC") corporate income tax refunded/(paid)		**687**	(2,896)
Land appreciation tax paid		**(19,374)**	–
Hong Kong profits tax refunded/(paid)		**(409)**	288
Net cash flows used in operating activities		**(948,975)**	(66,707)

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Net cash flows used in operating activities		**(948,975)**	(66,707)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**4,954**	8,922
Purchases of items of property, plant and equipment	13	**(6,774)**	(2,432)
Purchases of intangible assets		**(66)**	–
Proceeds from disposal of items of property, plant and equipment		**3,349**	261
Decrease/(increase) in time deposits with original maturity of over three months when acquired		**(340)**	95,737
Advance of entrusted loans to related companies		**(63,950)**	(49,800)
Repayment of entrusted loans from related companies		**113,750**	281,980
Increase in restricted cash		**(82,811)**	(25,142)
Acquisition of subsidiaries	33	**303,738**	–
Net cash flows from investing activities		**271,850**	309,526
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	30	**260,254**	–
New bank loans		**1,697,986**	701,838
Repayment of bank loans		**(1,119,245)**	(1,011,109)
New trust receipt loans		**12,112**	–
New other loans		**578,198**	–
Repayment of other loans		**(311,250)**	–
Increase in long term payable		**62,071**	–
Other loans from PKU Founder Group Finance Co., Ltd. ("Founder Finance")		**–**	270,685
Capital contributions from non-controlling shareholders		**18,947**	–
Repayment of loans from Founder Finance		**–**	(270,685)
Net cash flows from/(used in) financing activities		**1,199,073**	(309,271)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**521,948**	(66,452)
Cash and cash equivalents at beginning of year		**279,544**	341,001
Effect of foreign exchange rate changes, net		**3,109**	4,995
CASH AND CASH EQUIVALENTS AT END OF YEAR		**804,601**	279,544

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**758,601**	184,194
Non-pledged time deposits	25	**58,790**	107,800
Cash and cash equivalents as stated in the consolidated statement of financial position		**817,391**	291,994
Non-pledged time deposits with original maturity of over three months when acquired	25	**(12,790)**	(12,450)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**804,601**	279,544

Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	**827,930**	328,185
Total non-current assets		**827,930**	328,185
CURRENT ASSETS			
Prepayments, deposits and other receivables		**483**	434
Cash and cash equivalents	25	**310,961**	63,519
Total current assets		**311,444**	63,953
CURRENT LIABILITIES			
Other payables and accruals		**8,193**	63,763
Total current liabilities		**8,193**	63,763
NET CURRENT ASSETS		**303,251**	190
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,131,181**	328,375
NON-CURRENT LIABILITY			
Long term payable	28	**62,071**	8,400
Net assets		**1,069,110**	319,975
EQUITY			
Issued capital	30	**239,797**	110,606
Reserves	32(b)	**829,313**	209,369
Total equity		**1,069,110**	319,975

Yu Li
Director

Fang Hao
Director

Notes to Financial Statements

31 December 2013

1. CORPORATE INFORMATION

Peking University Resources (Holdings) Company Limited (formerly known as EC-Founder (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 2013, the Company was owned as to approximately 55.4% by Founder Information (Hong Kong) Limited ("Founder Information") which was in turn owned as to approximately 97.36% by 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder").

* *For identification purpose only*

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 (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

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

HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 12, HKFRS 13, amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

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

(b) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries and associates are included in notes 18 and 19 to the financial statements.

(c) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(d) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and financial instruments are included in notes 14 and 39 to the financial statements.

(e) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

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

(f) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group. Disclosures about the Group's impaired non-financial assets are included in note 16 to the financial statements.

(g) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 Income Taxes. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

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*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
HKFRS 14	*Regulatory Deferral Account*[4]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption
4 Effective for annual periods beginning on or after 1 January 2016

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

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

Notes to Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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 results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Investments in associates and joint ventures

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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

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 and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, 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 or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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 by the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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 that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Notes to Financial Statements

31 December 2013

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 goodwill), 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;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(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); and

(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).

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

Furniture, fixtures and office equipment	12½% - 33⅓%
Motor vehicles	10% - 25%

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)*

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.

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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 operating expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 individually whether objective evidence of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost (continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not 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 and is accrued 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.
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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 operating expenses in the statement of profit or loss.

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.

The Group's financial liabilities include trade and bills payables, other payables, long term payable and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Properties under development

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

Properties held for sale

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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.

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 for the current and prior periods 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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(c) 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

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

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 for grants after 7 November 2002 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, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not 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 payment transaction, 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.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate has been applied to the expenditure on the individual assets.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation 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).

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 the presentation currency of the Company 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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.

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

Judgements *(continued)*

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.

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 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 23 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.

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

Estimation uncertainty *(continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. During the year, the Group fully impaired the goodwill of HK$2,892,000. Further details are included in note 16 to the financial statements.

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 2013 was HK$209,180,000 (2012: Nil). Further details, including the key assumptions used for the fair value measurement, are given in note 14 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.

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

Estimation uncertainty *(continued)*

PRC corporate income tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to income taxes have not been confirmed by the local tax bureau, objective 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.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. For the year ended 31 December 2012, no operating segment analysis is presented as the Group had only one operating segment which is the distribution of information products segment. For the year ended 31 December 2013, of the Group has three reportable operating segments as follows:

(a)	Distribution of information products:	Sales of information products
(b)	Property development:	Sales of properties
(c)	Property investment:	Leasing and subleasing of 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 profit/(loss) before tax except that interest income, gain on bargain purchase, net foreign exchange differences, impairment of goodwill, finance costs and share of profits and losses of associates as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude restricted cash, cash and cash equivalents, investments in associates, taxes recoverable 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.

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4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2013

	Distribution of information products HK$'000	Property development HK$'000	Property investment HK$'000	Total HK$'000
Segment revenue				
Sales to external customers	2,977,095	–	51,090	3,028,185
Segment results	35,156	(56,562)	21,547	141
Reconciliation:				
Interest income				6,165
Gain on bargain purchase				128,568
Foreign exchange differences, net				(628)
Impairment of goodwill				(2,892)
Corporate and unallocated expenses				(29,339)
Finance costs				(60,672)
Share of profits and losses of associates				(5,106)
Profit before tax				36,237
Segment assets	1,136,281	3,619,519	533,454	5,289,254
Reconciliation:				
Elimination of intersegment receivables				(557,630)
Investments in associates				29,884
Corporate and other unallocated assets				1,031,503
Total assets				5,793,011
Segment liabilities	1,000,010	1,520,630	541,699	3,062,339
Reconciliation:				
Elimination of intersegment payables				(557,630)
Corporate and other unallocated liabilities				1,756,294
Total liabilities				4,261,003

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2013

	Distribution of information products HK$'000	Property development HK$'000	Property investment HK$'000	Total HK$'000
Other segment information:				
Fair value gains on investment properties	–	–	1,326	1,326
Reversal of impairment of trade receivables	(25,058)	–	–	(25,058)
Write off of trade receivables	3,186	–	–	3,186
Write-back of trade and other payables	(15,517)	–	–	(15,517)
Provision for obsolete inventories	2,222	–	–	2,222
Depreciation and amortisation	2,607	1,475	341	4,423
Capital expenditure*	356	6,415	69	6,840

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

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 accounted for 10% or more of the Group's total revenue (2012: Nil).

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after allowances for returns and trade discounts; and the gross rental income from investment properties and subleasing fee income, net of business tax, during the year.

