PKU RESOURCES

北大資源(控股)有限公司

PEKING UNIVERSITY RESOURCES (HOLDINGS) COMPANY LIMITED

资源控股

RESOURCES HOLDINGS

(Incorporated in Bermuda with limited liability)

Stock Code：00618

2020 ANNUAL REPORT

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BUSINESS AREAS

Peking University Resources (Holdings) Company Limited ("PKU Resources" or the "Company", together with its subsidiaries, collectively the "Group") was formerly known as EC-Founder (Holdings) Company Limited. In order to generate higher returns for shareholders, the Company began to launch a multi-business development strategy based on information products distribution business starting in 2013. In January 2013, the Company completed the acquisition of a group of companies engaged in the business of property development and property investment, and gradually diversified into the business segments of real estate development and commercial real estate operations.

The Group is principally engaged in distribution of information products in Hong Kong and the PRC, property development and property investment in the PRC. As at 31 December 2020, the Group had a total of 39 property development projects across 18 cities in Mainland China. The total area of the properties held for sales, properties under development and areas pending construction of the Group amounted to approximately 6.72 million square meters.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr Wong Kai Ho (*Chairman*, appointed on 8 October 2021)
Mr Wang Guiwu (appointed on 8 October 2021)
Mr Huang Zhuguang (appointed on 1 December 2021)
Mr Zheng Fu Shuang

Independent non-executive Directors

Mr Chu Kin Wang, Peleus (appointed on 8 October 2021)
Mr Chin Chi Ho, Stanley (appointed on 8 October 2021)
Mr Chung Wai Man (appointed on 8 October 2021)
Mr Hua Yichun (appointed on 1 December 2021)
Mr Wang Bingzhong (appointed on 1 December 2021)

COMMITTEES

Audit Committee

Mr Chu Kin Wang, Peleus (*Chairman*, appointed on 8 October 2021)
Mr Chin Chi Ho, Stanley (appointed on 8 October 2021)
Mr Hua Yichun (appointed on 8 December 2021)

Remuneration Committee

Mr Chung Wai Man (*Chairman*, appointed on 8 October 2021)
Mr Wong Kai Ho (appointed on 8 October 2021)
Mr Chin Chi Ho, Stanley (appointed on 8 October 2021)

Nomination Committee

Mr Wong Kai Ho (*Chairman*, appointed on 8 October 2021)
Mr Hua Yichun (appointed on 8 December 2021)
Mr Chung Wai Man (appointed on 8 October 2021)

COMPANY SECRETARY

Mr Wong Kai Ho (appointed on 15 October 2021)

AUTHORISED REPRESENTATIVES

Mr Wong Kai Ho (appointed on 8 October 2021)
Mr Huang Zhuguang (appointed on 1 December 2021)

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2303, 23/F
COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Principal registrar

MUFG Fund Services (Bermuda) Limited
4th floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Hong Kong branch share registrar and transfer office

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

LISTING INFORMATION

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

COMPANY WEBSITE

www.pku-resources.com

Property Development Projects

Project Locations

As at 31 December 2020

1 TIANJIN

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

2 QINGDAO, SHANDONG

PKU Resources Square

3 XINING, QINGHAI

Boya Financial Plaza

4 KAIFENG, HENAN

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

5 KUNSHAN, JIANGSU

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

6 HANGZHOU, ZHEJIANG

PKU Resources • Wei Ming Mansion

7 WUHAN, HUBEI

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

8 EZHOU, HUBEI

PKU Resources • Lianhu Jincheng

9 YICHANG, HUBEI

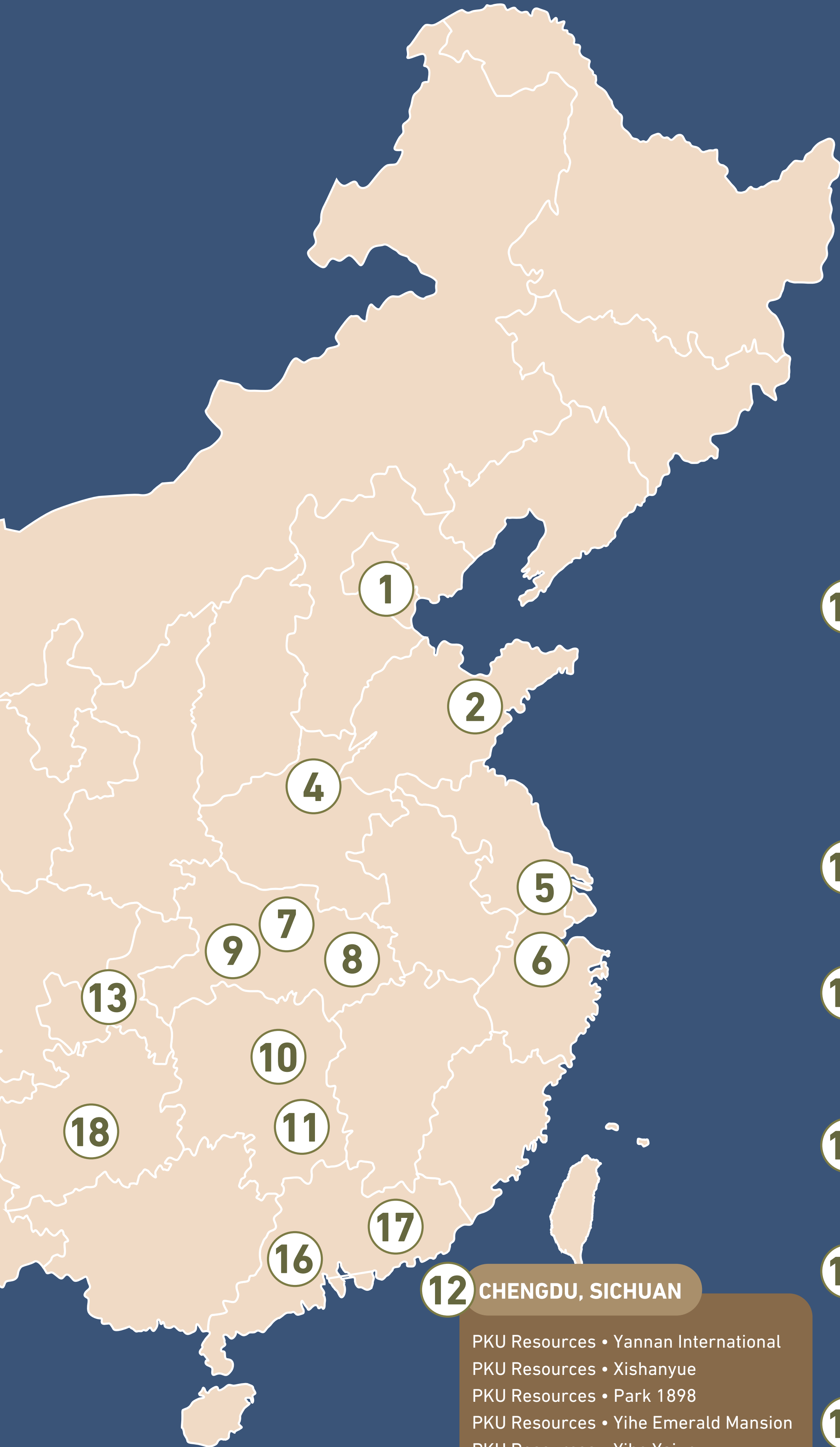
Changjiang International Cultural Plaza

10 CHANGSHA, HUNAN

PKU Resources • Time
PKU Resources • Ideal Home

11 ZHUZHOU, HUNAN

PKU Resources • Emerald Park



13 CHONGQING

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

14 KUNMING, YUNNAN

Kunming Botai City

15 YUXI, YUNNAN

Yuxi Project
(Resources Rui Cheng • Yihe Jiujin)

16 FOSHAN, GUANGDONG

PKU Resources • Boya Binjiang

17 DONGGUAN, GUANGDONG

Boya Gongguan 1898
Yihe Emerald Park (Park 1898)

12 CHENGDU, SICHUAN

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

18 GUIYANG, GUIZHOU

PKU Resources • Dream City
Duyun Project
Quanhu Project

TIANJIN

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share	Year of completion/ Expected year of completion(Note)
PKU Resources • Yuefu	Tianjin	Residential/Commercial	271,382	70%	2023
PKU Resources • Yuecheng	Tianjin	City Complex Integrating Residential/Commercial/ Office/Apartment	437,646	60%	N/A
Tuanbo Project • Park 1898	Tianjin	Residential/Commercial	63,033	100%	2024

QINGDAO, SHANDONG

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share	Year of completion/ Expected year of completion(Note)
PKU Resources Square	Qingdao, Shandong	Commercial/Office	140,690	70%	2021

XINING, QINGHAI

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share	Year of completion/ Expected year of completion(Note)
Boya Financial Plaza	Xining, Qinghai	Commercial/Office	417,205	–	2022

KAIFENG, HENAN

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share	Year of completion/ Expected year of completion(Note)
PKU Resources • Wei Ming Mansion	Kaifeng, Henan	Commercial/Residential	323,381	100%	2021
PKU Resources • Phrase 1 of Block C, Wei Ming Mansion (Kaifeng 39 Mu)	Kaifeng, Henan	Commercial/Residential	78,482	100%	2021
PKU Resources • Wei Ming Yangzhe	Kaifeng, Henan	Commercial/Residential	224,671	100%	2025
Resources Rui Cheng• Wei Ming 1898	Kaifeng, Henan	Commercial/Residential	297,651	100%	2022

KUNSHAN, JIANGSU

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share	Year of completion/ Expected year of completion(Note)
PKU Resources • Jiujin Yihe	Kunshan, Jiangsu	Residential/Commercial	725,848	51%	N/A
PKU Resources • Yihe Tianyue (Qian Deng Project)	Kunshan, Jiangsu	Residential/Commercial	207,816	100%	2023

HANGZHOU, ZHEJIANG

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share	Year of completion/ Expected year of completion(Note)
PKU Resources • Wei Ming Mansion	Hangzhou, Zhejiang	Commercial/Office	193,452	100%	N/A

WUHAN, HUBEI

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

EZHOU, HUBEI

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share	Year of completion/ Expected year of completion(Note)
PKU Resources • Lianhu Jincheng	Ezhou, Hubei	Residential	778,167	90%	2024

YICHANG, HUBEI

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share	Year of completion/ Expected year of completion(Note)
Changjiang International Cultural Plaza	Yichang, Hubei	Residential/Commercial/ Office building space	239,860	–	2022

CHANGSHA, HUNAN

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

ZHUZHOU, HUNAN

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share	Year of completion/ Expected year of completion(Note)
PKU Resources • Emerald Park	Zhuzhou, Hunan	Residential	554,148	82%	2023

CHENGDU, SICHUAN

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share	Year of completion/ Expected year of completion(Note)
PKU Resources • Yannan International	Chengdu, Sichuan	Residential/Commercial	540,273	70%	2021
PKU Resources • Xishanyue	Chengdu, Sichuan	Residential	72,752	70%	N/A
PKU Resources • Park 1898	Chengdu, Sichuan	Residential	218,384	70%	N/A
PKU Resources • Yihe Emerald Mansion	Chengdu, Sichuan	Residential/Commercial	217,382	80%	N/A
PKU Resources • Yihe Yajun	Chengdu, Sichuan	Residential	286,351	70%	N/A
Xinfan Project	Chengdu, Sichuan	Commercial/Office	213,316	70%	N/A
Boya City Plaza (Xinchuan Science & Technology Park 35 Mu Project)	Chengdu, Sichuan	Commercial/Office	140,826	51%	N/A

CHONGQING

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share	Year of completion/ Expected year of completion(Note)
PKU Resources • Jiangshan Mingmen	Chongqing	Residential/Commercial	679,223	100%	N/A
PKU Resources • Yannan	Chongqing	Residential	723,382	70%	N/A
PKU Resources • Boya	Chongqing	Residential/Commercial	493,462	70%	N/A
PKU Resources • Yuelai	Chongqing	Residential/Commercial	394,572	70%	N/A
PKU Resources • Zijing Mansion (Tea Garden 155 Mu)	Chongqing	Residential/Commercial	209,337	100%	2021

KUNMING, YUNNAN

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share	Year of completion/ Expected year of completion(Note)
Kunming Botai City	Kunming, Yunnan	Residential/Commercial/ Office	424,598	85%	2023

YUXI, YUNNAN

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share	Year of completion/ Expected year of completion(Note)
Yuxi Project (Resources Rui Cheng • Yihe Jiujin)	Yuxi, Yunnan	Residential/Commercial	482,490	100%	2025

FOSHAN, GUANGDONG

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share	Year of completion/ Expected year of completion(Note)
PKU Resources • Boya Binjiang	Foshan, Guangdong	Residential/Commercial	914,183	51%	2022

DONGGUAN, GUANGDONG

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share	Year of completion/ Expected year of completion(Note)
Boya Gongguan 1898	Dongguan, Guangdong	Residential/Commercial	31,277	100%	N/A
Yihe Emerald Park (Park 1898)	Dongguan, Guangdong	Residential/Commercial	188,403	100%	2023

GUIYANG, GUIZHOU

Project Name	Project Location	Form	Planned GFA (sq.m)	Equity Share	Year of completion/ Expected year of completion(Note)
PKU Resources • Dream City	Guiyang, Guizhou	Commercial residential	1,039,781	70%	2022
Duyun Project	Guiyang, Guizhou	Residential/Commercial	346,586	–	2022
Quanhu Project	Guiyang, Guizhou	Residential/Commercial	108,237	10%	2021

INVESTMENT PROPERTY OVERVIEW

Project Name	Location	Type	Planned GFA (sq.m)
International Building of Wuhan	Wuhan, Hubei	Commercial/ Office building space	26,963
Boya City Plaza	Chengdu, Sichuan	Commercial/ Office/Residential	61,830

Note: For certain projects, the expected year of completion are not available, as these projects have not commenced or pending for completion acceptance, thus it is unable to estimate the expected completion year.

Management Discussion and Analysis

MARKET REVIEW

In 2020, amidst the global COVID-19 pandemic, which caused severe economic downturn and economic de-globalization, the world is experiencing a huge once-in-a-century transformation with turmoil, restructuring and complicated economic and political situations. China took the lead in controlling the pandemic and resuming work and production in the world, becoming the only major economy to achieve positive economic growth worldwide. In the second half of the year, as key industrial and economic indicators basically returned to normality, the economy has returned to the track of organic growth. The RMB loans increased by RMB19.63 trillion for the year and the accumulated increment of the financing to the real economy amounted to RMB34.86 trillion. The gross domestic product for the year reached RMB101.5986 trillion, representing a year-on-year increase of 2.3%.

In respect of policies, despite the pandemic in 2020, the general approach towards real-estate market in China remained unchanged. The central government adhered to the principle that "houses are for living in, not for speculation and carrying out city-specific policies" as well as stabilising land prices, housing prices and market expectations, rather than regarding real estate as a means to stimulate the economy for the short term, so as to ensure the stable and healthy development of the real-estate market. Meanwhile, by maintaining the continuity, consistency and stability of the financial policies for real-estate, the central government accelerated the establishment of a long-term management system for real estate finance. In the second half of the year, with the introduction of "three red line" requirements, the real-estate finance regulation was gradually tightened as a whole.

As the stabilizer and cornerstone of economic development in China, the real-estate industry outperformed expectation in 2020 and the real-estate market nationwide has completely recovered from the impact of the pandemic and entered a normal track. In 2020, the sales area of commercial housing in China reached 1.76086 billion square meters, representing a year-on-year increase of 2.6%; the sales volume of commercial housing increased by 8.7% to RMB17.3613 trillion.

OVERALL PERFORMANCE

The Group reported a loss for the year ended 31 December 2020 (the "Reporting Period") of approximately RMB1,845.0 million (year ended 31 December 2019: loss of RMB1,693.3 million). The Group's revenue for the Reporting Period decreased by 62.4% to approximately RMB9,085.4 million (year ended 31 December 2019: RMB24,131.6 million) as a result of the decrease in areas delivered of property development projects. The Group's gross profit for the Reporting Period has decreased by 74.5% to approximately RMB535.2 million (year ended 31 December 2019: RMB2,101.6 million) mainly due to decrease in proportion of property development business ("Property Development Business") of the Group with higher gross profit margin.

The increase in loss for the Reporting Period was mainly due to the net results of:

a. a decrease in gross profit by 74.5% to RMB535.2 million (year ended 31 December 2019: RMB2,101.6 million) as a result of decrease in revenue of Property Development Business and distribution of information products business ("Distribution Business") of the Group;

b. a decrease in impairment of property under development and property held for sale, net incurred from the realizable net values of certain property projects based on the assessment of the prevailing market conditions, by 80.3% to RMB644.1 million (year ended 31 December 2019: RMB3,268.6 million);

c. an increase in other income and gains by RMB409.9 million to RMB583.1 million (year ended 31 December 2019: RMB173.2 million) attributable to net increase in fair value gains on investment properties;

d. a decrease in total selling and distribution expenses and administrative expenses by 22.3% to RMB858.6 million (year ended 31 December 2019: RMB1,105.1 million) attributable to the strict control on expenses imposed by the management;

e. a decrease in impairment losses on financial assets, net by 76.3% to RMB17.0 million (year ended 31 December 2019: RMB71.7 million) attributable to decrease in impairment of trade and other receivables;

f. an increase in other expenses and losses, net by RMB480.6 million to RMB485.1 million (year ended 31 December 2019: RMB4.5 million) attributable to increase in claim penalty on late repayment of bank and other borrowings;

g. an increase in finance cost by 25.1% to approximately RMB1,030.8 million (year ended 31 December 2019: RMB824.3 million) attributable to decrease in interest capitalised of those subsidiaries with their property development projects completed during the year; and

h. a decrease in income tax expenses by 71.0% to approximately RMB568.2 million (year ended 31 December 2019: RMB1,960.6 million) as a result of decrease in corporate income tax and land appreciation tax in the PRC for the year.

The loss attributable to the owners of the parents and the profit attributable to the non-controlling interests of the Group for the Reporting Period are approximately RMB2,025.4 million (year ended 31 December 2019: loss of RMB2,421.9 million) and RMB180.4 million (year ended 31 December 2019: profit of RMB728.6 million) respectively.

Basic and diluted loss per share attributable to equity holders of the Company for the Reporting Period were RMB31.57 cents (year ended 31 December 2019: RMB37.75 cents).

OPERATING REVIEW

Real Estate Business

Property Development

The turnover of the Property Development Business for the Reporting Period was approximately RMB3,811.5 million (year ended 31 December 2019: RMB15,216.7 million). The segment results recorded a loss of approximately RMB739.8 million (year ended 31 December 2019: profit of RMB1,182.8 million). The deterioration of segment turnover was primarily attributable to the decrease in areas delivered of property development projects. The decline in segment results was due to the net effect of decline in segment revenue and decline in impairment of properties under development, net and properties held for sale, net.

As at 31 December 2020, the Group had a total of 39 property development projects across 18 cities in Mainland China. The total area of the properties held for sales, properties under development and areas pending construction of the Group amounted to approximately 6.72 million square meters.

The Group will further focus on the expansion of its regional property development business, while pushing forward the delivery of projects actively. Facing the changes internally and externally, the Group will make responses prudently and control risks proactively so as to maintain a stable operation of its own business, thereby pushing ahead with the delivery of property projects steadily in the coming year.

Contracted Sales

During the Reporting Period, in response to the regularized pandemic and industrial changes, the Group pushed forward the resumption of work and production actively. As at 31 December 2020, there was a total of 24 projects of 3.89 million square meters under construction. During the Reporting Period, the Group had 35 projects on sale. Contracted sales of properties and contracted gross floor area (the "GFA") amounted to approximately RMB3.15 billion and 0.34 million square meters, respectively, with an average selling price of approximately RMB9,297 per square meter.