An analysis of other income and gains is as follows:

		Group	
		2013	2012
	Note	**HK$'000**	HK$'000
Other income			
Bank interest income		**2,876**	5,463
Other interest income		**3,289**	5,201
		6,165	10,664
Gains			
Fair value gains on investment properties	14	**1,326**	–
Foreign exchange differences, net		**–**	193
		1,326	193
		7,491	10,857

6. PROFIT/(LOSS) BEFORE TAX

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

		Group	
		2013	2012
	Notes	**HK$'000**	HK$'000
Auditors' remuneration		**2,300**	1,480
Cost of inventories sold		**2,832,793**	2,570,253
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**1,403**	–
Depreciation	13	**4,081**	3,812
Amortisation of land lease payments	15	**332**	–
Amortisation of intangible assets	17	**10**	–
Impairment/(reversal of impairment) of trade receivables*	23	**(25,058)**	12,958
Write off of trade receivables*		**3,186**	–
Write off of prepayments, deposits and other receivables*		**–**	74
Write-back of trade and other payables*		**(15,517)**	(21,686)
Impairment of goodwill	16	**2,892**	–
Loss/(gain) on disposal of items of property, plant and equipment*		**(721)**	6
Provision for/(reversal of provision of) obsolete inventories**		**2,222**	(5,209)
Operating lease rentals in respect of land and buildings		**11,446**	11,749
Foreign exchange differences, net		**628**	(193)
Employee benefit expense (including directors' remuneration – note 8):			
Wages and salaries		**75,726**	77,288
Pension scheme contributions***		**6,690**	7,498
Equity-settled share option expense		**18,862**	2,952
		101,278	87,738

* These items are included in "Other operating income, net" in the consolidated statement of profit or loss.

** This item is included in "Cost of sales" in the consolidated statement of profit or loss.

*** At 31 December 2013, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2012: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Interest on bank loans	**22,329**	16,186
Interest on loans from subsidiaries of Peking Founder	**11,322**	2,381
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	**63,356**	–
Interest on discounted bills	**16,401**	16,643
Total interest expense	**113,408**	35,210
Less: Interest capitalised	**(52,736)**	–
	60,672	35,210

* *For identification purpose only*

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2013 HK$'000	2012 HK$'000
Fees	375	372
Other emoluments:		
Salaries, allowances and benefits in kind	236	542
Performance related bonuses	845	218
Equity-settled share option expense	10,104	2,952
Pension scheme contributions	6	14
	11,191	3,726
	11,566	4,098

During the year and 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' remuneration disclosures.

8. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

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

	2013 HK$'000	2012 HK$'000
Mr Li Fat Chung	126	126
Ms Wong Lam Kit Yee	126	126
Ms Cao Qian	123	120
	375	372

There were no other emoluments payable to the independent non-executive directors during the year (2012: 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
2013						
Executive directors:						
Ms Yu Li*	–	–	–	1,752	–	1,752
Mr Fang Hao*	–	–	–	1,752	–	1,752
Mr Zhou Bo Qin*	–	–	–	1,752	–	1,752
Mr Zhang Zhao Dong	–	–	–	2,088	–	2,088
Mr Xie Ke Hai	–	–	–	2,088	–	2,088
Mr Chen Geng#	–	236	845	336	6	1,423
Mr Xia Yang Jun#	–	–	–	336	–	336
Mr Zheng Fu Shuang	–	–	–	–	–	–
	–	236	845	10,104	6	11,191

8. DIRECTORS' 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
2012						
Executive directors:						
Mr Zhang Zhao Dong	–	–	–	738	–	738
Mr Xie Ke Hai	–	–	–	738	–	738
Mr Chen Geng	–	542	218	738	14	1,512
Mr Xia Yang Jun	–	–	–	738	–	738
Mr Zheng Fu Shuang	–	–	–	–	–	–
	–	542	218	2,952	14	3,726

* Ms Yu Li, Mr Fang Hao and Mr Zhou Bo Qin were appointed as executive directors of the Company with effect from 30 May 2013.

Mr Chen Geng and Mr Xia Yang Jun resigned as executive directors of the Company with effect from 30 May 2013. The remuneration received by Mr Chen Geng and Mr Xia Yang Jun from the Group after their resignation as directors was not included as directors' remuneration above since the services provided by them to the Group were not in the capacity of directors of the Company.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2012: one) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2012: four) non-director highest-paid employee is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**645**	1,924
Performance related bonuses	**530**	2,414
Equity-settled share option expense	**1,752**	–
Pension scheme contributions	**46**	131
	2,973	4,469

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

	Number of employees	
	2013	2012
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**–**	3
HK$2,500,001 to HK$3,000,000	**1**	–
	1	4

During the year, share options were granted to a non-director 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 highest paid employees' remuneration disclosures.

10. INCOME TAX

	Group	
	2013	2012
	HK$'000	HK$'000
Current – Hong Kong	136	–
Current – PRC		
Charge for the year	3,652	178
Underprovision in prior years	944	1,558
	4,732	1,736
Deferred (note 29)	2,077	–
Total tax charge for the year	6,809	1,736

During the year ended 31 December 2013, 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.

During the year ended 31 December 2012, no Hong Kong profits tax had been provided as there were no assessable profits arising in Hong Kong during the year or the Group had available tax losses brought forward from prior years to offset the assessable profits generated during the year.

Under the PRC income tax laws, enterprises are subject to corporate income tax at a rate of 25%.

A reconciliation of the tax expense/(credit) 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:

10. INCOME TAX *(continued)*

Group – 2013

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	87,445		(51,208)		36,237	
Tax at the statutory tax rate	14,428	16.5	(12,802)	25.0	1,626	4.5
Profits and losses attributable to associates	843	1.0	–	–	843	2.3
Income not subject to tax	(21,795)	(24.9)	(10,833)	21.2	(32,628)	(90.0)
Expenses not deductible for tax	4,754	5.4	14,780	(28.9)	19,534	53.9
Tax losses not recognised	1,906	2.2	14,584	(28.5)	16,490	45.5
Adjustment in respect of current tax of previous periods	–	–	944	(1.8)	944	2.6
Tax charge at the Group's effective rate	136	0.2	6,673	(13.0)	6,809	18.8

10. INCOME TAX *(continued)*

Group – 2012

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax	(6,670)		(16,347)		(23,017)	
Tax at the statutory tax rate	(1,100)	16.5	(4,087)	25.0	(5,187)	22.5
Profits and losses attributable to associates	(135)	2.0	–	–	(135)	0.6
Income not subject to tax	(169)	2.5	(1,024)	6.3	(1,193)	5.2
Expenses not deductible for tax	1,176	(17.6)	5,289	(32.4)	6,465	(28.0)
Tax losses utilised from previous periods	(503)	7.6	–	–	(503)	2.2
Tax losses not recognised	731	(11.0)	–	–	731	(3.2)
Adjustment in respect of current tax of previous periods	–	–	1,558	(9.5)	1,558	(6.8)
Tax charge at the Group's effective rate	–	–	1,736	(10.6)	1,736	(7.5)

The share of tax attributable to associates amounting to approximately HK$1,008,000 (2012: HK$891,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

11. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit/(loss) attributable to owners of the parent for the year ended 31 December 2013 includes a loss of approximately HK$29,348,000 (2012: a loss of HK$22,188,000) which has been dealt with in the financial statements of the Company (note 32(b)).