Property Investment

The property investment business of the Group recorded an increase in turnover by 8.6% to approximately RMB37.9 million (year ended 31 December 2019: RMB34.9 million) and segment profit of approximately RMB510.9 million (year ended 31 December 2019: profit of RMB30.8 million) during the current financial year. The increase in segment revenue was mainly attributed to the increase in rentable floor area due to transfer from properties held for sale during the year. The improvement in segment results was mainly due to increase in fair value gains on investment properties arising from transfer from properties held for sale during the year.

Distribution Business

Distribution of Information Products

The Distribution Business recorded a turnover of approximately RMB5,236.0 million for the Reporting Period representing a decrease of 41.0% as compared to last financial year (year ended 31 December 2019: RMB8,880.0 million). The segment results recorded a profit of RMB28.8 million (year ended 31 December 2019: loss of RMB15.7 million). The improvement in segment results was due to reduction in operating cost and impairment of other receivables.

The Distribution Business is mainly focused on the distribution of information products such as servers, printers, switches, networking products, storage devices, workstations, optical screen products, video conference host, conference controller, codec, UPS power supply and notebook computer of a number of internationally famed and branded information product manufacturers such as HP, H3C, CommScope, Microsoft, Corning, Lenovo, Huawei and DELL. The decrease in turnover during the year was mainly attributable to decrease in sales volume of information products under the impact of COVID-19 pandemic and reduce in scale of operation under the intense market competition.

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

PROSPECTS

Real Estate Business

Looking forward, the world economic situation remains complicated and tough with unstable and imbalanced recovery and ineligible risks arising from the pandemic. In the future, China will continue to smooth the domestic cycle by implementing various measures so as to fully unleash the potential of domestic demand and hence laying a solid foundation for forming the new landscape of "dual cycle". With the constantly strengthening regulation over real-estate finance, the Chinese government will, by continuing to adhere to the position that "houses are for living in, not for speculation" as well as carrying out city-specific policies and balancing between lease and purchase, continue to facilitate healthy development of housing consumption as well as stable and sound development of the real-estate market.

By keeping abreast with the direction of national policy and market changes and adhering to the strategic guideline of "One Body, Two Wings and Three Cores", the Group will continue to focus on key national city clusters and adopt the operation model integrating asset-light and asset-heavy, enhance the development of city-industry integration, push ahead with the establishment of core big healthcare and technology IPs and implement the strategy towards becoming a "technology and innovation services provider".

Distribution Business

The Distribution Business will continuously refine its product structure to avoid product overlapping and minimize market risk. The Group will focus on the distribution of information products with better trading terms and explore more profitable value-added service business. Moreover, the management will also place stronger emphasis on operating cash flow management, stringent control on working capital such as trade receivables and payables and inventory and cost management. The Group will continue to look for alliance with other international information products suppliers and investment opportunities.

EMPLOYEE

The Group has developed its human resources policies and procedures based on performance and contributions of employees. The Group ensures that the remuneration level of its employees are competitive and employees are rewarded on a performance basis within the general framework of the Group's salary and bonus systems. The Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance. The Group adopts share option scheme for the purpose of providing incentives and rewards to eligible directors (the "Directors") and employees of the Group who contribute to the success of the Group's operations. The Group had not granted any share options to its eligible Directors and employees during the Reporting Period.

The Group has 911 employees as at 31 December 2020 (31 December 2019: 1,205).

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

During the Reporting Period, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Mainland China. As at 31 December 2020, the Group had approximately RMB12,173.9 million interest-bearing bank and other borrowings (31 December 2019: RMB12,913.0 million), of which approximately RMB469.8 million (31 December 2019: RMB480.0 million) were floating interest bearing and RMB11,704.1 million (31 December 2019: RMB12,433.0 million) were fixed interest bearing. The borrowings, which were subject to little seasonality, consisted of mainly bank loans, trust receipt loans and loans from certain subsidiaries and associates of Peking University Founder Group Company Limited ("Peking Founder", together with its subsidiaries, collectively the "Peking Founder Group"), and borrowings from financial institutions. Peking Founder was an indirect controlling shareholder of the Company during the Reporting Period. Almost all of interest-bearing bank and other borrowings are denominated in Renminbi ("RMB"), of which RMB12,173.9 million (31 December 2019: RMB12,654.9 million) were repayable on demand or within one year and nil (31 December 2019: RMB258.1 million) was repayable within two years. The Group's banking facilities were secured by corporate guarantee given by the Company, Peking Founder, Founder Information (Hong Kong) Limited ("Founder Information") and Peking University Resources Group Co., Ltd. ("Resources Group") (each a controlling shareholder of the Company during the Reporting Period), and certain properties under development, properties held for sale, the Group's stakes and assignment of return arising from the Group's certain properties under development and properties held for sale. The decrease in bank and other borrowings was mainly attributed to the repayment of bank loans for Property Development Business during the current financial year. The increase in other payables and accruals by 14.9% to RMB18,882.5 million (31 December 2019: RMB16,438.8 million) was due to increase in contract liabilities arising from sale of properties.

As at 31 December 2020, the Group recorded total assets of approximately RMB38,190.6 million (31 December 2019: RMB38,541.4 million) which were financed by liabilities of approximately RMB38,898.5 million (31 December 2019: RMB37,437.8 million), non-controlling interests of approximately RMB1,136.2 million (31 December 2019: RMB962.8 million) and deficit attributable to owners of the parent of approximately RMB1,844.1 million (31 December 2019: equity of RMB140.8 million). The decrease in equity was attributable to loss for the Reporting Period. The Group's net asset value per share as at 31 December 2020 was negative RMB0.11 (31 December 2019: positive RMB0.17). The decrease in net asset value per share was attributable to the loss for the Reporting Period.

The Group had total cash and cash equivalents and restricted cash of approximately RMB1,863.2 million as at 31 December 2020 (31 December 2019: RMB2,514.5 million). As at 31 December 2020, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total equity, was negative 17.2 (31 December 2019: positive 11.7) while the Group's current ratio was 0.94 (31 December 2019: 1.01).

As at 31 December 2020, the capital commitments for contracted, but not provided for, properties under development were approximately RMB4,959.2 million (31 December 2019: RMB4,517.1 million).

Treasury policies

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

Exposure to fluctuations in exchange rates and related hedges

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

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the Reporting Period.

Future plans for material investments or capital assets

The Group did not have any concrete future plans for material investments or capital assets as at 31 December 2020 (31 December 2019: Nil). However, the Group always seeks for new investment opportunities in the Real Estate Business and Distribution Business to broaden the revenue and profit potential of the Group and enhance shareholders' value in long term.

Charges on assets

As at 31 December 2020, properties under development of approximately RMB12,176.1 million (31 December 2019: RMB10,299.9 million), properties held for sale of approximately RMB5,451.7 million (31 December 2019: RMB6,081.9 million), property, plant and equipment of approximately RMB23.2 million (31 December 2019: RMB24.8 million), investment properties of approximately RMB165.3 million (31 December 2019: RMB179.6 million), bank deposits of approximately RMB10.4 million (31 December 2019: RMB25.1 million), certain equity interests of certain subsidiaries and the assignment of returns arising from certain properties under development and properties held for sale of the Group were pledged to banks to secure general banking facilities granted, as deposits for construction of the relevant properties and as guarantees deposits for certain mortgage loans granted by banks to purchasers of the Group's properties.

Contingent liabilities

As at 31 December 2020, the Group had contingent liabilities relating to guarantees mainly in respect of mortgages granted by certain banks to certain purchasers of the Group's properties amounting to approximately RMB7,886.6 million (31 December 2019: RMB6,254.0 million). This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of the building ownership certificates which are generally available within one to two years after the purchasers take possession of the relevant properties. The fair value of the guarantees is not significant and the Directors of the Company consider that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made for the guarantees in the consolidated financial statements for the Reporting Period (31 December 2019: Nil).

Events after the Reporting Period

1. The restructuring process of Peking Founder Group

The Company received a notification letter from Peking Founder on 25 January 2021, regarding a civil order received by the administrator of Peking Founder from The First Intermediate People's Court of Beijing* (北京市第一中級人民法院) on 22 January 2021. Pursuant to the civil order, the deadline for the submission of the restructuring proposal will be extended to 30 April 2021.

The Company received the "Notification letter in relation to determination of restructuring investors of Peking Founder" from the administrator of Peking Founder on 29 January 2021. It is stated in the notification letter that after multiple rounds of competitive selection, it is finally determined that Zhuhai Huafa Group Co., Ltd. (on behalf of Zhuhai State-owned Assets), Ping An Insurance (Group) Company of China, Ltd. and Shenzhen SDG Group Co., Ltd.* (collectively, the "Restructuring Investors") formed a consortium as investors of restructuring of Peking Founder. In the next step, the administrator of Peking Founder will proceed the signing of investment agreements and drafting of restructuring proposals in accordance with the laws.

The Company received a notification letter from the administrator of Peking Founder on 30 April 2021, which stated that the Restructuring Investors entered into a restructuring investment agreement (the "Restructuring Investment Agreement") with the administrator of Peking Founder, Peking Founder, Founder Industry Holdings Co., Ltd., Peking University Healthcare Industry Group Co., Ltd., Peking University Founder Information Industry Group Co., Ltd. and Resources Group (the "Five Companies including Peking Founder") on 30 April 2021.

The Company received the "Notification Letter of Voting Results of the Second Creditors Meeting and the Meeting of the Group of Capital Contributors in relation to the Substantive Consolidated Restructuring of Founder Group" on 28 May 2021, which stated that in the second creditors' meeting and the meeting of the group of capital contributors in relation to the substantive consolidated restructuring of the Five Companies including Peking Founder held on the same day, the "Restructuring Proposal of the Five Companies including Peking University Founder Group Company Limited (Draft)" (the "Restructuring Proposal (Draft)") has been approved and the administrator of Peking Founder will apply to the First Intermediate People's Court of Beijing for approval of the Restructuring Proposal (Draft) in accordance with the laws.

The Company received a notification letter from the administrator of Peking Founder on 5 July 2021, which stated that a written civil ruling (No. (2020)京01破13號之五) served by The First Intermediate People's Court of Beijing was received by it on the same day, in which it was held that the Restructuring Proposal (Draft) was approved and the restructuring procedure was terminated. Accordingly, the Restructuring Proposal (Draft) has become effective and is in the phase of execution.

Details of the restructuring and liquidation process are set out in the announcements of the Company dated 25 January 2021, 29 January 2021, 2 February 2021, 22 February 2021, 12 March 2021, 3 May 2021, 31 May 2021 and 8 July 2021, respectively.

2. Change of controlling shareholders and substantial shareholders of the Company

On 5 March 2021, a sealed regulating order was issued by the High Court of Hong Kong regarding the appointment of the liquidators (the "Liquidators") of Founder Information, the immediate holding company of the Company. Upon such appointment, the Liquidators shall have the powers, including but not limited to, taking possession of the property of Founder Information and selling any of the property of Founder Information (including the shares of the Company) by way of public auction or private contract, with power to transfer the whole of it to any person or to sell the same in parcels.

* *For identification purpose only*

As informed by the Liquidators, Founder Information (acting by the Liquidators) conducted several sales of the shares in the Company, details of which are set out as follow:

(1) on 29 June 2021, Founder Information (acting by the Liquidators) accepted an irrevocable offer made by Ample Grace Investments Limited ("Ample Grace"), pursuant to which, Founder Information agreed to sell 641,615,565 shares in the Company (representing approximately 10% of total issued share capital of the Company) ("Accepted Offer Shares") to Ample Grace; and Ample Grace was granted a right to require Founder Information to purchase from Ample Grace all Accepted Offer Shares (subject to the completion of such sale set out above). Upon completion of such transfer, Ample Grace became a substantial shareholder of the Company. Details of the transfer are set out in the announcement of the Company dated 8 July 2021;

(2) on 12 August 2021, Founder Information (acting by the Liquidators) sold 1,276,384,435 shares in the Company (representing approximately 19.89% of total issued share capital of the Company) to Ample Grace. The 1,918,000,000 shares in the Company held by Ample Grace are subject to the share charge entered into by Ample Grace and Founder Information (acting by the Liquidators) on 11 August 2021 and the put option in respect of the Accepted Offer Shares was terminated. Details of the transfer and the share charge are set out in the announcement of the Company dated 31 August 2021;

(3) on 8 October 2021, Founder Information (acting by the Liquidators) sold 1,276,814,973 shares in the Company (representing approximately 19.90% of the issued share capital of the Company) to Firstunion Animation Technology (HK) Co. Limited ("Firstunion"). Upon completion of such transfer on 18 October 2021, Firstunion became a substantial shareholder of the Company and Founder Information beneficially owned 655,319,434 shares in the Company (representing approximately 10.21% of the issued share capital of the Company) and ceased to be a controlling shareholder of the Company. Details of the transfer are set out in the announcement of the Company dated 29 October 2021; and

(4) on 20 October 2021, Founder Information (acting by the Liquidators) accepted an irrevocable offer made by Kaiya Fund Pte. Ltd. ("Kaiya Fund"), pursuant to which Founder Information (acting by the Liquidators) agreed to sell a total of 641,600,000 shares in the Company (representing approximately 10.00% of the issued share capital of the Company) to Kaiya Fund. Upon completion of the transfer on 5 November 2021, Founder Information (acting by the Liquidators) beneficially owned 13,719,434 shares in the Company (representing approximately 0.21% of the issued share capital of the Company) and Kaiya Fund beneficially owned 641,600,000 shares in the Company (representing approximately 10.00% of the issued share capital of the Company). As a result, Kaiya Fund became a substantial shareholder of the Company and Founder Information (acting by the Liquidators) ceased to be a substantial shareholder of the Company. Details of the transfer are set out in the announcement of the Company dated 30 November 2021.

3. Litigations

The Group has been involved in the following legal proceedings and has been proactively responding to the cases:

(1) in August 2021, Zhonghang Trust Company Limited* filed a civil complaint in the Intermediate People's Court of Nanchang, Jiangxi Province against Kunshan Hi-Tech Electronic Arts Creative Industry Development Co., Limited* ("Kunshan Hi-Tech") in respect of the outstanding debts amounting to RMB1,035,850,924.54 (including outstanding principal of RMB400 million and outstanding interest and the default interest accrued as of 30 June 2021);

* *For identification purpose only*

(2) in August 2021, Shanghai International Trust Company Limited* ("Shanghai Trust") filed a civil complaint in the Shanghai Financial Court against the indirectly wholly-owned subsidiaries of the Company, namely Chongqing Yingfeng Property Co., Ltd.* ("Chongqing Yingfeng"), Kunshan Fangshi Property Development Co., Limited* ("Kunshan Fangshi") and Hong Kong Yingfeng Holdings Limited ("Hong Kong Yingfeng") in respect of the outstanding debts amounting to RMB413,640,127.62, details of which are set out in the announcement of the Company dated 15 October 2021;

(3) in August 2021, Shanghai Trust filed a civil complaint in the Shanghai Financial Court against Beijing Founder Century Information System Co., Ltd. ("Beijing Founder") and Chongqing Yingfeng in respect of the outstanding debts amounting to RMB716,171,285.90 (including outstanding principal and interest), details of which are set out in the announcement of the Company dated 15 October 2021;

(4) in August 2021, Shanghai Trust filed a civil complaint in the Shanghai Financial Court against Kunshan Fangshi in respect of the outstanding entrusted loans amounting to RMB982,523,221.99 (including the outstanding principal, damages and legal costs); in September 2021, Shanghai Trust filed an application to the Shanghai Financial Court to add Peking University Resources Group Investment Co., Limited ("Resources Investment") as a defendant of the same case;

(5) in August 2021, Minmetals International Trust Co., Ltd ("Minmetals International") filed a civil complaint in the Intermediate People's Court of Xining, Qinghai Province against Dongguan Yihui Property Co., Limited, Yuxi Runya Property Company Limited* ("Yuxi Runya") and Chongqing Yingfeng in respect of the outstanding debts amounting to approximately RMB1,510 million (Minmetals International changed the amount of outstanding debts of the case to RMB1,458,513,421.66 in December 2021);

(6) in August 2021, Minmetals International filed a civil complaint in the Intermediate People's Court of Xining, Qinghai Province against Wuhan Tianhe Jinrui Property Development Company Limited*, Yuxi Runya and Resources Investment in respect of the outstanding entrusted loans amounting to approximately RMB631 million (including outstanding principal of RMB620 million and outstanding interest and default interest as of 19 August 2021);

(7) in August, 2021, Kunshan Hi-Tech filed a civil complaint in the Intermediate People's Court of Suzhou, Jiangsu Province against Peking University Resources (Hubei) Asset Management Co., Limited ("Resources Hubei") in respect of the outstanding debts amounting to RMB178,517,969.43 (including the outstanding principal and interest accrued as of 31 August 2021);

(8) in October 2021, the People's Court of Haidian District, Beijing made an order that 70% of the equity interests of Qingdao Boya Real Estate Co., Limited* ("Qingdao Boya"), a subsidiary of Resources Investment, shall be auctioned and sold;

(9) in November 2021, Resources Group filed a civil legal proceeding in the First Intermediate People's Court of Beijing against Resources Investment in respect of the amount owed by Resources Investment to Resources Group, which Resources Group claimed to be approximately RMB7,926 million, details of which are set out in the announcement of the Company dated 10 November 2021;

(10) in November 2021, Resources Investment filed a legal proceeding in the People's Court of Haidian District, Beijing against Mr Zeng Gang to request him to return the business licenses, company seals and other necessary documents of Resources Investment; and

(11) in December 2021, the People's Court of Haidian District, Beijing made an order that 70% of the equity interests of Qingdao Boya shall be frozen.

* *For identification purpose only*

4. Suspension of trading

As mentioned in the Company's announcement dated 28 April 2021, Resources Group claimed that there were certain discrepancies regarding the amount due to Resources Group reflected in the financial results of the Company for the Reporting Period. As the Company need more time to review the consolidated financial statements, it was unable to issue the annual report for the Reporting Period before 30 April 2021. As a result, trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended with effect from 9:00 a.m. on Monday, 26 April 2021.

On 23 July 2021, the Company received the following resumption guidance from the Stock Exchange (the "Resumption Guidance"):

(i) publish the revised consolidated financial statements of the Company for the Reporting Period and address any audit modifications;

(ii) demonstrate the Company's compliance with Rule 13.24 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"); and

(iii) announce all material information for the Company's shareholders and investors to appraise the Company's position.

Details of the Resumption Guidance are set out in the announcement of the Company dated 28 July 2021.

5. Change of financial year end date

As disclosed in the Company's announcement dated 5 January 2022, the board of Directors (the "Board") resolved to change the financial year end date of the Company from 31 December to 31 March with effect from 5 January 2022.

The Board considered that the change of financial year end date to 31 March will enable the Group to rationalise and mobilise its resources with higher efficiency for the preparation of results announcements and financial reports given the change will:

(1) avoid competition of resources with other listed companies with regard to results announcement and reports-related external services under the peak reporting season in the market;

(2) remove the uncertainty from the variation in the dates of the Chinese New Year Holiday which put pressure on the workflow; and

(3) better coincide with the seasonal operating cycle of the Group's property development business, which usually records higher sales of properties in the first quarter of each year. Such busy season demands heightened commercial efforts, and the change of financial year end date will enable the Group to better utilize its resources on executing its business plans during such busy season.

The Board did not foresee any material financial impact on the Group in respect of the change of financial year end date of the Company and there is no other matter that would need to be brought to the attention of the shareholders of the Company.