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

The calculation of basic earnings/(loss) per share amounts is based on the profit/loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,700,774,779 (2012: 1,106,062,040) in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment had been made to the basic loss per share amounts presented for the year ended 31 December 2012 in respect of a dilution as the impact of the options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted earnings per share are based on:

	2013 HK$'000
Earnings	
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	59,767

	Number of shares 2013
Shares	
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	1,700,774,779
Effect of dilution – weighted average number of ordinary shares:	
Share options	27,299,689
Convertible bonds classified as equity	538,324,279
	2,266,398,747

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2013			
At 31 December 2012 and at 1 January 2013:			
Cost	19,798	7,936	27,734
Accumulated depreciation	(14,249)	(5,636)	(19,885)
Net carrying amount	5,549	2,300	7,849
At 1 January 2013, net of accumulated depreciation	5,549	2,300	7,849
Additions	1,784	4,990	6,774
Acquisition of subsidiaries (note 33)	2,110	2,027	4,137
Disposals	(2,094)	(534)	(2,628)
Depreciation provided during the year	(2,827)	(1,254)	(4,081)
Exchange realignment	209	118	327
At 31 December 2013, net of accumulated depreciation	4,731	7,647	12,378
At 31 December 2013:			
Cost	14,265	14,996	29,261
Accumulated depreciation	(9,534)	(7,349)	(16,883)
Net carrying amount	4,731	7,647	12,378

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

Group

	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2012			
At 1 January 2012:			
Cost	19,574	7,383	26,957
Accumulated depreciation	(12,885)	(4,721)	(17,606)
Net carrying amount	6,689	2,662	9,351
At 1 January 2012, net of accumulated depreciation	6,689	2,662	9,351
Additions	1,982	450	2,432
Disposals	(267)	–	(267)
Depreciation provided during the year	(2,959)	(853)	(3,812)
Exchange realignment	104	41	145
At 31 December 2012, net of accumulated depreciation	5,549	2,300	7,849
At 31 December 2012:			
Cost	19,798	7,936	27,734
Accumulated depreciation	(14,249)	(5,636)	(19,885)
Net carrying amount	5,549	2,300	7,849

14. INVESTMENT PROPERTIES

	Group	
	2013	2012
	HK$'000	HK$'000
Carrying amount at 1 January	**–**	–
Acquisition of subsidiaries (note 33)	**202,313**	–
Net gain from a fair value adjustment (note 5)	**1,326**	–
Exchange realignment	**5,541**	–
Carrying amount at 31 December	**209,180**	–

The Group's investment properties are situated in Mainland China and are held under medium term leases.

The Group's investment properties consist of certain commercial and residential properties in Mainland China. The directors of the Company have determined that the investment properties consist of two classes of asset, i.e., commercial and residential based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2013 based on valuations performed by LCH (Asia-Pacific) Surveyors Limited, independent professionally qualified valuers, at HK$209,180,000. Each year, the Group's management decide to appoint which external valuer to be responsible for the external valuations of the Group's investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(a) to the financial statements.

Further particulars of the Group's investment properties are included on page 143 of the annual report.

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31 December 2013

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

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

	Fair value measurement as at 31 December 2013 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 property	–	–	208,476	208,476
Residential property	–	–	704	704
	–	–	209,180	209,180

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.

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 2013	–	–
Acquisition of subsidiaries	201,690	623
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	1,263	63
Exchange realignment	5,523	18
Carrying amount at 31 December 2013	208,476	704

14. 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**
Residential property	Market approach	Adjustment on market unit price (per sq.m.)	-10% to -17%
Commercial property	Investment approach	Adjustment on market rental (per sq.m. and per month)	1.1% to-11%
		Adopted yield	4.0% to 5.5%
	and		
	Market approach	Adjustment on market unit price (per sq.m.)	-5.0% to -6.0%

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, neighborhood, environment, facilities, etc. Comparable properties of similar size, character and location are analyzed 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 analyzed when comparing such comparables against the subject property.

The adjustment on market unit prices is determined by making reference 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 investment approach, fair value is estimated by capitalising the current rental income and the reversionary value of the properties after tenancies expire by reference to market sales transactions by making relevant adjustments

The adjustment on market rental is determined by making reference 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 yields derived from the sales and rental comparables.

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

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

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2013	2012
	HK$'000	HK$'000
Carrying amount at 1 January	–	–
Acquisition of subsidiaries (note 33)	**11,205**	–
Recognised during the year	**332**	–
Exchange realignment	**180**	–
Carrying amount at 31 December	**11,717**	–
Current portion included in prepayments, deposits and other receivables	**(332)**	–
Non-current portion	**11,385**	–

The Group's leasehold land is situated in Mainland China and is held under medium term leases.

16. GOODWILL

	Group
	HK$'000
Cost, net of accumulated impairment,	
at 1 January 2012, 31 December 2012, 1 January 2013	**2,892**
Impairment during the year (note 6)	**(2,892)**
At 31 December 2013	**–**
At 31 December 2013:	
Cost	**2,892**
Accumulated impairment	**(2,892)**
Net carrying amount	**–**

16. GOODWILL *(continued)*

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the distribution of information products cash-generating unit for impairment testing. The recoverable amount of the distribution of information products cash-generating unit has been determined based on a value in use calculation using a cash flow projection based on financial budgets covering a five-year period approved by the directors.

Assumptions were used in the value in use calculation of the distribution of information products cash-generating unit for 31 December 2013 and 31 December 2012. The cash flow projection was based on the expected gross margins during the budget period. Budgeted gross margin was determined based on past performance and management's expectation on market development. The discount rate used is before tax and reflects specific risks relating to the cash-generating unit.

During the year ended 31 December 2013, due to continuous losses incurred by the distribution of information products cash-generating unit, by discounting the future cash flows generated from the distribution of information products cash-generating unit for impairment testing, the directors of the Company considered the goodwill of approximately HK$2,892,000 (2012: Nil) was fully impaired.

17. OTHER INTANGIBLE ASSETS

Group

	Computer software HK$'000
Cost at 1 January 2012, 31 December 2012 and 1 January 2013, net of accumulated amortisation	–
Addition	66
Amortisation provided during the year	(10)
At 31 December 2013	56
At 31 December 2013:	
Cost	66
Accumulated amortisation	(10)
Net carrying amount	56

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18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**887,437**	450,071
Due from subsidiaries	**312,687**	250,308
	1,200,124	700,379
Impairment (Note)	**(372,194)**	(372,194)
	827,930	328,185

Note: An impairment was recognised for an unlisted investment with a carrying amount of HK$372,194,000 (2012: HK$372,194,000) because the relevant subsidiary had suffered losses for years. There was no change in the impairment account during the current year.

18. INVESTMENTS IN SUBSIDIARIES *(continued)*

The amounts due from subsidiaries included in the investments in subsidiaries above are unsecured, interest-free and the Company does not expect these loans to be repaid within the next 12 months. In the opinion of the Company's directors, these loans are considered as quasi-equity loans to the subsidiaries.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Founder Data Corporation International Limited ("FDC")*	British Virgin Islands/ Hong Kong	Ordinary US$20,000	100	–	Investment holding
Beijing Founder Century Information System Co., Ltd. ("PRC Century")*#	Mainland China	Registered RMB199,180,000	–	100	Distribution of information products
Founder Century (Hong Kong) Limited ("Century (Hong Kong)")	Hong Kong	Ordinary HK$2	–	100	Distribution of information products
Hubei Tianranju Business Management limited*#	Mainland China	Registered RMB30,000,000	–	100	Property investment
Beijing Tianranju Technology Co., Ltd*^	Mainland China	Registered RMB1,000,000	–	100	Property investment
Qingdao Boya Real Estate Co., Ltd ("Qingdao Boya")*^	Mainland China	Registered RMB30,000,000	–	70	Property development

18. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Kunshan Hi-Tech Electronic Arts Creative Industry Development Co., Ltd ("Kunshan Hi-Tech")*^	Mainland China	Registered RMB200,000,000	–	51	Property development
Tianhe Property Development Limited *@	Mainland China	Registered RMB300,000,000	–	90	Property development
Ezhou Jinfeng Property Development Co., Limited *^	Mainland China	Registered RMB10,000,000	–	85.5	Property development
Changsha Henglong Property Development Co., Limited *^	Mainland China	Registered RMB10,000,000	–	60	Property development

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

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

^ Registered as limited liability companies under PRC law

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

Except for FDC, PRC Century, and Century (Hong Kong), 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.

During the year, the Group acquired subsidiaries engaged in property investment and development. Further details of this acquisition are included in note 33 to the financial statements.

18. INVESTMENTS IN SUBSIDIARIES *(continued)*

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.

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

	Kunshan Hi-Tech
Percentage of equity interest held by non-controlling interests	49%
Loss for the year allocated to non-controlling interests	20,669
Accumulated balances of non-controlling interests at the reporting date	304,058

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

	HK$'000
Revenue	–
Loss for the year	(42,182)
Total comprehensive loss for the year	(42,182)
Current assets	1,933,180
Non-current assets	2,730
Current liabilities	(1,153,809)
Non-current liabilities	(158,369)
Net cash flows used in operating activities	(60,803)
Net cash flows used in investing activities	(129)
Net cash flows from financing activities	9,562
Net decrease in cash and cash equivalents	(51,370)

19. INVESTMENTS IN ASSOCIATES

	Group 2013 HK$'000	Group 2012 HK$'000
Share of net assets	**29,884**	34,990

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
MC.Founder Limited*	Ordinary shares of HK$1 each	Hong Kong	36.69	Investment holding and distribution of mobile phones and data products
MC.Founder (Distribution) Limited*	Ordinary shares of HK$1 each	Hong Kong	36.69	Distribution of mobile phones and accessories, and provision of repair services
Fast Rich Technology Limited*	Ordinary shares of HK$1 each	Hong Kong	36.69	Retail of data products
Fast Rich Technology (Macau) Limited*	Ordinary shares of MOB1 each	Macau	36.69	Retail of data products
MC.Founder (Technology) Limited*	Ordinary shares of HK$1 each	Hong Kong	36.69	Sale of data products

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

19. INVESTMENTS IN ASSOCIATES *(continued)*

The above table lists the associates of the Group 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 associates would, in the opinion of the directors, result in particulars of excessive length.

The Group's shareholdings in the associates are held through a wholly-owned subsidiary of the Company.

All of the Group's associates are not individually material to the Group.

20. PROPERTIES UNDER DEVELOPMENT

	Note	2013 HK$'000	2012 HK$'000
Carrying amount at 1 January		–	–
Acquisition of subsidiaries	33	1,501,909	–
Additions		1,890,215	–
Transfer to properties held for sale		(253,170)	–
Exchange realignment		63,769	–
Carrying amount at 31 December		3,202,723	–

All of the Group's properties under development are situated in Mainland China and are held under the following lease terms:

	2013 HK$'000	2012 HK$'000
Long term leases	3,128,904	–
Medium term leases	73,819	–
	3,202,723	–

As 31 December 2013, land use right certificate of certain land included in the properties under development of the Group with an aggregate carrying amount of approximately HK$604,755,000 (2012: Nil) had not been issued by the relevant government authorities. The Group has obtained such relevant certificates subsequent to the end of the reporting period.

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21. PROPERTIES HELD FOR SALE

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

22. INVENTORIES

	Group	
	2013	2012
	HK$'000	HK$'000
Trading stocks	**224,780**	186,578

23. TRADE AND BILLS RECEIVABLES

	Group	
	2013	2012
	HK$'000	HK$'000
Trade and bills receivables	**707,588**	671,136
Impairment	**(12,115)**	(37,432)
	695,473	633,704

23. TRADE AND BILLS RECEIVABLES *(continued)*

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. 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 aged 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:

	Group	
	2013	2012
	HK$'000	HK$'000
Within 6 months	**666,438**	585,269
7 to 12 months	**12,627**	22,552
13 to 24 months	**16,408**	25,883
	695,473	633,704

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

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**37,432**	27,356
Impairment losses recognised/(reversed) (note 6)	**(25,058)**	12,958
Amount written off as uncollectible	**(932)**	(3,408)
Exchange realignment	**673**	526
At 31 December	**12,115**	37,432

Included in the above provision for impairment for trade receivables is a provision for individually impaired trade receivables of HK$6,838,000 (2012: HK$7,864,000) with a carrying amount before provision of HK$6,838,000 (2012: HK$10,819,000). The individually impaired trade receivables relate to customers that were in financial difficulties.

23. TRADE AND BILLS RECEIVABLES *(continued)*

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

	Group	
	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	**607,229**	511,862
Past due but not impaired:		
Less than 1 month past due	**24,199**	51,197
1 to 3 months past due	**32,324**	18,549
Over 3 months past due	**4,258**	3,286
	668,010	584,894

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.

As at 31 December 2013, certain of the Group's bills receivable of approximately HK$34,337,000 (2012: Nil) were pledged to banks to secure the bank loans (note 27).

As at 31 December 2013, included in the Group's trade and bills receivables are amounts due from subsidiaries of Peking Founder of approximately HK$27,860,000 (2012: HK$31,312,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

As at 31 December 2012, included in the Group's trade and bills receivables was an amount due from a subsidiary of Founder Holdings Limited ("FHL"), in which a 31.66% equity interest was indirectly held by Peking Founder, of approximately HK$873,000, which was repayable on similar credit terms to those offered to the major customers of the Group.

24. 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 are deposited with creditworthy banks with no recent history of default. The carrying amounts of the restricted cash approximate to their fair values.

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**758,601**	184,194	**264,961**	5,519
Time deposits with original maturity of less than three months when acquired	**46,000**	95,350	**46,000**	58,000
Time deposits with original maturity of over three months when acquired	**12,790**	12,450	**–**	–
Cash and cash equivalents	**817,391**	291,994	**310,961**	63,519

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to approximately HK$499,908,000 (2012: HK$216,194,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. 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 2012, included in the Group's cash and cash equivalents were time deposits and cash and bank balances of HK$37,350,000 and HK$12,979,000, respectively, placed with Founder Finance, a financial institution approved by the People's Bank of China ("PBOC"). Founder Finance is a subsidiary of Peking Founder. The interest rates for these deposits were the prevailing saving rates offered by the PBOC.

26. TRADE AND BILLS PAYABLES

	Group	
	2013	2012
	HK$'000	HK$'000
Trade payables	**394,455**	253,711
Bills payable	**573,726**	329,925
	968,181	583,636

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

	Group	
	2013	2012
	HK$'000	HK$'000
Within 6 months	**878,514**	557,478
Over 6 months	**89,667**	26,158
	968,181	583,636

As at 31 December 2013, included in the Group's trade and bills payables are amounts due to subsidiaries of FHL of approximately HK$6,938,000 (2012: HK$14,725,000), which are repayable on similar credit terms to those offered by the related companies to their major customers.