Following the change of financial year end date, in respect of the Company's audited consolidated financial information for the 15-month period from 1 January 2021 to 31 March 2022, the Company will be required to publish results announcement on or before 30 June 2022, and the financial report on or before 31 July 2022.

Thereafter, the Company will announce its unaudited interim results for the 6-month period from 1 April to 30 September and the audited annual results for the 12-month period from 1 April to 31 March on or before 30 November and 30 June each year, respectively.

Saved as disclosed above, there is no other important event affecting the Group since 1 January 2021 and up to date of this annual report.

Revision of the information contained in the final results announcement for the year ended 31 December 2020 of the Company dated 31 March 2021 (the "Final Results Announcement")

On 31 March 2021, the Company published the Final Results Announcement. Subsequently, on 28 April 2021, the Company made an announcement that as Resources Group, the then indirect controlling shareholder of the Company, informed in April 2021 that the amount due to it included in "Other payables and accruals" in consolidated statement of financial position as at 31 December 2020 should be revised, the management of the Company needed time to reconcile the balance with the related party and to further discuss and consult on whether to adjust the consolidated financial statements of the Company, and thus, more time was needed for the Company to prepare and finalise relevant information to be contained in the annual report for the year ended 31 December 2020.

Subsequent to the publishing of the Final Results Announcement, the auditor of the Company revised the independent auditor's report on the consolidated financial statements of the Company for the year ended 31 December 2020, primarily amended the basis for their disclaimer of opinion. As such, the section headed "Extract of Independent Auditor's Report on the Consolidated Financial Statements for the Year Ended 31 December 2020" in the Final Results Announcement has been superseded. For details, including the reasons for the changes and the potential impact on the consolidated financial statements of the Company for the year ended 31 December 2020, please refer to pages 71 to 73 of this annual report.

Response from the Directors regarding the Disclaimer of Opinion set out in the Independent Auditor's Report for the year ended 31 December 2020

Ernst & Young (the "Auditor"), the independent auditor of the Company, stated in the Independent Auditor's Report (the "Independent Auditor's Report") set out in this annual report that they are unable to form an opinion as to (i) whether the use of going concern assumption in the preparation of the consolidated financial statements of the Group is appropriate and (ii) the uncertainties relating to an amount due to Resources Group and its subsidiaries (the "Disclaimer of Opinion"). Please refer to the Independent Auditor's Report set out in this annual report for details.

The management's view and assessment on the Disclaimer of Opinion

Going concern basis

The following audit evidence in relation to the going concern is provided by the management to the Auditor:

(1) the information of extension of borrowings with the existing lenders including but not limited to correspondence details with lenders, renewed agreements, etc.;

(2) the information of outstanding litigation with lenders such as pre-litigation property attachment and summary of status of outstanding litigation; and

(3) the information of the Peking Founder Reorganisation such as the notification letters issued by the Administrator of Peking Founder.

The Group has closely communicated with the Auditor to review the above audit evidence and to assess the appropriateness and reasonableness of the going concern basis.

As disclosed in the announcement of the Company dated 30 November 2021, Founder Information (acting by the Liquidators) was only interested in approximately 0.21% of the issued share capital of the Company immediately following the completion of several sales of shares of the Company from June to November 2021. Thus, Peking Founder, being the holding company of Founder Information (acting by the Liquidators), was no longer an indirect controlling shareholder of the Company. As disclosed in the section headed "Management Discussion and Analysis – Events after the Reporting Period" in this annual report, the Group's creditors have initiated multiple litigations against certain Group's members for repayment of the loans. Therefore, it is difficult for the Directors to provide such supporting evidences that the Auditor considers sufficient at this stage.

For the purpose of assessing going concern, the management will undertake the following measures to mitigate the liquidity pressure and to improve its financial position:

1. actively negotiating with existing lenders for loan extension, the waiver of the repayable on demand clause and breach of the undertaking and restrictive covenant requirements of certain bank and other borrowings; and

2. implementing business strategy plans to enhance profitability, control costs and to generate adequate cash flows from operations.

The management understood that there were multiple uncertainties over the Group's status as a going concern as disclosed in the note 2.1 to the financial statements. As disclosed above, it is difficult for the Directors to provide supporting evidences that the Auditor considers sufficient at this stage.

Amount due to Resources Group

As disclosed in the announcement of the Company dated 10 November 2021, a civil legal proceeding had been filed by Resources Group in The First Intermediate People's Court of Beijing against Resources Investment in respect of the amount owed by Resources Investment to Resources Group (the "Litigation"). According to the relevant statement of claim, up to 30 September 2020, the amounts owed by Resources Investment to Resources Group were approximately RMB7,926 million (the "Alleged Debts").

The management has been using its best efforts to understand the events and circumstances leading to the discrepancies (the "Discrepancies") claimed by Resources Group regarding the amount due to Resources Group. In October 2021, the Company has established an investigation team to conduct investigation on the Discrepancies (the "Investigation").

During the Investigation, as disclosed in the announcement of the Company dated 10 December 2021, the Board has discovered that Resources Group is suspected to have misappropriated funds of the Group (the "Misappropriation") in the following manner:

(1) Resources Group had arranged certain subsidiaries of the Company ("Group Companies") to transfer or deposit their funds into Resources Group, resulting in large amount of indebtedness due from Resources Group to the Group.

(2) In 2020 and 2021, Resources Group and its associates, Resources Investment and some other Group Companies have undertaken a series of transactions to transfer, assign and/or offset their respective debts. In particular, Kunshan Hi-Tech, a subsidiary of the Company had transferred and deposited its funds to Resources Group, leading to an aggregated debt of approximately RMB2,417 million owed by Resources Group to Kunshan Hi-Tech (the "Kunshan Hi-Tech Debt"). On 25 March 2021, Resources Group, Resources Investment, Kunshan Hi-Tech and Resources Hubei, an indirect subsidiary of the Company entered into and executed several debt assignment and transfer documents, pursuant to which (a) Resources Investment assumed the liabilities of Resource Group and agreed to repay part of Kunshan Hi-Tech Debt in an amount of approximately RMB2,085 million to Kunshan Hi-Tech, and (b) Resources Hubei assumed the liabilities of Resource Group and agreed to repay part of Kunshan Hi-Tech Debt of approximately RMB141 million to Kunshan Hi-Tech. Thus, Resources Investment and Resources Hubei have incurred vast amount of debts which should have been borne by Resources Group.

(3) While being fully aware of the transactions as disclosed above, Resources Group knowingly and willfully claimed that there were discrepancies regarding the amount payable by Resources Investment to Resources Group and filed a civil lawsuit against Resources Investment for the repayment of the Alleged Debts of approximately RMB7,926 million.

As at the date of this annual report, the Investigation is still ongoing. With the support of the Company's PRC legal advisers, the Company has been proactively collecting the relevant evidences and preparing defence with respect to the Litigation. In relation to the suspected Misappropriation, the Company is currently seeking legal advices and will continue to conduct Investigation over the conducts of Resources Group.

The Board consider there is no sufficient basis for the Company to conduct the reconciliation of the amount due to the Resources Group with the Alleged Debts claimed by the Resources Group after taking into accounts the followings:

(1) Resources Group claimed that the Alleged Debts of RMB7,926 million was the amount owed by Resources Investment to Resources Group as at 30 September 2020, while the amounts due to Resources Group of approximately RMB2,351 million as included in other payables and accruals in the consolidated balance sheet at 31 December 2020 in this annual report is the amounts due to Resources Group as at 31 December 2020, thus no direct comparison can be made with respect to these two figures;

(2) no formal explanation or details regarding the Discrepancies or any document of the underlying transactions leading to the Discrepancies was provided by Resources Group to the Company so far;

(3) the Alleged Debts of RMB7,926 million owed by Resources Investment to Resources Group was fabricated by Resources Group through a series of debt transfer, assignment and offsetting transactions undertaken by Resources Group and its associates, Resources Investment and other Group Companies, which were conducted under the procurement of Resources Group by exerting its control over Resources Investment and other Group Companies at that time, thus did not represent a true indebtedness of Resources Investment; and

(4) the amounts due to Resources Group of approximately RMB2,351 million was prepared based on the internal financial records of the Group.

Given the above, the management is unable to provide the Auditors with sufficient appropriate audit evidence to substantiate the validity and completeness of the amount owed by the Group to Resources Group as of 31 December 2020.

Audit committee's view on the Disclaimer of Opinion

The Audit Committee had critically reviewed the Disclaimer of Opinion, the management's position concerning the Disclaimer of Opinion and measures taken by the Group for addressing the Disclaimer of Opinion. The Audit Committee agreed with the management's position based on the measures disclosed above. Moreover, the Audit Committee requested the management to take all necessary actions to address the effect on the Disclaimer of Opinion that no such Disclaimer of Opinion to be made in the forthcoming audited financial statements. The Audit Committee had also discussed with the Auditor regarding the financial position of the Group, measures taken and to be taken by the Group, and considered the Auditor's rationale and understood their consideration in arriving their opinion.

Action plan to address the Disclaimer of Opinion

In order to address the uncertainties that may cast significant doubt on the Group's ability to continue as going concerns, and with a view to the Disclaimer of Opinion, the Group had taken and intends to continue to implement the following measures to mitigate the liquidity pressure and to improve its cash flows, including:

1. Actively negotiating with existing lenders for the waiver of the repayable on demand clause and breach of the undertaking and restrictive covenant requirements of certain bank and other borrowings.

   The Group has been taking steps to negotiate with the existing lenders to seek for extension of due dates for the overdue loans, and will use its best endeavours to negotiate with the lenders to seek for extension of due dates on a continuing basis.

   Based on the communication with the financial institutions cooperating with the Group, all financial institutions expressed their understanding of the current status of the Group, and at the same time hope that the Group can sustain normal operations. Therefore, the operation and staff stability of the Group are not significantly affected. As at 31 December 2020, the overdue loans of RMB3,218 million were extended for repayment by the lenders.

2. Implementing business strategy plans to enhancing profitability and control costs and to generate adequate cash flows from operations.

   (a) Accelerating the pre-sale and sale of properties under development and completed properties

   The Group formulated the sales strategy tailored to the local conditions of each property development project based on their respective product structure and actively responded to the market, so as to accelerate the pre-sale and sale of properties under development and completed properties. In addition, the Group strengthened communication and coordination with cooperative banks and capital regulatory departments to speed up the receipt of proceeds from pre-sale and sale of properties under development and completed properties.

   (b) Cost Control Measures

   The Group has been taking measures to control the operating costs and improve management efficiency and competitiveness. The Group formulated and closely monitored the budgeted cost for each stage of projects. Cost management system was adopted for real-time cost management and control. The Group has achieved product standardisation and adopted transparent tender system for centralised purchase and subcontracting with standard procedures and documents to determine reasonable and competitive bidding price.

   The structure of marketing expenses were adjusted in each stage so as to improve the cost-effectiveness ratio in the process of pre-sale and sale of properties under development and completed properties.

The Group is also tightening cost controls over the daily administrative and other operating expenses aiming at improving the working capital and cash flow position of the Group.

The Group is confident that the new measures could improve management efficiency while saving operating costs.

3. The Group is seeking legal advice and is proactively responding to the litigations involved to protect its legitimate interests.

In order to address the uncertainties relating to the amount due to Resources Group, the Group had taken and intends to continue to implement the following measures:

1. The Company will continue to conduct the Investigation regarding the Discrepancies, including the circumstance leading to the Misappropriation by Resources Group.

2. In respect of the Litigation, the Company will rigorously defend itself to protect its legitimate interest. The Company is also proactively collecting the relevant evidences and preparing the defence with respect to the Litigation with the support of the Company's PRC legal advisers.

3. In relation to the suspected Misappropriation, the Company is currently seeking legal advices and will continue to conduct Investigation over the conducts of Resources Group. The Group will take proactive follow-up actions to safeguard the Group's interests and assets.

4. The Company has engaged financial advisers, legal advisers and valuer to assist the Company in dealing with the subsidiaries implicated in the Discrepancies and the suspected Misappropriation.

Removal of the Disclaimer of Opinion

The Board will take into consideration the Disclaimer of Opinion when preparing the consolidated financial statements for the 15-month period from 1 January 2021 to 31 March 2022. The Board will be responsible for assessing the Company's ability to continue as a going concern and the amounts due to Resources Group based on the conditions and circumstances as at 31 March 2022.

Assuming (i) all of the above action plans can be implemented as intended; (ii) that there are no other material adverse changes to the business, operation and financial conditions of the Group; (iii) the supporting evidence in proving the Group's ability to continue as a going concern can be provided to the Company's auditor to its satisfaction; and (iv) the supporting evidence to substantiate the validity and completeness of the amount owed by the Group to Resources Group can be provided to the Company's auditor to its satisfaction, the Company believes that its auditor will be able to remove the Disclaimer of Opinion by the time of issuing the audit opinion for the consolidated financial statements of the Group for 15-month period from 1 January 2021 to 31 March 2022. The Group will work closely with its auditor with the view to making timely reporting of the consolidated financial statements of the Group for 15-month period from 1 January 2021 to 31 March 2022 in accordance with the Listing Rules and relevant regulatory requirements. The Company has engaged financial advisers, legal advisers and valuer to assist the Company in dealing with the subsidiaries implicated in the Discrepancies and the suspected Misappropriation.

CORPORATE GOVERNANCE PRACTICES

The Company is firmly committed to the overall standards of corporate governance and has always recognised the importance of accountability and communication with its shareholders. The Company adopted all the code provisions of Corporate Governance Code (the "CG Code"), as set out in Appendix 14 to the 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 2020.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Upon being made specific enquiries by the Company, all directors of the Company (save that the Company did not receive the confirmations from Mr Cheung Shuen Lung (ex-Director who resigned on 10 November 2021), Mr Zeng Gang (ex-Director who resigned on 12 November 2021), Ms Sun Min (ex-Director who was removed on 10 November 2021), Mr Ma Jian Bin (ex-Director who was removed on 10 November 2021), Ms Liao Hang (ex-Director who was removed on 10 November 2021), Mr Li Fat Chung (ex-Director who resigned on 1 April 2020) and Ms Wong Lam Kit Yee (ex-Director who resigned on 1 April 2020)) confirmed that they have complied with the required standards set out in the Model Code throughout the Reporting Period.

BOARD OF DIRECTORS

As at 31 December 2020, the Board of Directors of the Company comprises six executive Directors and three independent non-executive Directors. To the best knowledge of the directors, there is no relationship (including financial, business, family or other material/relevant relationship) among members of the Board. The composition of the Board during the Reporting Period and up to the date of this annual report is set out as follows:

Executive Directors

Mr Wong Kai Ho (*Chairman*, appointed on 8 October 2021)
Mr Wang Guiwu (appointed on 8 October 2021)
Mr Huang Zhuguang (appointed on 1 December 2021)
Mr Zheng Fu Shuang
Mr Cheung Shuen Lung (*Past chairman*, resigned as chairman on 8 October 2021 and resigned as executive Director on 10 November 2021)
Mr Zeng Gang (*Past president*, resigned as president on 8 October 2021 and resigned as executive Director on 12 November 2021)
Ms Sun Min (removed on 10 November 2021)
Mr Ma Jian Bin (removed on 10 November 2021)
Ms Liao Hang (removed on 10 November 2021)

Non-executive Director

Mr Yau Pak Yue (appointed on 8 October 2021 and resigned on 7 December 2021)

Independent non-executive Directors

Mr Chu Kin Wang, Peleus (appointed on 8 October 2021)
Mr Chin Chi Ho, Stanley (appointed on 8 October 2021)
Mr Ning Rui (appointed on 8 October 2021 and resigned on 8 December 2021)
Mr Chung Wai Man (appointed on 8 October 2021)
Mr Hua Yichun (appointed on 1 December 2021)
Mr Wang Bingzhong (appointed on 1 December 2021)
Mr Li Fat Chung (resigned on 1 April 2020)
Ms Wong Lam Kit Yee (resigned on 1 April 2020)
Mr Chan Chung Kik, Lewis (resigned on 30 September 2021)
Mr Lau Ka Wing (appointed on 1 April 2020 and resigned on 30 September 2021)
Mr Lai Nga Ming, Edmund (appointed on 1 April 2020 and resigned on 30 September 2021)

The biographical details of each current director are disclosed on pages 57 to 61 of this annual report.

The Board oversees the Group's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls the operating and financial performance in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the management of the Company under the supervision of the executive Directors. The functions and powers that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are the overall strategy of the Group, major acquisitions and disposals, major capital investments, dividend policy, significant changes in accounting policies, material contracts, appointment and retirement of Directors, remuneration policy and other major operational and financial matters. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives. The Directors have access to appropriate business documents and information about the Group on a timely basis. All the Directors have access to the company secretary who is responsible for ensuring that the Board procedures, and related rules and regulations, are followed. Minutes of Board/Committee meetings are kept by the company secretary and are open for inspection by the Directors. All Directors and Board committees have recourse to external legal counsels and other professionals for independent advice at the Group's expense upon their request. Appropriate directors' liability insurance cover has also been arranged to indemnify the Directors for liabilities arising out of corporate activities.

The Board held four regular Board meetings at approximately quarterly intervals during the Reporting Period. Additional Board meetings were held when necessary. Due notices and Board papers were given to all Directors prior to the meetings in accordance with the Listing Rules and the CG Code.