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

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2013			2012		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans						
– unsecured	6.00-6.72	2014	463,864	5.53-7.32	2013	262,695
Bank loans-secured	5.99-6.30	2014	33,254	–	–	–
Trust receipt loans						
– unsecured	2.03-3.09	2014	12,112	–	–	–
Other loans-unsecured*	12.5	2014	370,910	–	–	–
			880,140			262,695
Non-Current						
Other loans-unsecured*	11.5	2015	578,198	–	–	–
			1,458,338			262,695

* The balance represents amounts due to PKU Resources.

	Group 2013 HK$'000	Group 2012 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year	509,230	262,695
Other loans repayable:		
Within one year	370,910	–
In the second year	578,198	–
	949,108	–
	1,458,338	262,695

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

Notes:

(a) The unsecured bank loans were guaranteed by Peking Founder.

(b) As at 31 December 2013, certain of the Group's bank loans were secured by pledge of certain of the Group's bills receivable of approximately HK$34,337,000 (2012: Nil) (note 23).

(c) As at 31 December 2013, except for the trust receipt loans of HK$12,112,000 (2012: Nil) which were denominated in USD, all borrowings were denominated in RMB.

28. LONG TERM PAYABLE

As at 31 December 2013, included in the Group's and the Company's long term payable was a loan from Founder Information, the immediate holding company of the Company. The loan was unsecured, interest-free and repayable in 2015.

29. DEFERRED TAX

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

Deferred tax liabilities

Group

	Revaluation of properties	Depreciation allowance in excess of related depreciation	Fair value adjustments arising from acquisition of subsidiaries	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Deferred tax liabilities at 1 January 2012, 31 December 2012 and 1 January 2013	–	–	–	–
Acquisition of subsidiaries (note 33)	4,960	10,360	199,298	214,618
Deferred tax charged to the statement of profit or loss during the year (note 10)	331	1,746	–	2,077
Exchange realignment	140	305	5,443	5,888
Deferred tax liabilities at 31 December 2013	5,431	12,411	204,741	222,583

29. DEFERRED TAX *(continued)*

The Group has tax losses arising in Hong Kong 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$116,901,000 (2012: Nil) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 December 2013, 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$42,240,000 at 31 December 2013 (2012: HK$27,173,000).

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

30. SHARE CAPITAL

Shares

	Group and Company	
	2013	2012
	HK$'000	HK$'000
Authorised:		
3,000,000,000 (2012: 3,000,000,000) ordinary shares of HK$0.10 each	**300,000**	300,000
Issued and fully paid:		
2,397,970,318 (2012: 1,106,062,040) ordinary shares of HK$0.10 each	**239,797**	110,606

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30. SHARE CAPITAL *(continued)*

During the year, the movements in share capital were as follows:

(a) In January 2013, consideration shares of the Company as to approximately HK$232,279,000 were issued to Founder Information, the immediate holding company of the Company, for the acquisition of subsidiaries as set out in note 33 to the financial statements. The market price of the share of the Company at the date of issue is HK$0.44 per share. Accordingly, 527,906,976 ordinary shares of the Company were issued to Founder Information. Further details of the transaction were set out in the announcement of the Company dated 2 January 2013 and the circular of the Company dated 16 November 2012.

(b) In November 2013, Founder Information converted the convertible bonds issued by the Company (note 33) with an aggregate of principal amount HK$188,000,000 at the conversion price of HK$0.43 per conversion share into 437,209,302 ordinary shares of the Company. Further details of the transaction were set out in the announcement of the Company dated 11 November 2013.

(c) In December 2013, the Company completed the placing of 326,792,000 ordinary shares at a placing price of HK$0.8 per share, resulting in the issue of 326,792,000 ordinary shares for the gross proceeds and net proceeds of approximately HK$261,434,000 and HK$260,254,000, respectively. Further details of the transaction were set out in the announcement of the Company dated 23 December 2013.

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2012, 31 December 2012 and 1 January 2013	1,106,062,040	110,606	156,019	266,625
Issue of new shares (a)	527,906,976	52,791	179,488	232,279
Conversion of convertible bonds (b)	437,209,302	43,721	91,259	134,980
Placing of new shares (c)	326,792,000	32,679	227,575	260,254
At 31 December 2013	2,397,970,318	239,797	654,341	894,138

31. SHARE OPTION SCHEMES

On 29 May 2013, the Company adopted a share option scheme (the "2013 Scheme") in compliance with Chapter 17 of the Listing Rules. The purpose of the 2013 Scheme is to enable the board of directors of the Company to grant share options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group. Eligible participants of the 2013 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, have contributed or will contribute to the Group or any substantial shareholder of the Company. The 2013 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 2013 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 2013 Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

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

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 of Hong Kong Limited (the "Stock Exchange") on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the shares of the Company.

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

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31. SHARE OPTION SCHEMES *(continued)*

The share option scheme adopted by the Company on 24 May 2002 (the "2002 Scheme") expired on 24 May 2012, however, the outstanding share options granted under the 2002 Scheme shall continue to be valid and exercisable during the prescribed exercise period in accordance with the 2002 Scheme.

The following share options were outstanding under the 2002 Scheme and the 2013 Scheme during the year:

	2013		2012	
	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	**0.281**	**42,056**	0.281	42,056
Granted during the year	**0.910**	**163,397**	–	–
At 31 December	**0.781**	**205,453**	0.281	42,056

On 5 December 2011, a total of 42,056,200 share options were granted to certain directors of the Company in respect of their services to the Group (the "2011 Options") under the 2002 Scheme. The 2011 Options have an exercise price of HK$0.281 per share. The closing price of the Company's shares at the date of grant was HK$0.280 per share. None of the 2011 Options was exercised or forfeited during the year ended 31 December 2013 and year ended 31 December 2012.

On 10 June 2013, a total of 163,396,900 share options were granted to certain directors and employees of the Group in respect of their services to the Group (the "2013 Options") . The 2013 Options have an exercise price of HK$0.91 per share. The closing price of the Company's shares at the date of grant was HK$0.91 per share. None of the 2013 Options was exercised or forfeited during the year ended 31 December 2013.

31. SHARE OPTION SCHEMES *(continued)*

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2013

Number of options '000	**Exercise price HK$ per share** (Note 1)	**Exercise period** (Notes 2 and 3)
42,056	0.281	05.12.2012 to 04.12.2014
163,397	0.910	10.06.2014 to 09.06.2016
205,453		

2012

Number of options '000	**Exercise price HK$ per share** (Note 1)	**Exercise period** (Note 2)
42,056	0.281	05.12.2012 to 04.12.2014

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 2011 Options granted on 5 December 2011 are exercisable in the following two tranches:

   (i) First 40% of the 2011 Options are exercisable from 5 December 2012 to 4 December 2014; and

   (ii) The remaining 60% of the 2011 Options are exercisable from 5 December 2013 to 4 December 2014.

3. The 2013 Options granted on 10 June 2013 are exercisable in the following two tranches:

   (i) First 40% of the 2013 Options are exercisable from 10 June 2014 to 9 June 2016; and

   (ii) The remaining 60% of the 2013 Options are exercisable from 10 June 2015 to 9 June 2016.

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

31. SHARE OPTION SCHEMES *(continued)*

The fair value of the 2011 Options at the date of grant was HK$4,542,000 (HK$0.108 each) of which the Group recognised a share option expense of HK$1,342,000 (2012: HK$2,952,000) during the year ended 31 December 2013.

The fair value of the 2013 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$17,520,000 (2012: Nil) during the year ended 31 December 2013.

The fair value of equity-settled share options granted during the year ended 31 December 2013 was estimated as at the date of grant, 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

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 205,453,100 share options outstanding under the 2002 Scheme and the 2013 Scheme. The exercise in full of the remaining share options under the 2002 Scheme and the 2013 Scheme would, under the present capital structure of the Company, result in the issue of 205,453,100 additional ordinary shares of the Company and additional share capital of HK$20,545,000 and share premium of HK$139,963,000 (before issue expenses).

At the date of approval of these financial statements, the Company had an aggregate of 205,453,100 share options outstanding under the 2002 Scheme and the 2013 Scheme, which represented approximately 8.6% of the Company's shares in issue as at that date.

32. RESERVES

(a) Group

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 51 to 52 of the financial statements.

The Group's 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.

In accordance with the relevant PRC regulations, each of the Group's PRC subsidiaries and associates 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 until such reserve reaches 50% of its registered capital. The quantum of the annual transfer is subject to the approval of the board of directors of the PRC subsidiaries and associates in accordance with their articles of association.

(b) Company

	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 2012		156,019	256	528,980	–	(456,650)	228,605
Loss for the year		–	–	–	–	(22,188)	(22,188)
Equity-settled share option arrangements	31	–	2,952	–	–	–	2,952
At 31 December 2012 and at 1 January 2013		156,019	3,208	528,980	–	(478,838)	209,369
Loss for the year		–	–	–	–	(29,348)	(29,348)
Issue of new shares	30	179,488	–	–	205,088	–	384,576
Issue of convertible bonds classified as equity	33	–	–	–	62,000	–	62,000
Conversion of convertible bonds	30	91,259	–	–	(134,980)	–	(43,721)
Placing of new shares	30	227,575	–	–	–	–	227,575
Equity-settled share option arrangements	31	–	18,862	–	–	–	18,862
At 31 December 2013		654,341	22,070	528,980	132,108	(508,186)	829,313

32. RESERVES *(continued)*

(b) Company *(continued)*

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.

The employee share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments 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 accumulated losses should the related options expire or be forfeited.

33. BUSINESS COMBINATION

During the year ended 31 December 2013, the Group acquired 100% equity interests in Hong Kong Tianranju Holdings Limited ("Tianranju") and Hong Kong Tianhe Holdings Limited ("Tianhe") from Founder Information, which would be satisfied by the issue of the consideration shares of the Company as to approximately HK$232,279,000 and the consideration convertible bonds of the Company. The convertible bonds were interest-free and could be converted by the bondholders at a conversion price of HK$0.43 per ordinary share of the Company during the conversion period from 2 March 2013 to 1 March 2018. Upon conversion in full of the convertible bonds, an aggregate of 720,930,232 ordinary shares of the Company will be issued by the Company. The number of shares into which the convertible bonds could be converted was fixed at the issuance date and the convertible bonds were interest-free and not redeemable in cash. The convertible bonds were classified entirely as equity of the Company and their fair value of HK$205,088,000 at the issuance date was recognised in the other reserve in the equity.

Tianranju and its subsidiaries ("Tianranju Group") and Tianhe and its subsidiaries ("Tianhe Group") are principally engaged in property development and property investment.

33. BUSINESS COMBINATION *(continued)*

The fair values of the identifiable assets and liabilities of Tianranju Group and Tianhe Group as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000
Property, plant and equipment	13	4,137
Properties under development	20	1,501,909
Investment properties	14	202,313
Prepaid land lease payments	15	11,205
Trade receivables		50
Restricted cash		5,511
Cash and cash equivalents		303,738
Prepayments, deposits and other receivables		36,436
Trade payables		(70,395)
Other payables and accruals		(547,854)
Interest-bearing bank and other borrowings		(311,250)
Deferred tax liabilities	29	(214,618)
Total identifiable net assets at fair value		921,182
Non-controlling interests		(355,247)
Gain on bargain purchase		(128,568)
		437,367
Satisfied by:		
Issue of shares of the Company		232,279
Issue of convertible bonds of the Company		205,088
		437,367

33. BUSINESS COMBINATION *(continued)*

The transaction costs were borne by Founder Information.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash consideration	
Cash and cash equivalents acquired	303,738
Net inflow of cash and cash equivalents included in cash flows from investing activities	303,738

Since the acquisition date on 2 January 2013 to 31 December 2013, Tianranju Group recorded revenue and net loss of approximately HK$51,090,000 and HK$44,698,000, respectively, and Tianhe Group did not generate any revenue and recorded a net loss of approximately HK$15,357,000.

In addition to the issues of the consideration shares and the consideration convertible bonds of the Company for the acquisition of subsidiaries mentioned above, during the year ended 31 December 2013, the Company issued subscription convertible bonds to Founder Information at a cash consideration of HK$62,000,000. 144,186,046 shares into which the subscription convertible bonds could be converted was fixed at the issuance date and the subscription convertible bonds were interest-free and not redeemable in cash. At the issuance date, the subscription convertible bonds of HK$62,000,000 were classified in the other reserve in the equity of the Company.

34. CONTINGENT LIABILITIES

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

	Company	
	2013 HK$'000	2012 HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	93,000	96,000
Guarantees given to suppliers in connection with credit facilities granted to a subsidiary	–	52,738
	93,000	148,738

34. CONTINGENT LIABILITIES *(continued)*

(a) *(continued)*

As at 31 December 2013, the banking facilities granted to subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK$12,112,000 (2012: Nil).

As at 31 December 2012, the credit facilities granted to a subsidiary subject to guarantees given to suppliers by the Company were utilised to the extent of approximately HK$52,738,000.

(b) As at 31 December 2013, 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$294,943,000 (2012: Nil). 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 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 2013.

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties or the property leased from an independent company under operating lease arrangements, with leases negotiated for terms ranging from one to five 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 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**38,007**	–
In the second to fifth years, inclusive	**17,966**	–
	55,973	–

35. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

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

At 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**36,639**	5,492
In the second to fifth years, inclusive	**568**	2,256
	37,207	7,748

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2013	2012
	HK$'000	HK$'000
Contracted, but not provided for:		
Properties under development	**565,193**	–

At the end of the reporting period, the Company did not have any significant commitments (2012: Nil).

37. RELATED PARTY TRANSACTIONS

(I) Transactions and commitments with related parties

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:

(a) On 1 November 2011, the Company entered into a master agreement with Peking Founder to govern the sale of information products to Peking Founder and its subsidiaries (collectively "Peking Founder Group") for the three years ending 31 December 2014.

During the year, information products of approximately HK$172,969,000 (2012: HK$62,965,000) 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 29 August 2011, the Company entered into a master agreement with 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. Further details of the transaction were set out in the announcement of the Company dated 9 December 2013.

During the year, information products of approximately HK$1,503,000 (2012: HK$6,664,000) were sold to Founder Group. The directors consider that the sales of these products were made according to published prices and conditions similar to those offered to other customers of the Group.

(c) On 29 August 2011, the Company entered into a HP Master Agreement with FHL to govern the purchase of HP products from Founder Group for a term of three years from 1 January 2011 to 31 December 2013.