The attendance records of each Director at the Board meetings and general meetings during the Reporting Period are as follows:

Name of directors	Board Meetings attended/ Eligible to attend	Annual General Meeting attended/ Eligible to attend	Special General Meeting attended/ Eligible to attend
Executive Directors			
Mr Cheung Shuen Lung (*Past chairman*, resigned as chairman on 8 October 2021 and resigned as executive Director on 10 November 2021)	4/4	1/1	1/1
Mr Zeng Gang (*Past president*, resigned as president on 8 October 2021 and resigned as executive Director on 12 November 2021)	4/4	0/1	0/1
Ms Sun Min (removed on 10 November 2021)	4/4	0/1	0/1
Mr Ma Jian Bin (removed on 10 November 2021)	4/4	0/1	0/1
Ms Liao Hang (removed on 10 November 2021)	4/4	0/1	0/1
Mr Zheng Fu Shuang	3/4	0/1	0/1
Mr Wong Kai Ho (*Chairman*, appointed on 8 October 2021)	N/A	N/A	N/A
Mr Wang Guiwu (appointed on 8 October 2021)	N/A	N/A	N/A
Mr Huang Zhuguang (appointed on 1 December 2021)	N/A	N/A	N/A
Non-executive Director			
Mr Yau Pak Yue (appointed on 8 October 2021 and resigned on 7 December 2021)	N/A	N/A	N/A
Independent Non-executive Directors			
Mr Chan Chung Kik, Lewis (resigned on 30 September 2021)	4/4	1/1	1/1
Mr Lau Ka Wing (appointed on 1 April 2020 and resigned on 30 September 2021)	3/3	1/1	N/A
Mr Lai Nga Ming, Edmund (appointed on 1 April 2020 and resigned on 30 September 2021)	3/3	1/1	N/A
Mr Li Fat Chung (resigned on 1 April 2020)	1/1	N/A	1/1
Ms Wong Lam Kit Yee (resigned on 1 April 2020)	1/1	N/A	1/1
Mr Chu Kin Wang, Peleus (appointed on 8 October 2021)	N/A	N/A	N/A
Mr Chin Chi Ho, Stanley (appointed on 8 October 2021)	N/A	N/A	N/A
Mr Ning Rui (appointed on 8 October 2021 and resigned on 8 December 2021)	N/A	N/A	N/A
Mr Chung Wai Man (appointed on 8 October 2021)	N/A	N/A	N/A
Mr Hua Yichun (appointed on 1 December 2021)	N/A	N/A	N/A
Mr Wang Bingzhong (appointed on 1 December 2021)	N/A	N/A	N/A

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

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

Directors' training is an ongoing process. During the Reporting Period, the Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development trainings to develop and refresh their knowledge and skills. The Company updates the Directors on the latest updates regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

All Directors have participated in continuous professional development and have provided to the Company the records of the training they received during the Reporting Period. The individual training record of each Director received for the Reporting Period is summarised below:

Name of directors	Briefings and updates on the business, operations and corporate governance matters	Attending seminars, workshops or self-study of materials relevant to the business or directors' duties
Executive Directors		
Mr Cheung Shuen Lung (*Past chairman*, resigned as chairman on 8 October 2021 and resigned as executive Director on 10 November 2021)	✓	✓
Mr Zeng Gang (*Past president*, resigned as president on 8 October 2021 and resigned as executive Director on 12 November 2021)	✓	✓
Ms Sun Min (removed on 10 November 2021)	✓	✓
Mr Ma Jian Bin (removed on 10 November 2021)	✓	✓
Ms Liao Hang (removed on 10 November 2021)	✓	✓
Mr Zheng Fu Shuang	✓	✓
Mr Wong Kai Ho (*Chairman*, appointed on 8 October 2021)	N/A	N/A
Mr Wang Guiwu (appointed on 8 October 2021)	N/A	N/A
Mr Huang Zhuguang (appointed on 1 December 2021)	N/A	N/A
Non-executive Director		
Mr Yau Pak Yue (appointed on 8 October 2021 and resigned on 7 December 2021)	N/A	N/A
Independent Non-executive Directors		
Mr Chan Chung Kik, Lewis (resigned on 30 September 2021)	✓	✓
Mr Lau Ka Wing (appointed on 1 April 2020 and resigned on 30 September 2021)	✓	✓
Mr Lai Nga Ming, Edmund (appointed on 1 April 2020 and resigned on 30 September 2021)	✓	✓
Mr Li Fat Chung (resigned on 1 April 2020)	✓	✓
Ms Wong Lam Kit Yee (resigned on 1 April 2020)	✓	✓
Mr Chu Kin Wang, Peleus (appointed on 8 October 2021)	N/A	N/A
Mr Chin Chi Ho, Stanley (appointed on 8 October 2021)	N/A	N/A
Mr Ning Rui (appointed on 8 October 2021 and resigned on 8 December 2021)	N/A	N/A
Mr Chung Wai Man (appointed on 8 October 2021)	N/A	N/A
Mr Hua Yichun (appointed on 1 December 2021)	N/A	N/A
Mr Wang Bingzhong (appointed on 1 December 2021)	N/A	N/A

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code. The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors, the Company's policies and practices in compliance with legal and regulatory requirements, the Model Code, and the CG Code and disclosure in this Corporate Governance Report.

CHAIRMAN AND CHIEF EXECUTIVE

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

NON-EXECUTIVE DIRECTORS

As at 31 December 2020, there were three non-executive Directors, and all of them were independent. Each independent non-executive Director has entered into a letter of appointment with the Company for a period of one year. Pursuant to the Bye-laws of the Company, one third of all the Directors, including the non-executive Directors, shall be subject to retirement by rotation at each annual general meeting.

All of the independent non-executive Directors as at 31 December 2020 have appropriate professional qualifications or accounting or related financial management expertise. This composition is in compliance with the requirement of rule 3.10 of the Listing Rules. Each independent non-executive Director as at 31 December 2020 has, pursuant to rule 3.13 of the Listing Rules, provided an annual confirmation of his independence to the Company and the Company also considers them to be independent.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board was established in 2005 with specific written terms of reference which deal clearly with its authorities and duties. The role and functions of the Remuneration Committee include formulating the remuneration policy, making recommendations to the Board the remuneration packages of all executive Directors and senior management, making recommendations to the Board on the remuneration of non-executive Directors, reviewing and approving performance-based remuneration, and ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

In 2020, the Remuneration Committee met once to review and discuss the remuneration policy for the Directors and the remuneration packages of all Directors. The Company's policy on remuneration is to maintain fair and competitive packages based on business needs and industry practice. For determining the level of fees paid to the Directors, market rates and factors such as each Director's workload and required commitment will be taken into account. No individual Director will be involved in decisions relating to his/her own remuneration. The Remuneration Committee adopts the model of making recommendations to the Board on the remuneration packages of individual executive Directors and senior management. Information relating to the remuneration of each Director for 2020 is set out in Note 8 to the Company's 2020 Financial Statements.

The members of the Remuneration Committee during the Reporting Period and their attendance record at the meeting are as follows:

Name of member and their position during the Reporting Period		Meeting attended/Eligible to attend
Mr Lau Ka Wing *(Chairman)*	*(Independent non-executive Director)*	1/1
Mr Cheung Shuen Lung	*(Executive Director)*	1/1
Mr Lai Nga Ming, Edmund	*(Independent non-executive Director)*	1/1
Mr Li Fat Chung (resigned on 1 April 2020)	*(Independent non-executive Director)*	0/0
Ms Wong Lam Kit Yee (resigned on 1 April 2020)	*(Independent non-executive Director)*	0/0

With effect from 1 April 2020, Mr Lau Ka Wing was appointed to replace Mr Li Fat Chung as the chairman of the Remuneration Committee; and Mr Lai Nga Ming, Edmund was appointed to replace Ms Wong Lam Kit Yee as a member of the Remuneration Committee. With effect from 30 September 2021, Mr Lau Ka Wing and Mr Lai Nga Ming, Edmund resigned from the Remuneration Committee. With effect from 8 October 2021: (i) Mr Cheung Shuen Lung resigned from the Remuneration Committee; (ii) Mr Chung Wai Man was appointed as chairman of the Remuneration Committee; and (iii) Mr Wong Kai Ho and Mr Chin Chi Ho, Stanley were appointed as members of the Remuneration Committee.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the four members of the senior management (other than Directors) for the Reporting Period (being (i) Mr Luo Wenqiang, president of Foshan Peking University Resources Property Co., Limited* since September 2013; (ii) Mr Xia Ding, the president of Chongqing Peking University Resources Investment Co., Ltd.* since April 2013; (iii) Mr Yang Dong, the vice president and standing vice president (in charge of work) of Guiyang Peking University Resources Property Co., Limited*, and the president of Guiyang Peking University Resources Property Co., Limited* since January 2018; and (iv) Mr He Jinwei, the manager of Kaifeng Botao Property Development Co., Limited* (開封博濤房地產開發有限公司), Kaifeng Boming Property Development Co., Limited* (開封博明房地產開發有限公司) and Kaifeng Boyuan Property Co., Limited* (開封博元房地產開發有限公司) since December 2018) by band is set out below:

Remuneration Bands	Number of Senior Management
RMB1,000,001 to RMB2,000,000	4

NOMINATION COMMITTEE

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

The Board Diversity Policy was adopted by the Board on 30 April 2013. In designing the Board's composition, the diversity of the Board has been considered from a number of aspects including, but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and length of services. Candidates will be considered against objective criteria, having due regard for the benefits or diversity of the Board. The Nomination Committee is responsible for reviewing the Board Diversity Policy, as appropriate; and reviewing the measurable objectives that have been set for implementing the Board Diversity Policy, and reviewing the progress on achieving the objectives.

Out of the nine Directors comprising the Board as at 31 December 2020, two of them are women. Three of the nine Directors as at 31 December 2020 were independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of age, cultural and educational background, professional expertise and skills. The Board endeavours to steer forward and ensure that the Board has a balance of skills, experience and diversity of aspects appropriate to the requirements of the Company's business.

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

* *For identification purpose only*

Selection Criteria

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

(a) Character and integrity;

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

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

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

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

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

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

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

Nomination Procedures

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

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

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

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

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

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

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

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

In 2020, the Nomination Committee met once to review the structure, size and diversity of the Board, nomination procedure and the independence of the independent non-executive Directors, and to recommend the Board on the appointment and reappointment of Directors and the succession planning for directors.

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

Name of member and their position during the Reporting Period		Meeting attended/Eligible to attend
Mr Cheung Shuen Lung *(Chairman)*	*(Executive Director)*	1/1
Mr Chan Chung Kik, Lewis	*(Independent non-executive Director)*	1/1
Mr Lai Nga Ming, Edmund	*(Independent non-executive Director)*	1/1
Mr Li Fat Chung (resigned on 1 April 2020)	*(Independent non-executive Director)*	0/0
Ms Wong Lam Kit Yee (resigned on 1 April 2020)	*(Independent non-executive Director)*	0/0

With effect from 1 April 2020, Mr Lai Nga Ming, Edmund was appointed to replace Ms Wong Lam Kit Yee as a member of the Nomination Committee. With effect from 30 September 2021, Mr Chan Chung Kik, Lewis and Mr Lai Nga Ming, Edmund resigned from the Nomination Committee. With effect from 8 October 2021: (i) Mr Cheung Shuen Lung resigned from the Nomination Committee; (ii) Mr Wong Kai Ho was appointed as the chairman of the Nomination Committee; and (iii) Mr Ning Rui and Mr Chung Wai Man were appointed as members of the Nomination Committee. With effect from 8 December 2021, Mr Ning Rui resigned from the Nomination Committee, and Mr Hua Yichun was appointed as a member of the Nomination Committee.

AUDIT COMMITTEE

The Audit Committee of the Board was established in 1998 in compliance with Rule 3.21 of the Listing Rules with specific written terms of reference which deal clearly with its authorities and duties. Its terms of reference amended and adopted by the Board in December 2018 can be found the Company's website (www.pku-resources.com) and the Stock Exchange's website (www.hkexnews.hk). As at 31 December 2020, the Audit Committee solely comprises independent non-executive Directors, namely, Mr Chan Chung Kik, Lewis *(Chairman)*, Mr Lau Ka Wing and Mr Lai Nga Ming, Edmund. All the committee members have appropriate professional qualifications or accounting or related financial management expertise.

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

In 2020, the Audit Committee met four times. During the meetings, the Audit Committee reviewed the reports from the independent auditors regarding their audit on annual financial statements, reviewed on interim financial results, discussed the internal control of the Group, and met with the independent auditors.

The attendance records of the members of the Audit Committee at the meetings during the Reporting Period are as follows:

Name of member and their position during the Reporting Period		Meetings attended/Eligible to attend
Mr Chan Chung Kik, Lewis *(Chairman)*	*(Independent non-executive director)*	4/4
Mr Lau Ka Wing	*(Independent non-executive director)*	3/3
Mr Lai Nga Ming, Edmund	*(Independent non-executive director)*	3/3
Mr Li Fat Chung (resigned on 1 April 2020)	*(Independent non-executive director)*	1/1
Ms Wong Lam Kit Yee (resigned on 1 April 2020)	*(Independent non-executive director)*	1/1

With effect from 1 April 2020, Mr Chan Chung Kik, Lewis was appointed to replace Mr Li Fat Chung as the chairman of the Audit Committee; Mr Lau Ka Wing was appointed to replace Mr Li Fat Chung as a member of the Audit Committee; and Mr Lai Nga Ming, Edmund was appointed to replace Ms Wong Lam Kit Yee as a member of the Audit Committee. With effect from 30 September 2021, Mr Chan Chung Kik, Lewis, Mr Lau Ka Wing and Mr Lai Nga Ming, Edmund resigned from the Audit Committee. With effect from 8 October 2021: (i) Mr Chu Kin Wang, Peleus was appointed as chairman of the Audit Committee; and (ii) Mr Chin Chi Ho, Stanley and Mr Ning Rui were appointed as members of the Audit Committee. With effect from 8 December 2021, Mr Ning Rui resigned from the Audit Committee, and Mr Hua Yichun was appointed as a member of the Audit Committee.

RISK MANAGEMENT AND INTERNAL CONTROL

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

During the year, the internal audit department has carried out an overview on the effectiveness of the risk management and internal control systems of the Group. Based on the risk-based approach, the internal audit department continuously review and monitor the sufficiency of the risk control measures of every business unit of the Group and to examine if relevant measures have been implemented. The procedures involve assuring the existence of related risks in the first place, then assessing the levels to which the potential risks are attributed based on the following two risk factors, i.e., the level of significance of the risk and the possibility of occurrence.

In view of the suspected Misappropriation by Resources Group and the misconduct of Mr Zeng Gang as disclosed in the announcement of the Company dated 10 December 2021, it is understood that the relevant internal control policies and procedures of the Company have not been effectively implemented. In this regard, the Company has engaged an external internal control consultant firm to conduct an independent internal control review and to assist the management to improve the internal control systems of the Group. Their work scope covers, among others, certain material aspects of the internal control systems of the Group such as sales and revenue management, procurement, outsourcing and payment management, financial reporting and disclosure management, fixed assets and inventory management, cost management, and funds and cash management.

INSIDE INFORMATION DISCLOSURE POLICY

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

AUDITOR'S REMUNERATION

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

	RMB'000
Audit services	4,380
Other professional services:	
Agreed-upon procedures on interim results	950
Limited assurance services on continuing connected transactions	40
Compliance and tax advisory services	64
	1,054
Total	5,434

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors of the Company acknowledge their responsibility for the preparation of the financial statements of the Group for the financial year ended 31 December 2020. The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 71 to 73 of this annual report. Save as disclosed in this annual report, the directors of the Company are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the directors of the Company continue to adopt the going concern approach in preparing the consolidated financial statements.

COMPANY SECRETARY

Ms Cheang Yee Wah Eva ("Ms Cheang"), who is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, and the applicable laws, rules and regulations were followed, was the company secretary of the Company during the Reporting Period. Ms Cheang has taken relevant professional trainings which are in compliance with Rule 3.29 of the Listing Rules for the Reporting Period.

COMMUNICATION WITH SHAREHOLDERS

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

The Company's annual general meeting (the "AGM") is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Company's performance. Separate resolutions will be proposed for each substantially separate issue at the AGM. The Directors of the Company, including the Chairmen of the Board and Board committees and members of Board committee, and the Company's external auditor attended the 2020 AGM and were available to answer questions from shareholders.

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

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

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

SHAREHOLDERS' RIGHTS

Convene a Special General Meeting

Pursuant to Section 74 of the Companies Act 1981 of Bermuda (as amended) 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 company secretary for the purpose of requiring a special general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within three months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner.

Put forward proposals at shareholders' meetings

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

DIVIDEND POLICY

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

CONSTITUTIONAL DOCUMENTS

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

ABOUT THIS REPORT

Overview

This report is the annual Environmental, Social and Governance ("ESG") report published by the Peking University Resources (Holdings) Company Limited and its subsidiaries ("the Group" or "Peking University Resources"). The aim of this ESG report is to disclose the directions, administrative measures and achievements of the Group concerning the three dimensions of Environmental, Social and Governance initiatives in the financial year, that we are creating a more sustainable business with a better non-financial risk management.

Basis of Compilation

This ESG report is prepared in compliance with the ESG Reporting Guide set out in Appendix 27 of the Main Board Listing Rules of Hong Kong Exchanges and Clearing Limited ("HKEX"), covering the environmental and social policy, measures and performance of the Group. Social responsibility and allocated resources on sustainable development have been one of the key initiatives of the Group. Therefore, the Group is pleased to disclose the initiatives in the ESG report which aims to enhance stakeholders' understanding and confidence in the Group.

Reporting Scope

This ESG report covers the work results of the Company and its subsidiaries at all levels from 1 January 2020 to 31 December 2020, covering the two main operation scopes, the distribution business and real estate business in numerous cities in China, including Hangzhou, Chengdu, Chongqing, Guiyang, Changsha and Kunming. Of which, the environmental key performance indicators cover the businesses operated by Beijing headquarters and Hong Kong office.

Optimising the report scope is the Group's continuous effort together with increasing operational transparency in the future. This ESG report encompasses Chinese and English versions, which allows better understanding over the Group's hard work on the vision, strategy and practice of sustainability development. Both versions have been uploaded to the website of HKEX and the Group. For business details, please refer to the other parts of this annual report.

ESG GOVERNANCE

After the hit of the COVID-19 in 2020, capital markets are now acquiring better understanding on the importance of sustainability in business strategy, to cope with unexpected challenges and to develop a better risk management in long term.

The Board has been dedicated to improving our ESG performance through a better ESG management and monitoring system, including an accurate collection of data on a timely manner and a better incorporation of ESG concept into company management, so as to balance the financial gains with environmental and social goods.

The Group has also maintained an open and effective communication channels with our stakeholders to ensure a collaborative effort in long-term sustainability, and to readjust our ESG-related strategies.

The Board acknowledges its responsibility to ensure the integrity of the ESG report. The Board confirms, to the best of its knowledge, this ESG report has stated the material topics relating to the Group's business and fairly presents its performance in each issue. The Board has reviewed and approved this ESG report and confirms that the information contained in this ESG report is accurate and complete.

PREFACE

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

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

Lastly, we are committed to be a leading integrated operating service company of urban life in The People's Republic of China by continuing to pursue our goals to deliver maximum value for our enterprises, shareholders and even the society.

STAKEHOLDER ENGAGEMENT

Creating value for our stakeholders has always been the core mission of Peking University Resources. The Group pays attention to the demands and expectations of its stakeholders, including our customers, investors, suppliers, employees and communities, in the course of developing business. The Group values the trust and support from stakeholders as they are critical to the Group's sustainable development. The Group strives to maintain open and smooth communication channels for both internal and external stakeholders. Through regular and effective communications, stakeholders can better understand the Group's input and achievements. Meanwhile, the Group can also access stakeholders' opinions and integrate their opinions into the Group's management policies or strategic planning to continuously improve our products and services.

Stakeholder Communication Mechanism

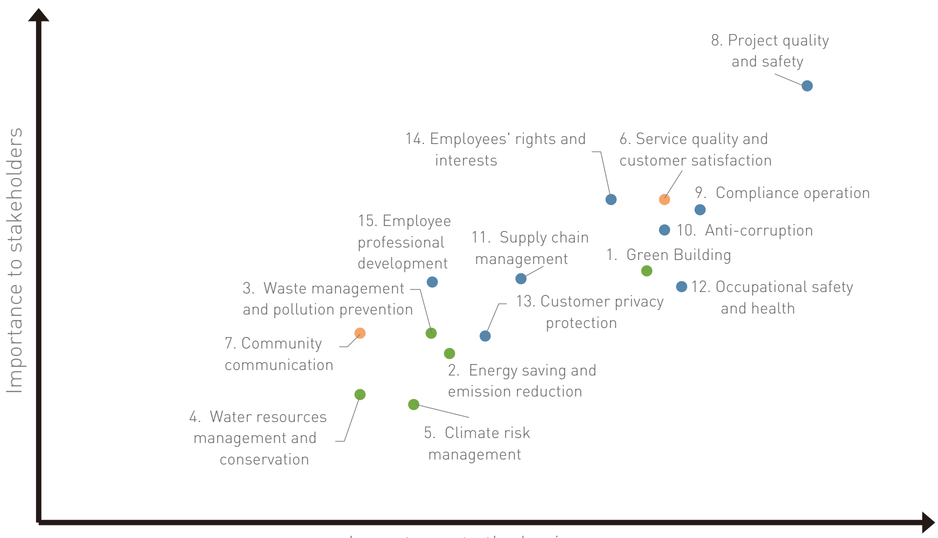
Type	Focus	Main Communication Channels
Customers and Owners	➢ Information transparency ➢ Product and service quality ➢ Customer experience ➢ Feedbacks and complaints handling	Customer satisfaction survey, customer complaint channel, project's community activity and social media
Shareholders	➢ Investment return ➢ Protection of rights and interests ➢ Risk control and management	Annual general meeting, Investor meeting, corporate visits, Stock Exchange announcement, Investor relations webpage and activities
Suppliers and Contractors	➢ Performance of contracts with integrity ➢ Mutual beneficial relationship ➢ Joint development	Procurement and tendering process, regular supplier assessment, project meetings, plant inspection and suppliers' conferences
Employees	➢ Equal opportunity ➢ Employee communication ➢ Welfare protection ➢ Health and safety ➢ Career development path	Contract and salary administrative measures, meetings and conferences, team-building activities, employees' trainings and regular appraisal
Government	➢ Compliance with the law ➢ Taxation ➢ Urban development	Government project, government site visits, government updates, participation in policymaking and suggestions
Community	➢ Employment opportunities ➢ Community engagement ➢ Public's right to know	Public opinion and media monitoring, information disclosure, community investment, employee volunteering, official WeChat and media communication

MATERIALITY ASSESSMENT

In order to better understand and follow up the issues most concerned by our stakeholders, the Group prepares a list of sustainability related issues and reviews the performance of each issue on a regular basis. The Group identifies the materiality of the issue to the Group through identification, prioritization, validation and review. The management would determine the material issues to stakeholders with the opinions and feedbacks collected from daily operations via various channels. Last but not least, a materiality matrix is formed as a result of the materiality assessment. The materiality assessment is an important reference for the disclosure of this ESG report and business strategy decisions.