During the year, HP products of approximately HK$108,677,000 (2012: HK$131,787,000) were purchased from Founder Group and commission fee of approximately HK$326,000 (2012: HK$395,000) was paid to Founder Group. The directors consider that the purchase of HP products and commission fee were made in accordance with the HP Master Agreement.

37. RELATED PARTY TRANSACTIONS *(continued)*

(I) Transactions and commitments with related parties *(continued)*

(d) On 7 December 2012, the Company entered into a master agreement with Peking Founder for the purchase of information products from Peking Founder Group for a term of three years from 1 January 2013 to 31 December 2015.

During the year, information products of approximately HK$10,683,000 (2012: HK$9,232,000) were purchased from Peking Founder Group by the 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.

(e) On 7 December 2012, the Company entered into a master agreement with FHL to govern the purchase of software products developed by Founder Group, the systems integration products and the related services for the three years ending 31 December 2014.

During the year, the Group did not purchase any software product or systems integration product from Founder Group (2012: Nil).

(f) On 1 November 2011, the Company entered into an entrusted loan master agreement with Peking Founder pursuant to which the Group would provide short term loans through a financial institution to Peking Founder Group for the three years ending 31 December 2014.

On 4 July 2012, the Group provided a six-month short term loan of approximately HK$49,800,000 to a subsidiary of Peking Founder and the related interest of approximately HK$28,000 (2012: HK$1,665,000) was earned by the Group during the year ended 31 December 2013. The loan was unsecured and bore an interest at the prevailing benchmark Renminbi lending rate for loan period of six months offered by the PBOC plus 15% of such rate. The entrusted loan and related interest receivables were fully settled by that subsidiary of Peking Founder during the year ended 31 December 2013.

On 15 April 2013, the Group provided a one-year short term loan of approximately HK$2,056,000 to a subsidiary of Peking Founder and the related interest of approximately HK$3,261,000 was earned by the Group during the year ended 31 December 2013. The loan was unsecured and bore an interest at an interest rate of 7.8% per annum. The entrusted loan and related interest receivables were early settled by that subsidiary of Peking Founder in full on 6 November 2013.

The directors consider that the provision of the entrusted loan to Peking Founder Group was made in accordance with the Entrusted Loan Master Agreement.

(g) On 7 May 2013, Kunshan Hi-Tech entered into an entrusted loan master agreement with PKU Resources, pursuant to which PKU Resources would provide short term loans through a financial institution to Kunshan Hi-Tech for one year.

On 7 May 2013, PKU Resources provided a one-year short term unsecured loan of approximately HK$316,000,000 to Kunshan Hi-Tech and bears an interest at an interest rate of 12.5% per annum and to be paid quarterly. On the same date, PKU Resources provided another one-year short term loan of approximately HK$50,560,000 to Kunshan Hi-Tech. The loan was unsecured and bears an interest at an interest rate of 11.5% per annum and to be paid quarterly. The related interest expense of these two loans (before interest capitalisation) of HK$29,713,000 in aggregate was charged to Kunshan Hi-Tech during the year ended 31 December 2013.

37. RELATED PARTY TRANSACTIONS *(continued)*

(I) Transactions and commitments with related parties *(continued)*

(g) *(continued)*

The loans of HK$366,560,000 and related interest payable of HK$971,000 payable to PKU Resources remained unpaid and were included in interest-bearing bank and other borrowings, and other payables and accruals, respectively, in the consolidated statement of financial position as at 31 December 2013.

(h) On 15 October 2013, PKU Resources provided a two-year unsecured loan of approximately HK$577,507,000 to Qingdao Boya and bears an interest at an interest rate of 11.5% per annum and to be paid quarterly, of which principal of approximately HK$462,397,000 was early settled on 7 November 2013. The remaining loan of HK$115,110,000 and related interest payable of HK$313,000 payable to PKU Resources remained unpaid and were included in interest-bearing bank and other borrowings, and other payables and accruals, respectively, in the consolidated statement of financial position as at 31 December 2013.

On 26 November 2013, PKU Resources provided a two-year unsecured loan of approximately HK$173,663,000 to Qingdao Boya and bears an interest at an interest rate of 11.5% per annum and to be paid quarterly. The loan of HK$173,663,000 remained unpaid and was included in interest-bearing bank and other borrowing in the consolidated statement of financial position as at 31 December 2013.

On 25 December 2013, PKU Resources provided a two-year unsecured loan of approximately HK$289,425,000 to Qingdao Boya and bears an interest at an interest rate of 11.5% per annum and to be paid quarterly. The loan of HK$289,425,000 and related interest payable of HK$630,000 payable to PKU Resources remained unpaid and were included in interest-bearing bank and other borrowings and other payables and accruals, respectively, in the consolidated statement of financial position as at 31 December 2013.

The related interest expense of these three loans (before interest capitalisation) of HK$8,225,000 in aggregate was charged to Qingdao Boya during the year ended 31 December 2013.

(i) During the year ended 31 December 2013, PKU Resources made advances to certain subsidiaries of the Company, which are unsecured, bears an interest at an interest rate of 11.5% per annum and have no fixed terms of repayment. The related interest expense of these advances (before interest capitalisation) of HK$25,418,000 in aggregate was charged to the Group during the year ended 31 December 2013. As at 31 December 2013, unsettled advances of HK$225,361,000 were included in other payables and accruals in the consolidated statement of financial position.

37. RELATED PARTY TRANSACTIONS *(continued)*

(I) Transactions and commitments with related parties *(continued)*

(j) On 13 January 2011, the Company, Founder Finance and Peking Founder entered into a financial services agreement, pursuant to which Founder Finance would provide the Group with (i) deposit service, (ii) loan services; and (iii) miscellaneous financial services subject to the terms and conditions provided therein for the three years ended 31 December 2013. Peking Founder has provided the guarantee to the Company in the financial services agreement.

On 23 December 2013, the Company, Founder Finance and Peking Founder entered into the financial services agreement to extend the terms of the provision by Founder Finance of (i) the deposit services; (ii) the loan services; and (iii) the miscellaneous financial services to the Group. Further details of the transaction were set out in the announcement of the Company dated 23 December 2013 and the circular of the Company dated 16 January 2014.

On 13 January 2012 and 4 December 2012, the Group borrowed loans from Founder Finance of approximately HK$246,077,000 and HK$24,608,000, respectively. The above loans and related interests of approximately HK$2,381,000 were fully paid by the Group to Founder Finance during the year ended 31 December 2012.

As at 31 December 2013, no deposits were placed by the Group with Founder Finance (2012: HK$50,329,000). During the year, interest of approximately HK$1,508,000 (2012: HK$1,416,000) was earned by the Group. The interest rates on these deposits offered by Founder Finance were the prevailing rates offered by the PBOC.

(k) On 6 May 2012, Kunshan Hi-Tech entered into a loan agreement with PKU Resources, pursuant to which PKU Resources would provide short term loans through Founder Finance to Kunshan Hi-Tech for one year. On 5 July 2012, Kunshan Hi-Tech and Founder Finance entered into an entrusted loan agreement to give effect to the loan agreement, pursuant to which PKU Resources would provide a one-year short term loan of approximately HK$311,250,000 to Kunshan Hi-Tech. The loan bears an interest at an interest rate of 12.5% per annum and to be paid semi-annually. The interest expense of HK$11,322,000 was charged during the year ended 31 December 2013. The loan was early settled in full on 12 April 2013.