Under the materiality assessment this year, 15 potential issues are ranked and classified. The top material issues reviewed by the Group are green building, project quality and safety, compliance operation, anti-corruption, occupational safety and health and employees' rights and interests.

Materiality Matrix



Aspects	Issues
Environmental	1. Green Building 2. Energy saving and emission reduction 3. Waste management and pollution prevention 4. Water resources management and conservation 5. Climate risk management
Social	6. Service quality and customer satisfaction 7. Community communication
Governance	8. Project quality and safety 9. Compliance operation 10. Anti-corruption 11. Supply chain management 12. Occupational safety and health 13. Customer privacy protection 14. Employees' rights and interests 15. Employee professional development

ENVIRONMENT: EMBRACING SUSTAINABILITY

The Group is dedicated to medium to long term development plan of maintaining a satisfactory growth in results and creating values for all stakeholders at the same time. Therefore, the Group understands the importance of climate risk control. The Group strives to manage the challenges from climate change and dynamic economic situation through various internal systems and policies. Formulating and implementing related policies can help to minimize the negative effects and better cope with environmental issues. Strengthening the Group's resilience is the key to a successful business.

Green Building

The Group insists to stay green throughout the life cycle of our business buildings. Throughout the stages of site selection, design, construction, operation, maintenance, renovation and demolition, we have adapted several important measures to make sure buildings are operating at its most optimal efficiency as well as being sustainable. Meanwhile, the Group has adopted its advanced technologies and innovative materials in both buildings' outlook and in-house design. These measures are thus believed to fully utilize the natural resources (such as solar energy mentioning afterwards) and make no waste for the energy consumed.

To ensure our green buildings operate as sustainable as possible, the Group has taken careful evaluation of the irreversible impact brought by the projects. During the site selection, the Group focus would be on the species and habitats it might affect as well as the sourcing of electricity and water. Only if a site has satisfied our internal environmental standards and the environmental impact is minimized, will the Group selection that for development.

Meanwhile, the Group believes that reducing the GHG emission is one of the biggest parts in fulfilling the corporate social responsibility. All the projects thus are not only designed base on its profitability, but also the way it can help promoting the low carbon lifestyle. Buildings are oriented to capture the daily wind flow and solar radiation to maintain the room temperature and lighting condition. The concept of sponge city will also be adapted to capture the rainwater for irrigation and even toileting flushing purpose. In the future, the Group aims at prompting a green living lifestyle with various innovative designs while ensuring the quality of the Group's professional services and products are not affected.

Therefore, the Group has been working on green building design and currently, there are 16 projects certified as two-star/one-star under China Green Building Standards. To promote sustainable urban development, we endeavour to build greener and health-focused buildings in the future.

List of certified green buildings are as following:

- Zunyi Dream City Phase 1
- Xining Boya Financial Plaza
- Kunming Botai City
- Yuxi Yihe Jiujin Phase 1
- Yuxi Yihe Jiujin Phase 2
- Kunshan Jiujin Yihe
- Kunshan Qian Deng Yihe Tianyue
- Kaifeng Wei Ming Mansion
- Kaifeng Wei Ming Mansion Block C
- Chongqing Zijing Mansion
- Tianjin Yihe Garden Case
- Tianjin Yuefu
- Chengdu International Smart Home Industry New City
- Wuhan Lianhu Jincheng Phase 5, 6 and 7
- Yichang Changjiang International Cultural Plaza
- Wuhan Founder International Financial Building

Green Construction

Responsible sourcing is of our first priority throughout the construction process. To avoid unnecessary wastage and minimize the environmental impact induced by the project, the supply of the raw materials will be fully responsible by environmental-friendly suppliers.

Project Design

The project design of the Group is mainly based on the soil quality, river direction, ecological impact and biodiversity of the site. Research and analysis are conducted to find out the most suitable design that can fit in our purpose in providing a highly sustainable design while not causing a far-reaching impact towards the nature.

Construction Material

The Group strictly follow the national standard in the usage of green construction materials, including steel, cement and aluminium alloy. Besides, employees are also required to attain the training workshops prepared by the Company to acquire them with sufficient knowledge in recycling and disposing of construction waste.

Construction Technology

The Group applies new construction technologies during the project cycle in order to reduce waste of construction consumables, such as using straight thread connection technology of steel bars, electroslag pressure welding technology. The Group also strengthens supervision and management on the site to ensure the technology is correctly adopted.

Dust and Noise Control

Creation of dust and noise are inevitable during the construction process. To minimize the impact of them on the residential and natural area, the Group has set certain standards and guidelines such as the mandatory use of dust control device and avoid conducting the operation during the night time.

Sewage Discharge

Sewage generated from the construction sites are restricted only to discharge after the sedimentation and purification process. The pollutants discharged are only allowed to discharge to municipal drainage system.

Green Office

The Group has always monitored the impacts of its operation on the environment. In this regard, the Group integrates green and sustainability concepts into its business planning and daily operations. Relevant internal standards and systems such as "Office Management Rule" are set up for our employees to follow. The "Office Management Rule" not only includes working guidelines for every department, but also various green office measures to cultivate the employees' environmental awareness. To minimize carbon emission and waste generated by office operation, the Group includes every aspect of office operation into the "Office Management Rule", encompassing such area as water conservation, office greening, recycling and waste disposal. Employees have been consistently abiding to the "Office Management Rule", actively implementing energy- and resource-saving measures.

Areas	Measures
Water conservation	• Monitor water consumption of office area • Conduct water-saving facilities
Electricity saving	• Purchase energy-saving electronic appliances • Encourage employees to take stairs and reduce usage of the elevator • Make full use of sunlight and LED lighting • Switch off the lighting after working hours • Monitor electricity consumption of office area • Set a suitable temperature of air conditioners
Office supplies	• Adopt two-side printing for all paper-based materials and daily documents • Reuse and recycle used paper • Promote paperless meeting
Carbon emission	• Promote green travel by reducing employee business travels • Encourage the use of new energy vehicles • Encourage employees to conduct online meetings

The Group firmly believes that environmental protection can be embedded in our everyday life, so the Group actively integrate the concept of green environmental protection into our business development and daily operation. For office greening, the Group plants in office areas, shaping harmonious and aesthetic working environments for our employees by purifying the air, and specialists are employed to manage the plants in good conditions. In addition to reducing waste generation, the Group strives to achieve full recycling by setting up multiple recycling points, increasing recycling categories and employing recycling firms. The Group also ensures the electronic waste is handled by the Group's assigned professional recycling company to lessen the burden to the environment. The Group has always put its effort to contribute to building a conservation-oriented office and society.

Environmental Protection and Climate Change Action

Climate change risks are varied and long-ranging risks which pose adverse impact on the Group's business operation and construction projects. Thus, the Board has applied sets of measure to reduce the greenhouse gas emission and managing the potential climate change risk.

Some major reasons contributing to the climate change would be the huge emission of carbon dioxide and over depleting of natural resources. To relieve the problem and risk of climate change, the Group has identified actions could be done in terms of energy usage and water usage to address the climate change issue.

Energy Usage

Air conditioning is identified as the biggest part of building's electricity consumption. The Group has thus adopted the environmentally friendly design for buildings to reduce the consumption of electricity needed in terms of air conditioning. Fans and air-conditioners with higher efficiency are also replaced for the sake of a lower consumption of electricity.

Water Usage

The Group adopted the design concept of 'Sponge City' to utilize the rainwater outside the buildings. Moreover, the design of building has included the water recycling facilities to lower the demand for the fresh imported water and the energy needed to transfer them.

Environmental Performance

The Group strives to optimise the transparency of this ESG report. This year, we successfully collected annual business travel record and included the carbon emission caused into the environmental KPIs calculation to expand the disclosed scope of this ESG report.

Comparing the past three years environmental KPIs performance, the Group has continuously improved in all aspects:

1. All types of exhaust gases (sulphur oxides, nitrogen oxides and particulate matter) have decreased steadily, the emission of nitrogen oxides decreased 19%, from 103.33 kg in 2019 to 82.08 kg in 2020. The main reason of the drop is the Group's better control of the vehicles owned.

2. For the GHG emission, although scope 3 emission this year increased nearly 7 times comparing with 2019, it is because the Group has put effort to collect more relevant data on business travel record, which belongs to scope 3 emission. The most important thing is the total GHG emission decreased by 31% despite of the increase in scope 3 emission.

3. The Group also reduced energy and water consumption by different green policies and initiatives. The total energy consumption this year is only half of those in 2018. For the water consumption, the water used by the Group has dropped by 33% comparing with last year.

The Group is happy to see the result from our environmental policies and the Group will keep improving the environmental performance by regular meeting and review.

	Category	Emission in 2018 (kg)	Emission in 2019 (kg)	Emission in 2020 (kg)
Exhaust gas	Sulphur oxides	0.22	0.19	0.14
	Nitrogen oxides	134.00	103.33	84.08
	Particulate matter	13.00	9.90	8.06

Scope	GHG emission in 2018 (kg CO_2 -e)	GHG emission in 2019 (kg CO_2 -e)	GHG emission in 2020 (kg CO_2 -e)
Scope 1: Direct GHG emissions	41,295	34,327	25,619
Scope 2: Energy indirect GHG emissions	456,044	300,337	191,024
Scope 3: Other indirect GHG emissions	2,309	2,145	16,323
Total GHG emission	499,648	336,809	232,966
(GHG intensity: kg CO_2 -e/employee)	(1,465)	(230)	(224)

	Category	Energy consumption of 2018 (1,000 kWh)	Energy consumption of 2019 (1,000 kWh)	Energy consumption of 2020 (1,000 kWh)
Energy use	Direct energy	135	126	94
	Indirect energy	526	340	216
	Total energy consumption	661	466	310
	(Energy intensity: 1,000 kWh/employee)	(1.94)	(0.32)	(0.30)
Resource use	Total water consumption (tonne)	3,819	3,549	2,362
	(Water consumption intensity: tonne/employee)	(11.0)	(2.4)	(2.3)

Remark:

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

CHARITY

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

1. Donation to poverty-stricken students in Bayan Town Central School

The 41 employees of Xining company of the Group voluntarily donated more than RMB10,000 worth of winter clothing, stationery and sports supplies and epidemic prevention materials to 37 poverty-stricken students who are excellent character and learning, providing them with help in their study and life. Since the Group entered Xining, it has always actively taken on social responsibility. This donation embodies the employees' care for the healthy growth of students, and also expresses the good wishes of enterprises to support the development of education.

2. Donation of epidemic prevention materials

In order to help the school to prevent epidemic and ensure the health and safety of teachers and students, under the lead of the Education Bureau of Honghuagang District of Zunyi city, the project of Zunyi dream city of Guiyang company of the Group donated epidemic prevention materials to many schools in Zunyi. The donation is for Chaoyang Primary School, Laocheng Primary School and Cultural Primary School in Honghuagang District, Zunyi City. A total of 10,000 bottles of hand sanitizer are donated. Since then, Guiyang company of the Group actively implement the social responsibility, combine with its own development services and give back to the society, especially to support the development of education.

3. Innovation Leads the Future – 2020 International Youth Technology and Entrepreneurship Competition

The final of 2020 International Youth Technology and Entrepreneurship Competition (North District of China) was successfully held in Beiling lecture hall of innovation center of Peking University Science and Technology Park. The activity was guided by the Management Committee of Zhongguancun Haidian Park, hosted by Peking University Science and Technology Park, and organized by Peking University Incubator, Tianjin Peking University Science and Technology Park, and Shijiazhuang Peking University Science and Technology Park. The competition teams came from local government departments, investment institutions, banks, and other organizations in corporate service more than 100 people participated in the activity. The competition focused on artificial intelligence, biotechnology, optoelectronic chip, information technology, new materials and other fields in hard science and technology. The high-quality projects of Beijing-Tianjin-Hebei were displayed on the same stage, aiming to promote the resource sharing and integration development of Beijing-Tianjin-Hebei, and practice the national strategy of coordinated development of Beijing-Tianjin-Hebei. Since 2014, Innovation Leads the Future – International Youth Technology and Entrepreneurship Competition has been held for seven consecutive years. The competition focused on cutting-edge scientific and technological innovation, from selecting popular innovation fields, investment tracks and industrial trends, and to carrying out project collection, screening, roadshow and evaluation for more than half a year each year, attained remarkable results.

HUMAN RESOURCES MANAGEMENT

The Group understands that talents are the asset for the Company to enhance its competitiveness. Hence, it is important to promote a safe and healthy working environment by regularly reviewing and improving internal human resources and management system, promoting fair recruitment and career development, and building efficient and harmonious employment relationship. In light of this, the Group has established and executed numerous human resources management policies, including Peking University Resources Group Investment Co., Limited Remuneration Management Rules (北大資源集團投資有限公司薪酬管理規則), Peking University Resources Group Investment Co., Limited Recruitment Management Rules (北大資源集團投資有限公司招聘管理規則), Peking University Resources Group Investment Co., Limited Resignation Management Rules (北大資源集團投資有限公司離職管理規則), Peking University Resources Group Investment Co., Limited Attendance and Leave Management Rules (北大資源集團投資有限公司考勤差假管理規則), Peking University Resources Group Investment Co., Limited Welfare Management Rules (北大資源集團投資有限公司福利管理規則) and Peking University Resources Group Investment Co., Limited Staff Training Management Rules (北大資源集團投資有限公司員工培訓管理規則).

The Group will continue to optimize the human resources and management system, adheres to the principle of fair and open recruitment and keep ensuring a good platform for career development and a harmonious working environment for employees.

Labour Standard

The Group strictly abide by the laws and regulations related to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Production Safety Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases and the Regulations on Minimum Wages, which uphold fair recruitment and to establish fair, democratic, competitive and merit-based selection system, comply with labour contracts to clarify right and responsibility. It also protects teams' interests concerning employment, recruitment, training, promotion, resignation, demission, working hours, leaves and holidays, welfare and remuneration and equal opportunities.

The Group puts great emphasis on fair remuneration, attendance and holiday system. It strictly complies with the Labour Contract Law of the People's Republic of China and Regulations on Minimum Wages etc. The full remuneration will be distributed to every employee promptly. Apart from that, the Group will lawfully provide public holidays and paid annual leave to the staff. According to different job positions, the Group would strictly implement the annual or working hour salary system, as stated by the Labour Law. Remuneration, attendance and holiday system will be reviewed regularly following market and industry standards.

An equal working environment helps to drive the development of the Group. Hence, any forms of discrimination, child labour and forced labour were strictly prohibited in the Group. Firstly, employees' ethnicity, gender, political affiliation would not affect their employment, remuneration and promotion. Also, in the recruitment process, the Group always validates candidates' identity to ensure the fulfilment of legal working age in order to forbid child labour and forced labour. In 2020, the Group was not involved in disputes or legal proceedings on employment discrimination, child labour, forced labour, or any discrimination and inequality in the workplace.

Remuneration Policy – Peking University Resources Group Investment Co., Limited Remuneration Management Rules

- The access of remuneration data is highly restricted to responsible teams and departments heads including senior staff, human resources department and salary management personnel;
- The specific salary system, overall salary adjustment range, labour cost budget and implementation should be reported to the board of directors for approval;
- The annual and monthly salary system or hourly rate system in accordance with different positions;
- Clearly list out the component of salary and bonus;
- Clearly state the date of monthly salary provision.

Recruitment Policy – Peking University Resources Group Investment Co., Limited Recruitment Management Rules

- The Group will recruit talents in order to attain corporate's objectives by analysing business development plans, externalities and other relevant factors and establishing relevant posts and next year's recruitment plan at the end of each year;
- The human resources department is responsible for establishing recruitment plans, reviewing the employment needs of various departments and the implementation of recruitment plans;
- Recruitment would be done by numerous methods including internet, trainee programme, campus recruitment, etc.;
- Basic requirements for candidates are clearly listed out, including efficiency, cost awareness and commitment;
- Candidates for human resources, finance, law, procurement and other related positions will go through the background check process.

Dismissal Policy – Peking University Resources Group Investment Co., Limited Resignation Management Rule

- The definitions of active and passive resignation and their subsequent corporate procedures were clearly established;
- The resignation must comply with law and regulations;
- The supervisor of resignees and the human resources department shall conduct at least one resignation interview with the employees;
- Before conducting resignation interviews, the staff of the human resources department should arrange a resignation questionnaire for resignees to fill in;
- The interviewers shall keep a written record of the resignation interview.

Leaves and Holidays policy – Peking University Resources Group Investment Co., Limited Attendance and Leave Management Rules

- The Group manage the attendance and leave of the staff with a people-oriented principle;

- Implement a five-days-a-week and eight-hours-a-day working system. The working hours of employees in special positions (such as front desk clerks and drivers) shall be established independently according to their positions;

- Employees have the right to enjoy public holidays and paid annual leave;

- Employees who are having overseas business trip should fill out the "Peking University Resources (Holdings) Company Limited Approval Form for Going Abroad for Business" and seek approval according to the relevant procedure.

Welfare and Benefits Policy – Peking University Resources Group Investment Co., Limited Welfare Management Rules

- The Group will provide welfare according to law, staff efficiency, enhance incentive and sustainability of the Group;

- Provide the following benefits according to law:

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

  (2) Housing provident fund; and

  (3) Other statutory benefits;

- The provision of various welfares waw clearly stipulated according to the position of staff;

- Purchase comprehensive medical insurance, personal accident insurance, major illness insurance, traffic accident insurance for employees and comprehensive medical insurance for employees' children who are under 18;

- Provide work lunch subsidy for RMB20 per person per day, free annual body check, marriage bonus, birthday gift, funeral allowance and other allowance.

The Group conducts annual reviews to assess and improve the remuneration, recruitment, training, promotion, dismissal and welfare systems. The Group obeys relevant laws and regulations, and no case of non-compliance was found during the year ended 31 December 2020 (the "Reporting Period").

Employee Welfare and Inclusiveness

With a people-oriented management direction, the Group emphasis on the staff's interests and aims to enhance the working and living quality of employees. "The Peking University Resources (Holdings) Company Limited Welfare Management Rules" stipulated the Company's welfare management regulation, including lawful welfare, annual leave and other welfare. The Rules would be reviewed annually to provide the most updated and suitable welfare for the staff. Also, the Group values the physical and mental health of staff, which could be proved by its provision of free annual body check and various insurance programmes for the full-time staff and their offspring.