(l) On 28 August 2012, the Company entered into a master lease agreement with Peking Founder, pursuant to which the Company agrees to procure one of its subsidiaries to lease certain commercial premises at Founder International Building to Peking Founder Group for the three years ending 31 December 2014. During the year ended 31 December 2013, a subsidiary of the Company engaged a subsidiary of PKU Resources to collect rental income from independent tenants on its behalf, until those tenants enter into lease agreements with the subsidiary of the Company. No management fee was charged during the year.

During the year ended 31 December 2013, rental income of approximately HK$20,689,000 (2012: Nil) were received from Peking Founder Group. The related rental of HK$21,000 (2012: Nil) receivable from Peking Founder Group remained undue and was included in trade and bills receivables in the consolidated statement of financial position as at 31 December 2013.

37. RELATED PARTY TRANSACTIONS *(continued)*

(I) Transactions and commitments with related parties *(continued)*

(m) As at 31 December 2013, guarantees were given by Peking Founder to banks in connection with banking facilities granted to the Group of approximately HK$1,130,273,000 (2012: HK$1,002,430,000) which were utilised to the extent of approximately HK$881,771,000 (2012: HK$568,149,000).

The related party transactions in respect of items (a) to (l) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(II) Outstanding balances with related parties

(a) The balances due to subsidiaries of FHL included in other payables and accruals as at 31 December 2013 were approximately HK$192,000 (2012: HK$4,207,000). The balances are unsecured, interest-free and have no fixed terms of repayment.

(b) Except for the entrusted loans and related interest receivables and rental receivables due from Peking Founder Group disclosed in note 37(I)(f) to the financial statements, the balances due from Peking Founder Group included in prepayments, deposits and other receivables were approximately HK$6,086,000 (2012: HK$2,765,000). The balances are unsecured, interest-free and have no fixed terms of repayment.

(c) The balances due to Peking Founder Group included in other payables and accruals as at 31 December 2013 were approximately HK$102,007,000 (2012: HK$65,314,000). The balances are unsecured, interest-free and have no fixed terms of repayment.

(d) Except for the entrusted loans and related interest payables and other payables due to PKU Resources disclosed in notes 37(I)(g), 37(I)(h) and 37(I)(i) to the financial statements, the balances due to PKU Resources included in other payables and accruals amounting to approximately HK$348,653,000 (2012: Nil) are unsecured, interest-free and have no fixed terms of repayment.

(e) As at 31 December 2013, the balance due from Founder Information included in prepayments, deposits and other receivables was approximately HK$4,251,000 (2012: Nil), and the balance due to Founder Information included in other payables and accruals was approximately HK$5,400,000 (2012: a payable of HK$8,400,000 included in long term payable). These balances are unsecured, interest-free and have no fixed terms of repayment.

(f) The balance due to Founder Information included in long term payable as at 31 December 2013 was approximately HK$62,071,000 (2012: HK$8,400,000). The balance is unsecured, interest-free and repayable in 2015.

(g) Details of the Group's trade receivables and trade payables with its related companies as at the end of the reporting period are included in notes 23 and 26 to the financial statements.

Notes to Financial Statements

31 December 2013

37. RELATED PARTY TRANSACTIONS *(continued)*

(III) Compensation of key management personnel of the Group

	2013	2012
	HK$'000	HK$'000
Short term employee benefits	**1,456**	1,132
Equity-settled share option expense	**10,104**	2,952
Post-employment benefits	**6**	14
Total compensation paid to key management personnel	**11,566**	4,098

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

38. 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:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets – Loans and receivables				
Trade and bills receivables	**695,473**	633,704	**–**	–
Financial assets included in prepayments, deposits and other receivables	**43,589**	70,218	**483**	434
Restricted cash	**194,642**	106,320	**–**	–
Cash and cash equivalents	**817,391**	291,994	**310,961**	63,519
	1,751,095	1,102,236	**311,444**	63,953
Financial liabilities – Financial liabilities at amortised cost				
Trade and bills payables	**968,181**	583,636	**–**	–
Financial liabilities included in other payables and accruals	**372,171**	69,710	**8,193**	1,763
Interest-bearing bank and other borrowings	**1,458,338**	262,695	**–**	–
Long term payable	**62,071**	8,400	**62,071**	8,400
	2,860,761	924,441	**70,264**	10,163

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

Group

	Carrying amounts		Fair values	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities				
Interest-bearing bank and other borrowings	**1,458,338**	262,695	**1,458,338**	262,695

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, the current portion of interest-bearing bank and other borrowings and long term payable approximate to their carrying amounts largely due to the short term maturities 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 following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2013 was assessed to be insignificant.

Fair value hierarchy

The Group and the Company did not have any financial assets and liabilities measured at fair value as at 31 December 2013 (2012: Nil).

40. 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.

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. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 34 to the financial statements.

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, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade and bills receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 23 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.

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

Liquidity risk

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

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

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

Group

		2013	
	Within 1 year	**Over 1 year**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Trade and bills payables	**968,181**	**–**	**968,181**
Financial liabilities included in other payables and accruals	**327,171**	**–**	**327,171**
Interest-bearing bank and borrowings	**908,968**	**704,026**	**1,612,994**
Long term payable	**–**	**62,071**	**62,071**
	2,204,320	**766,097**	**2,970,417**

		2012	
	Within 1 year	Over 1 year	Total
	HK$'000	HK$'000	HK$'000
Trade and bills payables	583,636	–	583,636
Financial liabilities included in other payables and accruals	69,710	–	69,710
Interest-bearing bank borrowings	270,743	–	270,743
Long term payable	–	8,400	8,400
	924,089	8,400	932,489

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

Liquidity risk *(continued)*

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

Company

	2013		
	Within 1 year HK$'000	**Over 1 year HK$'000**	**Total HK$'000**
Financial liabilities included in other payables and accruals	**8,193**	**–**	**8,193**
Long term payable	**–**	**62,017**	**62,017**
Guarantees given to banks in connection with credit facilities granted to a subsidiary	**93,000**	**–**	**93,000**
	101,193	**62,017**	**163,210**

	2012		
	Within 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
Financial liabilities included in other payables and accruals	1,763	–	1,763
Long term payable	–	8,400	8,400
Guarantees given to banks in connection with credit facilities granted to a subsidiary	96,000	–	96,000
Guarantees given to suppliers in connection with credit facilities granted to a subsidiary	52,738	–	52,738
	150,501	8,400	158,901

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 31 December 2012.

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:

	2013 **HK$'000**	2012 HK$'000
Interest-bearing bank and other borrowings	**1,458,338**	262,695
Total equity attributable to owners of the parent	**1,175,763**	319,975
Debt to equity ratio	**1.24**	0.82

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2014.

Particulars of Investment Properties

31 December 2013

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

Five Year Financial Summary

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

RESULTS

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**3,028,185**	2,724,229	5,400,140	4,649,269	3,812,755
PROFIT/(LOSS) FOR THE YEAR	**29,428**	(24,735)	(8,411)	15,763	33,325
Attributable to:					
Owners of the parent	**59,767**	(24,753)	(8,411)	15,763	33,325
Non-controlling interests	**(30,339)**	–	–	–	–
	29,428	(24,753)	(8,411)	15,763	33,325

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**5,793,011**	1,344,717	1,921,680	2,130,027	1,450,716
TOTAL LIABILITIES	**(4,261,003)**	(1,024,742)	(1,582,469)	(1,781,905)	(1,130,186)
NON-CONTROLLING INTERESTS	**(356,245)**	–	–	–	–
	1,175,763	319,975	339,211	348,122	320,530