Apart from the above welfare, the Group also understand the importance to connect the staff as a whole. Hence, they Group did not neglect the provision of tangible welfare like facilities enhancement, including the setting up of staff lounges, maternal and child rooms in order to create a caring and family-friendly working environment. Additionally, the Group will organise various festival celebration activities, team building activities, department exchange to allow employees' interaction.

The Group believes welfare and inclusiveness are the key elements to strive for an energetic working atmosphere for the Company to make continuous mutual improvement for both the Group and the staff.

Employee Development and Training

With the value of "carving crafts with ingenuity", the Group attaches great importance to the staff's skills. This is why the Company employs the concept of "selection, employment, education, promotion and preservation", which enhance the Group's sustainable development and also help the employee to unleash their expertise and potential in the future.

The objectives to achieve the above long-term goals are to provide education, including intense training for newcomers of the Group and regular training for existing staff. For the new staff, the company tailor-made trainings like "Youth Induction Training (新青年入職培訓)" and "Growth Programme for New Staff (新鋭成長計劃)" for them to understand and integrate themselves into the new working environment smoothly. The new employees will take a compulsory exam regarding company knowledge, company system, job training, skills training, etc., before taking up the duty.

As for the existing employees, the Group has designed training courses that effectively improve leadership, professional and general capabilities of the staff, especially when during their promotion from elementary, intermediate, to senior management levels. The Group's training system will be reviewed and designed on an annual basis regarding the business strategy and the subsequence human resource requirement of the Group. Talents are the essential foundation for the Group's development. Therefore, the Group will continuously assist the staff in skill enhancement to provide equal career development and regards raining as a driving force of staff's competitiveness enhancement and career development.

In 2020, the Group put more emphasises on anti-corruption trainings. Through codes, policies, agreements and trainings, all levels of our employees are strictly complying with the principles of ethical responsibility in the Group's business activities. The Group has set up an exam about business compliance and ethics from the year 2020 to increase the anti-corruption awareness within the Group. Also, the Group does education for all the employees before the Lunar Chinese New Year to remind them of the integrity and professionalism.

The Group organized internal training courses according to "Peking University Resources Staff Training Management Rule". The human resources department arranged courses based on the follow five objectives:

1. Match training purposes with business development;
2. Pay attention to the effectiveness and feasibility of trainings;
3. Training resources should be allocated to the target employees;
4. Training expenses are extracted from special funds exclusively; and
5. Evaluate trainings to continuously improve the quality of trainings.

The human resources department is responsible for the Group's employee training strategy and plan. The department would collect feedbacks from the levels of corporate, department and employee through questionnaires and interviews, and thus formulate the most suitable annual employee education and training plan every year. After each training, the human resources department will conduct evaluation on the aspects of reaction, learning, behaviour and result. After the feedback collected, the department will analyse the data and compose a training evaluation report.

In the Reporting Period, the Group has organised various types of trainings, including new staff trainings, general skills trainings, leadership trainings, professional skills trainings and E-learning. The Group provided an online platform for all employees to acquire industry knowledge and skills. The E-learning platform also contains exams and the E-learning score is one of reference for the Group annual human resources appraisal.

Training Types	Training Contents	Target Employees
New staff training	• Corporate culture and investment strategy • Corporate governance and system education • Basic industry knowledge and skills	New employees
General skills training	• General working skills, including time management, business writing, communication skills, etc • Career development plan	All employees
Leadership training	• Management skills • Business management and development strategy	Management level employees
Professional skills training	• Professional industry knowledge • Industry standard updates • Computer software tutorial	All employees (content varies from department nature)

Health and Safety

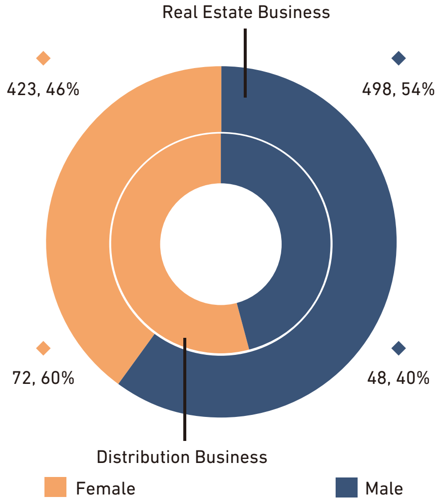
The Group highly values the safety and health of its employees and facilitates the responsible development between the Company and the employees. Abiding by the laws and regulations such as the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong) and the Labour Law of the People's Republic of China, the Company determined to create a safe and comfortable working environment for the employees. The Group provides a stable working place and has established a strict set of construction guidelines which were implemented at the construction site to help ensure the safety of all employees during construction. The Group assigns specific personnel to perform monthly routine inspections for the safety and site environment check. The Group has always been taking precautions as the main measure, and it emphasises safety education and technical training of employees. This can ensure all employees involved in the whole operational progress to have profound knowledge and skills in the applied technology or processes. Employees have to pass safety training and assessment before they continue their work. At the same time, the Group keeps records for regular assessment to ensure all the internal guidelines are well-adopted in offices and projects. The number of accident-causing serious injury or deaths due to work in the past three years were zero, and the number of working days lost due to work-related injuries was also zero.

Other than commercial insurance for possible work-related injuries of employees and the related compensation, the Group also arranges a regular comprehensive body check for every employee and formed a medical team for patients in need. To ensure a good physical and mental health of our employees, the Group organizes employee activities and sports competitions regularly, which helps to improve their physical fitness and achieve the work-life balance.

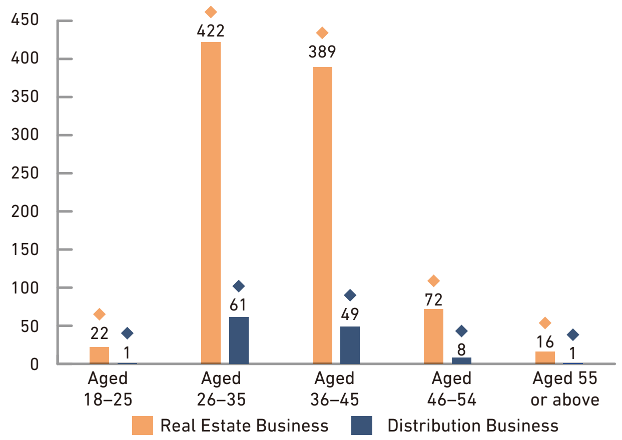
Employment and Labour Statistics

The number of employees of real estate business and distribution business are 921 and 120 respectively. The decline in the number of employees shown in the Reporting Period is due to reduction in operation scale of real estate business and distribution business.

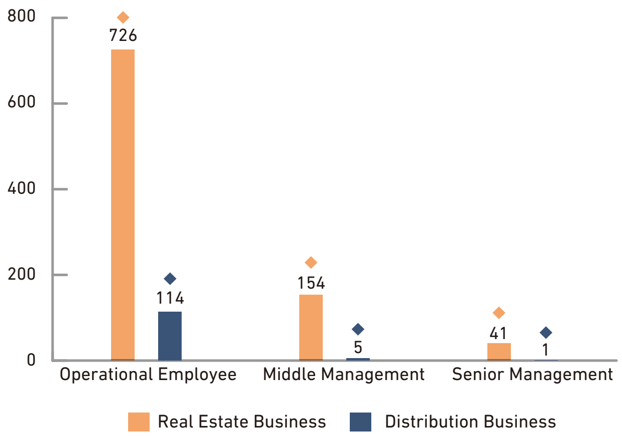
Number of Employees by Gender



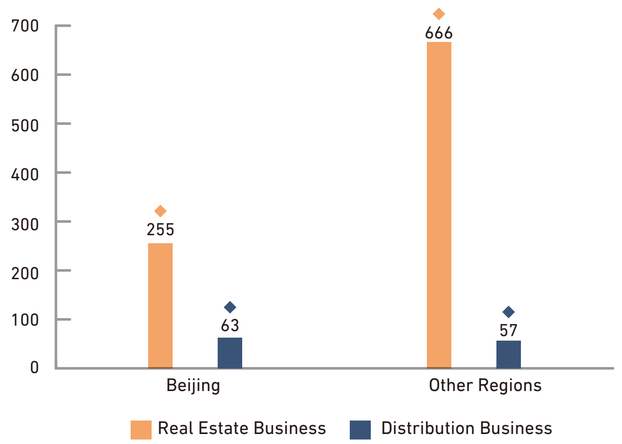
Number of Employees by Age Group



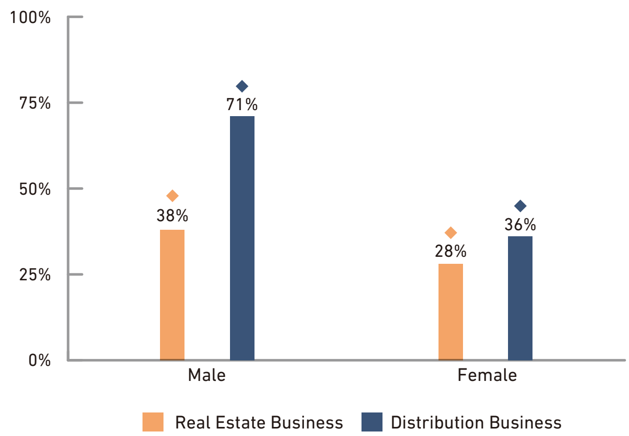
Number of Employees by Employment Type



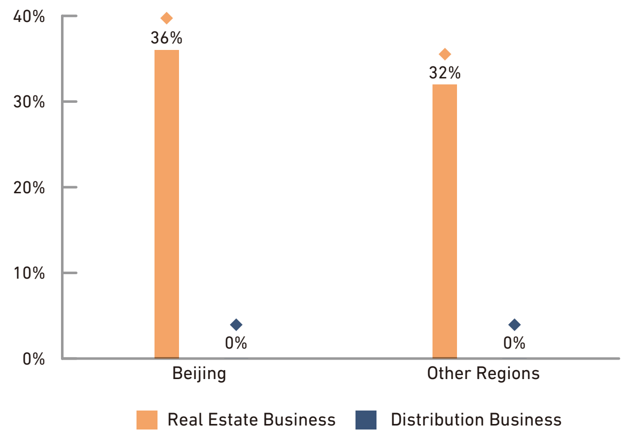
Number of Employees by Region



Turnover Rate of Employees by Gender

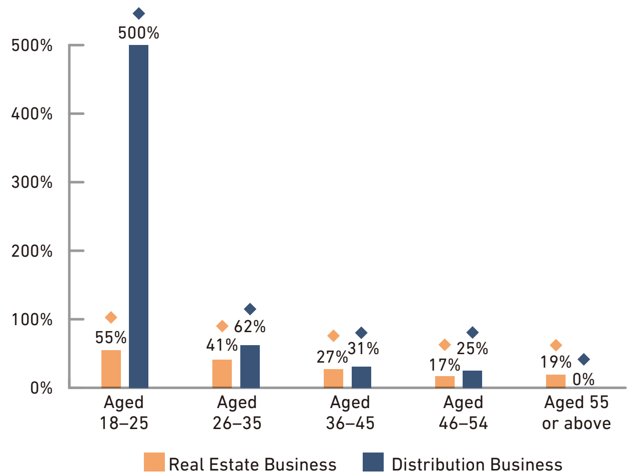


Turnover Rate of Employees by Region



The turnover rate of employees by age group is as below table. The turnover rate has a significant change compared to last year due to its operation scale reduction and change in the business strategy. The number of employees loss of age of 18–25 in the distribution business is 5 during the Reporting Period. The Group would review the employment policy and business strategy continuously.

Turnover Rate of Employees by Age Group



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

Business nature	Employment type	Average hours of training of male employee (hour)	Ratio of trained male employee	Average hours of training of female employee (hour)	Ratio of trained female employee
Real Estate Business	General staff	15	86%	13	86%
	Middle management	21	86%	32	86%
	Senior management	33	71%	72	67%
Distribution Business	General staff	30	100%	23	100%
	Middle management	85	100%	36	100%
	Senior management	25	100%	93	100%

COMMUNITY INVESTMENT

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

Facing the COVID-19 pandemic, the Group took the initiative to bear the responsibility to fight with the community. The Group has immediately implemented COVID-19 special measures and arrangements to prevent and control the spread of COVID-19 epidemic. Public areas of projects such as lobbies, elevators and walkways with a large stream of people are disinfected daily. As responding to the call of the government for orderly resumption of work and production, the Group coordinated the steady resumption of work. At the same time, the Group needed to ensure the health and safety of every customers and employees, therefore every person entering the Group's projects had to take their body temperature and submit the completed health declaration form to the responsible department.

Furthermore, due to the restricted entry of the projects, only the residents and employees of the projects could access the project area. Therefore, the Group has provided additional delivery services for those customers who were asked to self-quarantine at home. The project staff would help delivering takeaway food, ordered necessity to the Group's customers. This kind of services not only provide convenience to the customers, but also show the warm support which is particularly important to the isolated citizens.

GOVERNANCE: PROMOTING CORPORATE RESPONSIBILITIES

Product Responsibility

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

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

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

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

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

Protection of Intellectual Property Rights and Consumer Data

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

Anti-Corruption

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

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

EXECUTIVE DIRECTORS

Mr Wong Kai Ho ("Mr Wong"), aged 41, is an executive Director, Chairman and company secretary of the Company since 8 October 2021. He is also a director of a number of subsidiaries of the Company.

Mr Wong has more than 16 years of experience in financial and business management. Mr Wong worked as a finance analyst of Carter Holt Harvey New Zealand from November 2005 to December 2006 and as a senior auditor of the audit and assurance sector of Ernst & Young from February 2007 to February 2009. From March 2009 to June 2013, he was a senior associate of EHM International Ltd (London). From July 2013 to March 2014, he was a director of Katch Investment (Asia-Pacific) Limited. Mr Wong has experiences in the advisory and asset management industry since March 2014 where he currently is the director and responsible officer of advisory and asset management of Nebula Asset Management Limited. Mr Wong has also been the vice president and assistant chairman of Guoce Geoinformation Technology Industry Park Group Co., Ltd. (國測地理信息科技產業園有限公司) since March 2018.

Mr Wong obtained the Bachelor of Commerce & Administration in Accounting and Commercial Law and Information Systems from Victoria University of Wellington New Zealand in December 2002. He also obtained his professional qualification as a chartered accountant from the New Zealand Institute of Chartered Accountants and a certified public accountant from the Hong Kong Institute of Certified Public Accountants in February 2008 and January 2011, respectively.

As at the date of this annual report, Mr Wong is deemed to be interested in 1,918,000,000 shares (long position) of the Company (representing 29.89% of the Company's issued share capital) under the Securities and Futures Ordinance (the "SFO") by virtue of his interest in Ample Grace Investments Limited.

Mr Wang Guiwu, aged 60, is an executive Director of the Company since 8 October 2021.

He has more than 20 years of experience in business management. From May 1982 to July 1992, Mr Wang Guiwu was the head of foreign funds department of Dandong Foreign Trade and Economic Cooperation Commission* (丹東市外經貿委外資處). From July 1992 to July 1997, Mr Wang Guiwu was the vice magistrate of Kuandian Manchu Autonomous County* (寬甸滿族自治縣). From July 1997 to May 2000, Mr Wang Guiwu worked as the vice department head of the Bureau of Mechanical and Metallurgical Industries of Dandong* (丹東市機械冶金工業局). From May 2000 to May 2013, Mr Wang Guiwu was the president and chairman of Liaoning Huibao International Investment Group Co., Ltd.* (遼寧匯寶國際投資集團有限公司). Mr Wang Guiwu was also a non-executive director of Shengjing Bank Co., Ltd.* (盛京銀行股份有限公司) (stock code: 2066), a bank listed on the Main Board of the Stock Exchange, from 2011 to 2013. Since March 2016, Mr Wang Guiwu has been the director of Liaoning Antai Nonferrous Mining Co., Ltd.* (遼寧安泰有色礦業有限公司), chairman of Guoce Geoinformation Technology Industry Park Group Co., Ltd. (國測地理信息科技產業園有限公司) and chairman of An Tai International Investment Group (Hong Kong) Co., Ltd.* (安泰國際投資集團（香港）有限公司).

Mr Wang Guiwu obtained a diploma of mechanical engineering from Northeastern Institute of Technology* (東北工學院) (now known as Northeastern University (東北大學)) in September 1982.

As at the date of this annual report, Mr Wang Guiwu is deemed to be interested in 1,918,000,000 shares (long position) of the Company (representing 29.89% of the Company's issued share capital) under the SFO by virtue of his interest in Ample Grace Investments Limited.

* *For identification purposes only*

Mr Huang Zhuguang ("Mr Huang"), aged 59, is an executive Director of the Company since 1 December 2021.

Mr Huang has over 30 years of experience in the cultural industry. Mr Huang is the chairman of GuangDong First Union Animation Technology Co., Ltd., a company engaging in production of intelligent electronic toys which he founded in 1998. Mr Huang also founded Firstunion Animation Technology (HK) Co., Limited in 2016 and Shunlian Animation Technology Vietnam Co., Ltd in 2019, respectively. In 2016, Mr Huang founded Guangdong Guancheng Industrial Investment Co., Ltd., a company which principally engages in industrial investments, equity investments and venture capital investments.

Mr Huang obtained a bachelor's degree in business administration from the Communication University of China.

As at the date of this annual report, Mr Huang is deemed to be interested in 1,276,814,973 shares (long position) of the Company (representing 19.90% of the Company's issued share capital) under the SFO by virtue of his interest in Guangdong Guancheng Industrial Investment Co., Ltd.. Guangdong Guancheng Industrial Investment Co., Ltd holds entire the equity interest in GuangDong First Union Animation Technology Co., Ltd., and Guangdong First Union Animation Technology Co., Ltd. holds the entire equity interest in Firstunion Animation Technology (HK) Co., Limited.

Mr Zheng Fu Shuang ("Mr Zheng"), aged 55, is an executive Director of the Company since September 2006.

Mr Zheng is the chairman, chief executive officer and executive director of China Digital Video Holdings Limited, a company listed on the GEM of the Stock Exchange (Stock Code: 8280). He has over 20 years' experience in the radio film and television business in the PRC. He was awarded the "Best Technology Entrepreneur of Private Enterprise in China" (中國優秀民營科技企業家) and "Outstanding entrepreneurs medal of The Hong Kong Polytechnic University's Bauhinia Cup" (香港理工大學紫荊花杯傑出企業家獎) and "The Eighteenth Beijing May Fourth Medal" (第十八屆北京市「五四獎章」).

He graduated from the Institute of Electronics, Chinese Academy of Sciences with a master's degree in Engineering, and Peking University Guanghua School of Management with an EMBA degree.

Mr Zheng has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" under Directors' report in this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Chu Kin Wang, Peleus ("Mr Chu"), aged 57, is an independent non-executive Director of the Company since 8 October 2021.

Mr Chu has over 30 years of experience in corporate finance, auditing, accounting and taxation. He is an independent non-executive director of China First Capital Group Limited (stock code: 1269), Huayu Expressway Group Limited (stock code: 1823), Tianli Holdings Group Limited (stock code: 117) and Mingfa Group (International) Company Limited (stock code: 846), and an executive director of Momentum Financial Holdings Limited (stock code: 1152), and all of the said companies are listed on the Main Board of the Stock Exchange. Mr Chu is also an independent non-executive director of Madison Holdings Group Limited (stock code: 8057) and Hyfusin Group Holdings Limited (stock code: 8512), and all of the said companies are listed on GEM of the Stock Exchange.

Mr Chu was also an independent non-executive director of Telecom Service One Holdings Limited (stock code: 3997) from April 2013 to December 2017, and Xinming China Holdings Limited (stock code: 2699) from April 2021 to August 2021, and a non-executive director of Perfect Group International Holdings Limited (stock code: 3326) from August 2015 to March 2017. He was also an independent non-executive director of China Huishan Dairy Holdings Company Limited (stock code: 6863) from June 2017 to December 2017, PT International Development Corporation Limited (stock code: 372) from March 2017 to September 2017, Flyke International Holdings Ltd. (stock code: 1998) from February 2010 to December 2020 and a deputy chairman and executive director of Chinese People Holdings Company Limited (stock code: 681) from December 2008 to September 2020. All of the said companies are listed on the Main Board of the Stock Exchange. He was also an independent non-executive director of SuperRobotics Holdings Limited (stock code: 8176), a company listed on GEM of the Stock Exchange from March 2012 to November 2021.

Mr Chu obtained a master's degree in Business Administration from The University of Hong Kong in December 1998. Mr Chu is a fellow of the Hong Kong Institute of Certified Public Accountants and is also an associate of both The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) and The Hong Kong Corporate Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries).

Mr Chin Chi Ho, Stanley ("Mr Chin"), aged 39, is an independent non-executive Director of the Company since 8 October 2021.

Mr Chin has over 15 years of experience in the areas of audit, financial management, corporate governance and operations in capital markets. Mr Chin served as an audit specialist in PricewaterhouseCoopers and KPMG for 7 years. Mr Chin has extensive experience serving as senior management for multiple Hong Kong listed companies. Mr Chin is currently the independent non-executive director of Champion Alliance International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1629).

Mr Chin has obtained a Master of Business Administration degree from the University of Hong Kong. He was admitted as a Certified Public Accountant (CPA) in 2009. He has also been awarded the qualification of Financial Risk Manager (FRM) in 2009 and Chartered Financial Analyst (CFA) in 2010.

Mr Chung Wai Man ("Mr Chung"), aged 63, is an independent non-executive Director of the Company since 8 October 2021.

Mr Chung has over 24 years of experience in finance and business consulting. Mr Chung started working in The Kwangtung Provincial Bank in 1976, and his last position before leaving the bank in 1996 was a manager in charge of the Tai Po sub-branch. Subsequently in 1996, Mr Chung established Raymond Chung Company, a finance and business consulting firm for corporations in Hong Kong. In 2004, he set up another consulting firm, Excel Linker Capital (Asia) Limited, to provide similar consultancy services. Due to duplicity of the business nature, Raymond Chung Company was closed in September 2006. In 2009, Mr. Chung applied to deregister Excel Linker Capital (Asia) Limited as he decided to quit the consultancy services market.

Mr Chung acted as an independent non-executive director of United Gene High-Tech Group Limited (currently known as Innovative Pharmaceutical Biotech Limited) (stock code: 399) from March 2007 to May 2009, Fu Ji Food and Catering Services Holdings Limited (currently known as Fresh Express Delivery Holdings Group Co., Limited) (stock code: 1175) from June 2011 to July 2013, China Kingstone Mining Holdings Limited (stock code: 1380) from February 2013 to July 2015, Fuguiniao Co., Ltd. (stock code: 1819, the shares of which were delisted on 26 August 2019) from September 2017 to May 2018, Centron Telecom International Holding Ltd. (stock code: 1155, the shares of which were delisted on 1 December 2020) from April 2018 to February 2020, and China Taifeng Beddings Holdings Limited (stock code: 873, the shares of which were delisted on 21 February 2019) from November 2018 to February 2019 and a non-executive director of Arta Techfin Corporation Limited (formerly known as Freeman FinTech Corporation Limited) (stock code: 279) from December 2020 to October 2021, with all of the said companies being companies listed on the Main Board of the Stock Exchange. He acted as an independent non-executive director from January 2009 to August 2013 and a non-executive director from August 2013 to September 2014 of U-RIGHT International Holdings Limited (currently known as Fullsun International Holdings Group Co., Limited) (stock code: 627), a company listed on the Main Board of the Stock Exchange.

Since June 2017, Mr Chung has been an independent non-executive director of China Huishan Dairy Holdings Company Limited (stock code: 6863, the shares of which were delisted on 23 December 2019). Mr Chung currently served as an independent non-executive director of Hifood Group Holdings Co., Ltd. (stock code: 442) and an executive director of Silk Road Logistics Holdings Limited (stock code: 988). All of the said companies were companies listed on the Main Board of the Stock Exchange.

Mr Chung holds a Diploma in Business Management from the Hong Kong Management Association and a Certificate of Bank of China Banking Course.

Mr Hua Yichun ("Mr Hua"), aged 38, is an independent non-executive Director of the Company since 1 December 2021.

Mr Hua is the chief financial officer of Bitmain Technologies Holding Company. Before joining Bitmain Technologies Holding Company in March 2021, he was a partner at the capital markets department of the Hong Kong office of Shearman & Sterling LLP. Mr Hua has approximately 15 years of experience in legal practice.

Mr Hua holds a Bachelor of Laws degree from Peking University and a Bachelor of Laws degree from the University of Nottingham. Mr Hua is qualified to practise law in Hong Kong, New York and England and Wales.

Mr Wang Bingzhong, aged 38, is an independent non-executive Director of the Company since 1 December 2021.

Mr Wang Bingzhong is the chairman and a director of Hong Kong Sustaintech Foundation Limited since November 2021. Mr Wang Bingzhong is a director of LSQ Management Limited since January 2021. He is an executive director and president of Dragon Victory International, a NASDAQ listed company (stock code: LYL) since December 2021. Mr Wang Bingzhong served as an executive director of Loto Interactive Limited, a company listed on GEM of the Stock Exchange (stock code: 8198) from June 2017 and was appointed as its chief executive officer and compliance officer from July 2017 until October 2020, at which point he resigned from all positions of Loto Interactive Limited. Mr Wang Bingzhong served as an associate director of CCB International (Holdings) Limited, and a director of CCBI Overseas Holdings Limited in 2016. Prior to that, Mr Wang Bingzhong was a director of A-TEST Compliance Services (Beijing) Co., Ltd. (奧測世紀(北京)技術股份有限公司) (NEEQ stock code: 830873), a company listed on the National Equities Exchange and Quotations Co. Ltd. (全國中小企業股份轉讓系統), from December 2013 to March 2015.

Mr Wang Bingzhong received a master of business administration from the Hong Kong University of Science and Technology in 2013 as well as a bachelor's degree in computer science and technology from Nanjing University in 2005.

SENIOR MANAGEMENT

Mr Shi Lei ("Mr Shi"), aged 47, is the chief executive officer of the Company since 8 October 2021. Mr Shi obtained a bachelor's degree in electrical engineering and a bachelor's degree in industrial engineering from Tsinghua University in 1997. In 2000, he obtained a master's degree in electrical engineering from Tsinghua University. Mr Shi was the elected president of Tsinghua University Student Union in 1996, and was the chairman of Tsinghua University Graduate Association in 1997. Before joining the Company, he worked in a number of companies, including A. T. Kearney, Bohai Industrial Investment Fund (渤海產業投資基金), Hunan Caixin Financial Holding Group (湖南財信金融控股集團) and Guoce Geoinformation Technology Industry Park Group Co., Ltd. (國測地理信息科技產業園有限公司), and was a director of NanHua Bio-medicine Co., Ltd. (南華生物醫藥股份有限公司) (stock code: 000504), a company listed on the Shenzhen Stock Exchange. Mr Shi has over 21 years of experience in business management and the finance industry.

Mr Xia Ding, aged 53, is the chief operational officer of the Company since 8 October 2021 and the president of Chongqing Peking University Resources Investment Co., Ltd., a subsidiary of the Company since April 2013. He obtained a bachelor degree in Industrial and Civil Construction from Chongqing Construction Engineering University (now merged into Chongqing University). Before joining the Company, he worked in a number of property development companies, including Chongqing Jundu Property Development Co., Ltd.* (重慶郡都物業發展有限公司) and Hevol Real Estate Group Co., Ltd.* (和泓置地集團有限公司). He possesses 31 years of knowledge and experience in engineering management and real estate development and operation.

Mr Jiang Xiaoping ("Mr Jiang"), aged 57, has served as the president of Peking University Resources Wuhan Industrial Park Operation Management Co., Ltd. since 2010 and is responsible for the overall operation of the company. Meanwhile, he concurrently serves as the legal person or director of various members of the Group. Mr Jiang obtained a bachelor's degree in law from Southwest University of Political Science & Law in 1986 and is qualified as a practising lawyer in the PRC. From 1996 to 2010, Mr Jiang worked for various law firms and companies in the financial industry, and held the posts of manager of the legal department, the assistant president of the general office and the vice president of the general office, responsible for equity investment, corporate restructuring and mergers and acquisitions of various companies. Mr Jiang has over 25 years of work experience in the fields of finance and real estate development.

* *For identification purposes only*

The directors present their report and the audited financial statements of the Company and the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the Reporting Period and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 71 to 174.

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

BUSINESS REVIEW

A review of the business of the Group during the Reporting Period and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are set out in the section headed "Management Discussion and Analysis" on pages 13 to 27 of this annual report.

The financial risk management objectives and policies of the Group are set out in note 43 to the financial statements.

An analysis of Group's performance during the Reporting Period using financial key performance indicators is set out in the sections headed "Management Discussion and Analysis" on pages 13 to 27 and "Financial Highlights" on page 174 of this annual report.

Discussions on the Group's environmental policies, relationships with its employees, customers, suppliers and other key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are set out in the section headed "Environmental, Social and Governance Report" on pages 39 to 56 of this annual report.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 173 of this 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 Reporting Period are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on pages 171 to 172 of this annual report.

SHARE CAPITAL AND SHARE OPTIONS

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

MANAGEMENT CONTRACT

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

DISTRIBUTABLE RESERVES

In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution or payment of dividends to shareholders provided that, immediately following such distribution or payment, the Company is able to pay off its debts as and when they fall due. As at 31 December 2020, the Company's reserves available for distribution comprised contributed surplus of approximately HK$1,666,532,000. The Company's share premium account, with a balance of approximately HK$318,000 as at 31 December 2020, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the Reporting Period, sales to the Group's five largest customers accounted for less than 12% of the total sales for the Reporting Period. Purchases from the Group's five largest suppliers accounted for 55% of the total purchase for the Reporting Period and purchase from the largest include therein amounted 24%.

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

DIRECTORS

The Directors of the Company during the Reporting Period and up to the date of this Directors' report were:

Executive Directors

Mr Wong Kai Ho (*Chairman*, appointed on 8 October 2021)
Mr Wang Guiwu (appointed on 8 October 2021)
Mr Huang Zhuguang (appointed on 1 December 2021)
Mr Zheng Fu Shuang
Mr Cheung Shuen Lung (*Past chairman*, resigned as chairman on 8 October 2021 and resigned as executive Director on 10 November 2021)
Mr Zeng Gang (*Past president*, resigned as president on 8 October 2021 and resigned as executive Director on 12 November 2021)
Ms Sun Min (removed on 10 November 2021)
Mr Ma Jian Bin (removed on 10 November 2021)
Ms Liao Hang (removed on 10 November 2021)

Non-executive Director

Mr Yau Pak Yue (appointed on 8 October 2021 and resigned on 7 December 2021)

Independent non-executive Directors

Mr Chu Kin Wang, Peleus (appointed on 8 October 2021)
Mr Chin Chi Ho, Stanley (appointed on 8 October 2021)
Mr Ning Rui (appointed on 8 October 2021 and resigned on 8 December 2021)
Mr Chung Wai Man (appointed on 8 October 2021)
Mr Hua Yichun (appointed on 1 December 2021)
Mr Wang Bingzhong (appointed on 1 December 2021)
Mr Li Fat Chung (resigned on 1 April 2020)
Ms Wong Lam Kit Yee (resigned on 1 April 2020)
Mr Chan Chung Kik, Lewis (resigned on 30 September 2021)
Mr Lau Ka Wing (appointed on 1 April 2020 and resigned on 30 September 2021)
Mr Lai Nga Ming, Edmund (appointed on 1 April 2020 and resigned on 30 September 2021)

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual confirmations of independence from each of its independent non-executive Directors as at 31 December 2020, and still considers them to be independent as at 31 December 2020.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the current Directors of the Company and the senior management of the Group are set out on pages 57 to 61 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' EMOLUMENTS

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

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor an entity connected with a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of the Company's subsidiaries was a party during the Reporting Period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2020, the interests and short positions of the Directors in the share capital, underlying shares and debenture of the Company or its associated corporations (within the meaning of Part XV of the 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 pursuant to the Model Code, were as follows:

Long positions in ordinary shares of the Company:

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

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

Short positions in ordinary shares of the Company:

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

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

Save as disclosed above, as at 31 December 2020, none of the Directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 31 December 2020, so far it is known to the Directors of the Company, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name	Notes	Capacity and nature of interest	Long positions: Number of ordinary shares held	Long positions: Percentage of the Company's issued share capital	Short positions: Number of ordinary shares held	Short positions: Percentage of the Company's issued share capital
北大資產經營有限公司 (Peking University Asset Management Company Limited*) ("PKU Asset Management")	1, 10	Through a controlled corporation	3,950,134,407	61.57	–	–
北大資源集團有限公司 (Peking University Resources Group Co., Ltd.*) ("PKU Resources Group")	2, 10	Through a controlled corporation	3,950,134,407	61.57	–	–
北大資源集團控股有限公司 (Peking University Resources Group Holdings Co., Ltd.*) ("PKU Group Holding")	3, 10	Through a controlled corporation	3,950,134,407	61.57	–	–
北大資源集團城市開發有限公司 (Peking University Resources Group City Development Company Limited*) ("PKU City Development")	4, 10	Through a controlled corporation	3,950,134,407	61.57	–	–
北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder")	5, 10	Through a controlled corporation	3,950,134,407	61.57	–	–
Founder Information (Hong Kong) Limited ("Founder Information")	6, 10	Directly beneficially owned	3,850,134,407	60.01	–	–
		Through a controlled corporation	100,000,000	1.56	–	–

* *For identification purposes only*

Name	Notes	Capacity and nature of interest	Long positions: Number of ordinary shares held	Long positions: Percentage of the Company's issued share capital	Short positions: Number of ordinary shares held	Short positions: Percentage of the Company's issued share capital
Mr Zheng Fu Shuang	7	Through a controlled corporation	785,003,000	12.23	100,000,000	1.56
Shine Crest Group Limited	8	Through a controlled corporation	584,984,000	9.12	100,000,000	1.56
Starry Nation Limited		Directly beneficially owned	584,984,000	9.12	100,000,000	1.56
Rongtong Fund Management Co. Ltd.	9	Through a controlled corporation	512,784,000	7.99	–	–
Rongtong Ronghai No. 10 SNIA QDII		Directly beneficially owned	512,784,000	7.99	–	–

Notes:

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

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

3. PKU Group Holding is deemed to be interested in the 3,950,134,407 shares of the Company under the SFO by virtue of its interest in PKU City Development.

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

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

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

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

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

9. Rongtong Fund Management Co. Ltd. is deemed to be interested in 512,784,000 shares of the Company under the SFO by virtue of its interest in Rongtong Ronghai No. 10 SNIA QDII.

10. Following the completion of several disposals of shares in the Company by Founder Information (acting by the Liquidators) as set out on pages 19 to 20 of this annual report, Founder Information is interested in 13,719,434 shares in the Company, representing approximately 0.21% of the issued share capital of the Company as at the date of this annual report. In this connection, Founder Information, Peking Founder, PKU City Development, PKU Group Holding, PKU Resources Group and PKU Asset Management ceased to be substantial shareholders of the Company.

Save as disclosed above, so far it is known to the directors of the Company, as at 31 December 2020, no person, other than the Directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares and debenture" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules:

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

On 28 November 2019, the Company and Peking Founder entered into the master sales agreement ("2019 master sales agreement") with a term of three years for the period from 1 January 2020 to 31 December 2022 to replace the existing annual cap for 2020 under the 2018 master sales agreement, and set up annual caps for 2021 and 2022. Further details of the transaction were set out in the announcement of 2019 master sales agreement of the Company dated 28 November 2019.

During the year ended 31 December 2020, no information products (2019: RMB846,000) was sold to Peking Founder Group.

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

On 28 November 2019, the Company and Peking Founder entered into the master purchase agreement ("2019 master purchase agreement") with a term of three years for the period from 1 January 2020 to 31 December 2022 to replace the existing annual cap for 2020 under the 2018 master purchase agreement, and set up annual caps for 2021 and 2022. Further details of the transaction were set out in the announcement of 2019 master purchase agreement of the Company dated 28 November 2019.

During the year ended 31 December 2020, software products of approximately RMB17,928,000 (2019: RMB29,563,000) was purchased from Peking Founder Group, the Directors consider that the purchases of information products from Peking Founder Group were made in accordance with the terms of the 2019 master purchase agreement.

(c) On 21 July 2017, the Company entered into a master property management service agreement with Resources Group (the "2017 Master Property Management Service Agreement") pursuant to which Resources Group and its associates agreed to provide pre-sale property management services to the Group for the three years ended 31 December 2019.

On 28 November 2019, the Company entered into a master property management service agreement (the "2019 Master Property Management Service Agreement") with Resources Group, pursuant to which Resources Group and its associates agreed to provide pre-sale property management services to the Group for the three years ending 31 December 2022. Further details of the transaction were set out in the announcement of 2019 Master Property Management Service Agreement of the Company dated 28 November 2019.

During the year ended 31 December 2020, property management service fees of approximately RMB47,089,000 (2019: RMB31,774,000) were paid to Resources Group. The Directors considered that the provision of property management services by Resources Group was made in accordance with the 2019 Master Property Management Service Agreement.

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

During the year ended 31 December 2020, consultancy services of approximately RMB24,237,000 (2019: RMB83,640,000) were charged to Resources Group. The Directors considered that the charges were made in accordance with the technical support service agreement.

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

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

DISCLOSURES PURSUANT TO RULES 13.21 AND 13.22 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosures are included in respect of the Company's facility agreement, which contain covenants requiring performance obligations of the controlling shareholders of the Company.

On 22 October 2019, the Company (as borrower) signed a facility agreement (the "Facility Agreement") with a financial institution for a facility up to an aggregate amount of USD15,000,000 (the "Facility") for a term of 364 days following the utilisation date. On 22 October 2019, the Group mortgaged a real property in Hong Kong (the "Property") in favour of the lender to secure the performance of the obligations under the Facility Agreement.

Under the Facility Agreement, a mandatory prepayment event occurs if, among other things:

(1) Founder Information ceases to (i) directly or indirectly own and hold not less than 51% of the outstanding shares of the Company; (ii) directly or indirectly remain as the single largest shareholder of the Company; or (iii) have the ability to appoint and/or remove all or majority of the members of the Board; or

(2) the financial statements of the Company ceases to be consolidated with the financial statements of Founder Information under Hong Kong Financial Reporting Standards; or

(3) Resources Group and its subsidiaries together cease to directly or indirectly own and hold not less than 51% of the outstanding shares of Founder Information; or

(4) PKU Asset Management ceases to directly or indirectly control Resources Group.

On 18 November 2020, the Company and, among others, the lender to the Facility Agreement entered into a supplemental deed to the Facility Agreement to extend the repayment date of the Facility (the "Renewed Facility") to 21 October 2021. Save for the Renewed Facility, the specific performance obligations on Founder Information, Resources Group and its subsidiaries together and PKU Asset Management in the Facility Agreement remain unchanged.

As a mandatory repayment event subsequently occurred, the lender appointed a receiver in respect of the Property and the receiver completed a sale of the Property on 15 October 2021. Subsequent to the sale, the receiver had apportioned and distributed approximately HK$131,261,000 out of the sale proceeds to the lender as full and final settlement of the principal and interest owed and payable by the Company to the lender as of 20 October 2021. As at the date of this annual report, the Facility Agreement and the Renewed Facility had been repaid in full.

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 annual report.

AUDITORS

The consolidated financial statements for the year ended 31 December 2020 of the Company have been audited by Ernst & Young. Ernst & Young will retire at the forthcoming annual general meeting but will not offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to appoint a new auditor of the Company.

ON BEHALF OF THE BOARD

Wong Kai Ho
Chairman

Hong Kong
12 January 2022

EY 安永

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

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

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

DISCLAIMER OF OPINION

We have audited the consolidated financial statements of Peking University Resources (Holdings) Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 74 to 170, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

(a) Multiple uncertainties relating to going concern

As set out in note 2.1 to the consolidated financial statements, the Group incurred a net loss of RMB1,845,038,000 for the year ended 31 December 2020. As at 31 December 2020, the Group had a net deficit attributable to the owners of the parent of RMB1,844,135,000 and the Group's current liabilities exceeded its current assets by RMB2,233,397,000.

In addition, as a result of the default repayments of the Group's borrowings and the reorganisation procedures against Peking University Founder Group Company Limited (the "Peking Founder Reorganisation"), which then owned as to approximately 81.64% effective interest of the then immediate holding company of the Company and is also a guarantor of certain of the Group's borrowings, the Group was not able to fulfil certain covenants relating to borrowings of RMB12,138,944,000 and these borrowings became repayable on demand as at 31 December 2020. There were also legal actions initiated by certain lenders against the Group to demand repayment of borrowings and/or to secure their interests in the Group's assets. In 2021, the High Court of Hong Kong has appointed liquidators of Founder Information (Hong Kong) Limited ("Founder Information"), the then immediate holding company of the Company. The liquidators shall have the powers, including but not limited to, taking possession of the property of Founder Information and selling any of the property of Founder Information (including the shares of the Company). These conditions, together with other matters set out in notes 2.1 and 45(b) to the consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

BASIS FOR DISCLAIMER OF OPINION (continued)

(a) Multiple uncertainties relating to going concern (continued)

The directors of the Company have been undertaking measures to improve the Group's liquidity and financial position, which are set out in note 2.1 to the financial statements. The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) successfully negotiating with the Group's existing lenders to seek extension of the due dates of the Group's borrowings; (ii) successfully carrying out the Group's business strategy plan and cost control measures so as to improve the Group's working capital and cash flow position; and (iii) successfully obtaining additional new sources of financing upon the completion of the Peking Founder Reorganisation.

Should the Group be unable to operate as a going concern, adjustments may have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

(b) Uncertainties relating to an amount due to a then intermediate holding company and its subsidiaries (collectively, the "then intermediate holding company group")

As set out in note 45(a) to the consolidated financial statements, on 13 April 2021, Peking University Resources Group Investment Company Limited ("Resources Investment"), a wholly-owned subsidiary of the Company, received a notice (the "Notice") from the administrator of Peking University Founder Group Company Limited (the "Administrator"), which stated that the Administrator did not agree with the amount due by Resources Investment to Peking University Resources Group Co., Ltd. ("Resources Group"), a then intermediate holding company of the Company, of approximately RMB2,351 million included in other payables and accruals in the consolidated balance sheet at 31 December 2020 and as disclosed in note 28 to the consolidated financial statements (the "Disputed Amount"). In the Notice, there was no indication of the amount owed by the Group to the then intermediate holding company group as at 31 December 2020.

The Notice indicated that the previously agreed amount due by the Group to the then intermediate holding company group are now in dispute. We have not been provided with the details of the Disputed Amount as at 31 December 2020, nor a reconciliation of the Dispute Amount among the involved parties; and therefore, we were unable to obtain additional sufficient appropriate audit evidence to substantiate the validity and completeness of the amount owed by the Group to the then intermediate holding company group as of 31 December 2020.

Any adjustments to the Dispute Amount might have a consequential effect on the consolidated statement of profit or loss for the year ended 31 December 2020, and on the consolidated statement of financial position as at 31 December 2020 and related disclosures in the consolidated financial statements.

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 December 2020 were previously approved by the Board of directors of the Company on 30 March 2021 and we have issued our audit report on the consolidated financial statements of the Group for the year ended 31 December 2020 on the same date. As described in the above paragraph, and more fully described under the heading "Disputes over the Group's amount due to a then intermediate holding company" in note 45(a) to the consolidated financial statements, the amount owed by the Group to Resources Group as of 31 December 2020 was in dispute. Furthermore, additional subsequent events as disclosed in note 45(b) to the consolidated financial statements occurred. It has been determined that the previously issued financial statements and our opinion be amended. Our work on the subsequent events is accordingly restricted to the amendments being made to these consolidated financial statements.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. We report solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, it is not possible for us to form an opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

Ernst & Young
Certified Public Accountants
Hong Kong

12 January 2022

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**9,085,402**	24,131,590
Cost of sales		**(8,550,165)**	(22,029,951)
Gross profit		**535,237**	2,101,639
Other income and gains	5	**583,075**	173,230
Selling and distribution expenses		**(323,672)**	(483,688)
Administrative expenses		**(534,920)**	(621,412)
Impairment losses on financial assets, net		**(16,965)**	(71,670)
Other expenses and losses, net		**(485,058)**	(4,464)
Finance costs	7	**(1,030,769)**	(824,349)
Share of losses of associates		**(3,809)**	(2,017)
PROFIT/(LOSS) BEFORE TAX	6	**(1,276,881)**	267,269
Income tax expense	10	**(568,157)**	(1,960,595)
LOSS FOR THE YEAR		**(1,845,038)**	(1,693,326)
Attributable to:			
Owners of the parent		**(2,025,393)**	(2,421,877)
Non-controlling interests		**180,355**	728,551
		(1,845,038)	(1,693,326)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		**RMB(31.57) cents**	RMB(37.75) cents

	2020 RMB'000	2019 RMB'000
LOSS FOR THE YEAR	**(1,845,038)**	(1,693,326)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of non-Mainland China entities' investments	**46,378**	(46,670)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**46,378**	(46,670)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of the Company	**(6,938)**	40,082
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**(6,938)**	40,082
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**39,440**	(6,588)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(1,805,598)**	(1,699,914)
Attributable to:		
Owners of the parent	**(1,984,930)**	(2,428,783)
Non-controlling interests	**179,332**	728,869
	(1,805,598)	(1,699,914)

	Notes	**2020 RMB'000**	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**87,843**	94,470
Investment properties	14	**1,523,097**	757,166
Right-of-use assets	15(a)	**18,878**	28,248
Goodwill	16	**–**	–
Other intangible assets	17	**4,465**	6,508
Investments in associates	18	**752**	4,662
Deferred tax assets	31	**107,264**	213,941
Other non-current assets	23	**–**	50,000
Total non-current assets		**1,742,299**	1,154,995
CURRENT ASSETS			
Properties under development	19	**18,243,990**	17,626,739
Properties held for sale	20	**12,001,730**	12,465,450
Inventories	21	**531,193**	651,171
Trade and bills receivables	22	**1,040,140**	1,276,186
Prepayments, other receivables and other assets	23	**1,767,755**	1,942,541
Prepaid tax		**685,084**	594,591
Other current assets	24	**315,227**	315,227
Restricted cash	25	**461,300**	957,536
Cash and cash equivalents	26	**1,401,854**	1,556,977
Total current assets		**36,448,273**	37,386,418
CURRENT LIABILITIES			
Trade and bills payables	27	**4,920,330**	5,462,358
Other payables and accruals	28	**18,882,542**	16,438,769
Interest-bearing bank and other borrowings	29	**12,173,944**	12,654,876
Lease liabilities	15(b)	**9,454**	9,596
Tax payable		**2,616,625**	2,384,772
Provision	30	**78,775**	104,320
Total current liabilities		**38,681,670**	37,054,691
NET CURRENT ASSETS/(LIABILITIES)		**(2,233,397)**	331,727
TOTAL ASSETS LESS CURRENT LIABILITIES		**(491,098)**	1,486,722

continued/...

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	–	258,079
Lease liabilities	15(b)	**1,118**	8,480
Deferred tax liabilities	31	**215,742**	116,523
Total non-current liabilities		**216,860**	383,082
Net assets/(liabilities)		**(707,958)**	1,103,640
EQUITY			
Equity attributable to owners of the parent			
Issued capital	32	**545,335**	545,335
Reserves	34	**(2,389,470)**	(404,540)
		(1,844,135)	140,795
Non-controlling interests		**1,136,177**	962,845
Total equity		**(707,958)**	1,103,640

Wong Kai Ho
Director

Huang Zhuguang
Director

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

	Attributable to owners of the parent										
	Issued capital RMB'000	Share premium account RMB'000	Merger reserve RMB'000	Contributed surplus RMB'000	Non-controlling interest reserve RMB'000	Exchange fluctuation reserve RMB'000	General reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	545,335	258*	(238,675)*	1,297,299*	(134,812)*	(96,173)*	527,031*	(1,759,468)*	140,795	962,845	1,103,640
Profit/(loss) for the year	–	–	–	–	–	–	–	(2,025,393)	(2,025,393)	180,355	(1,845,038)
Other comprehensive income/(loss) for the year:											
Exchange differences on translation of non-Mainland China entities' investments	–	–	–	–	–	47,401	–	–	47,401	(1,023)	46,378
Exchange differences on translation of financial statements of the Company	–	–	–	–	–	(6,938)	–	–	(6,938)	–	(6,938)
Total comprehensive income/(loss) for the year	–	–	–	–	–	40,463	–	(2,025,393)	(1,984,930)	179,332	(1,805,598)
Transfer to general reserve	–	–	–	–	–	–	57,657	(57,657)	–	–	–
Dividends to a non-controlling shareholder	–	–	–	–	–	–	–	–	–	(6,000)	(6,000)
At 31 December 2020	545,335	258*	(238,675)*	1,297,299*	(134,812)*	(55,710)*	584,688*	(3,842,518)*	(1,844,135)	1,136,177	(707,958)

* These reserve accounts comprise the consolidated reserve deficits of RMB2,389,470,000 (2019: RMB404,540,000) in the consolidated statement of financial position.

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(1,276,881)**	267,269
Adjustments for:			
Finance costs	7	**1,030,769**	824,349
Share of losses of associates		**3,809**	2,017
Interest income	5	**(38,844)**	(46,135)
Fair value loss/(gain) on investment properties, net	5, 6	**(61)**	560
Fair value gains on transfers from properties held for sale to investment properties		**(478,556)**	–
Gain on lease revision	5	**(160)**	–
COVID-19-related rent concessions from lessors		**(835)**	–
Depreciation of property, plant and equipment	6	**11,896**	14,724
Depreciation of right-of-use assets	6	**11,361**	9,284
Amortisation of other intangible assets	6	**2,069**	3,537
Loss on disposal of property, plant and equipment	6	**21**	94
Impairment of trade receivables	6	**10,846**	9,843
Impairment of financial assets included in prepayments, other receivables and other assets, net	6	**6,119**	61,827
Provision against inventories, net	6	**(22,880)**	21,682
Impairment of properties under development, net	6	**583,253**	917,744
Impairment of properties held for sale, net	6	**60,808**	2,350,895
		(97,266)	4,437,690
Increase in properties under development		**(3,390,005)**	(8,319,125)
Decrease in properties held for sale		**2,965,152**	8,439,244
Decrease/(increase) in inventories		**142,858**	(140,218)
Decrease/(increase) in trade and bills receivables		**225,200**	(92,589)
Decrease in prepayments, deposits and other receivables		**246,443**	269,157
Decrease in restricted cash		**481,507**	547,260
Increase in other current assets		**–**	(777)
Increase/(decrease) in trade and bills payables		**(542,028)**	1,167,540
Increase/(decrease) in other payables and accruals		**1,701,133**	(3,539,978)
Decrease in provision		**(25,545)**	(11,988)
Effect of foreign exchange rate changes, net		**49,334**	(7,948)
Cash generated from operations		**1,756,783**	2,748,268
Interest received		**11,068**	41,773
Interest paid		**(959,196)**	(1,627,103)
Hong Kong profits tax paid		**(1,046)**	(1,056)
Mainland China corporate income tax paid		**(69,109)**	(802,621)
Land appreciation tax paid		**(150,240)**	(258,589)
Net cash flows from operating activities		**588,260**	100,672

continued/...

	Notes	2020 RMB'000	2019 RMB'000
Net cash flows from operating activities		**588,260**	100,672
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	13	**(6,513)**	(19,855)
Purchases of other intangible assets	17	**(26)**	(2,196)
Proceeds from disposal of property, plant and equipment		**1,223**	474
Net cash flows used in investing activities		**(5,316)**	(21,577)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other loans		**576,440**	18,142,140
Repayment of bank and other loans		**(1,314,280)**	(20,463,210)
Principal portion lease payments	36(c)	**(8,500)**	(7,847)
Dividends paid to non-controlling shareholders		**(6,000)**	(71,810)
Capital contributions from non-controlling shareholders of a subsidiary		**–**	2,700
Decrease in restricted cash for securing borrowings		**14,729**	69,749
Net cash used in financing activities		**(737,611)**	(2,424,885)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(154,667)**	(2,345,790)
Cash and cash equivalents at beginning of year		**1,556,977**	3,902,631
Effect of foreign exchange rate changes, net		**(456)**	136
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,401,854**	1,556,977
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**1,391,820**	1,556,977
Non-pledged time deposits with original maturity of less than three months when acquired	26	**10,034**	–
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**1,401,854**	1,556,977

1. CORPORATE AND GROUP INFORMATION

Peking University Resources (Holdings) Company Limited (the "Company") is a limited liability company incorporated in Bermuda. The head office and principal place of business of the Company are located at Room 2303, 23/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, 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 2020, the Company was owned as to approximately 60.01% by Founder Information (Hong Kong) Limited, which was in turn owned effectively as to approximately 81.64% by 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"). In the opinion of the directors, the ultimate holding company as at 31 December 2020 is 北大資產經營有限公司 (Peking University Asset Management Company Limited*), which is established in the People's Republic of China (the "PRC").

Information about subsidiaries

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

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

* *For identification purposes only*

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Boya Properties Co., Limited^	PRC/Mainland China	RMB50,000,000	–	60	Property development
Kunshan Hi-Tech Electronic Arts Creative Industry Development Co., Limited ("Kunshan Hi-Tech")^	PRC/Mainland China	RMB200,000,000	–	51	Property development
Dongguan Yihui Property Co., Limited^	PRC/Mainland China	RMB30,000,000	–	100	Property development
Tianhe Property Development Co., Limited@	PRC/Mainland China	RMB300,000,000	–	90	Property development
Yongqin Limited ("YQ")	British Virgin Islands/ Hong Kong	Ordinary HK$2	100	–	Property investment
Chongqing Yingfeng Property Co., Limited#	PRC/Mainland China	RMB80,000,000	–	100	Property development
Foshan Peking University Resources Property Co., Limited@	PRC/Mainland China	RMB100,000,000	–	51	Property development
Chengdu Lihui Property Co., Limited@	PRC/Mainland China	RMB50,000,000	–	70	Property development
Zhejiang Peking University Resources Property Co., Limited#	PRC/Mainland China	USD120,000,000	–	100	Property development
Chongqing Fangyuan Yingrun Property Co., Limited@	PRC/Mainland China	RMB642,600,000	–	70	Property development
Chongqing Yuefeng Property Co., Limited^	PRC/Mainland China	RMB50,000,000	–	70	Property development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guiyang Henglong Property Co., Limited^	PRC/Mainland China	RMB50,000,000	–	70	Property development
Kaifeng Boming Property Development Co., Limited^	PRC/Mainland China	RMB20,000,000	–	100	Property development
Kunming Fangyuan Botai Zhiye Company Limited^	PRC/Mainland China	RMB50,000,000	–	85	Property development
Zhuzhou Lixiangcheng Property Development Co., Limited^	PRC/Mainland China	RMB50,000,000	–	82	Property development
Kunshan Fangshi Property Development Co., Limited^	PRC/Mainland China	RMB50,000,000	–	100	Property development

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

^ Registered as a limited liability company under PRC law

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

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

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

2.1 BASIS OF PREPARATION

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

Going concern basis

The Group incurred a net loss of RMB1,845,038,000 for the year ended 31 December 2020. As at 31 December 2020, the Group had a net deficit attributable to the owners of the parent of RMB1,844,135,000 and the Group's current liabilities exceeded its current assets by RMB2,233,397,000. Other than the above, the following are the conditions that may cast significant doubt on the Group's ability to continue as a going concern:

Breaches of loan covenants and loan defaults

In 2019, Peking Founder defaulted on its bond redemption of RMB2,000,000,000 and the Group defaulted on its loan repayments of RMB1,211,770,000, resulting in borrowings of RMB11,147,071,000 becoming repayable on demand as at 31 December 2019 because these defaults caused breaches of loan covenants of the Group's borrowings. In 2020, the Group also defaulted on its loan repayments of RMB8,201,000,000. As at 31 December 2020, the Group's borrowings repayable within one year amounted to RMB35,000,000 and the Group's borrowings repayable on demand amounted to RMB12,138,944,000 which arose from the aforementioned defaults in 2019 and 2020.

In February 2020, Bank of Beijing applied to The First Intermediate People's Court of Beijing (the "Beijing Court") for the initiation of reorganisation procedures against Peking Founder (the "Peking Founder Reorganisation") and a liquidation team which consisted of the People's Bank of China, Ministry of Education, relevant financial regulatory institutions and relevant functional departments of Beijing was appointed as the administrator of Peking Founder (the "Administrator"), details of which are included in the Company's announcement dated 18 February 2020.

Subsequent to the end of the reporting period, on 29 January 2021, the Company received a notification letter from the Administrator that Zhuhai Huafa Group Co., Ltd. (on behalf of Zhuhai State-owned Assets), Ping An Insurance (Group) Company of China Ltd. and Shenzhen SDG Group Co., Ltd. (collectively referred to as the "Investors") formed a consortium as investors of restructuring Peking Founder. The Company received a notification letter from the Administrator on 30 April 2021, which stated that the Investors entered into a restructuring investment agreement on 30 April 2021. On 5 July 2021, the Company received a notification letter from the Administrator, which stated that a written civil ruling served by Beijing Court was received by it on the same day, in which it was held that the Peking Founder Reorganisation was approved and the restructuring procedure was terminated.

2.1 BASIS OF PREPARATION (continued)

Going concern basis (continued)

Legal actions initiated by lenders

In November and December 2019, the Group received (1) a pre-litigation property attachment, which aimed to freeze the bank account balances or impound or seize other equivalent assets of the borrower with the equivalent amount of the borrowings in concern, issued by Xining City Intermediate People's Court of Qinghai Province (the "Xining City Court") in relation to borrowings of RMB2,320,000,000, (2) legal proceedings in Dongguan City Third People's Court of Guangdong Province (the "Dongguan City Court") requiring the repayment of principal, interest and default penalty of a loan amounting to RMB1,061,770,000 (later changed to RMB773,656,000), and (3) an application for arbitration of a securities conflict case in Shenzhen Court of International Arbitration (the "Shenzhen Court") requiring the payment of principal involved in the relevant securities and the expected revenue amounting to RMB496,991,000.

In August and September 2020, the Group received (1) a writ of summons in respect of a dispute over borrowings amounting to RMB570,000,000, whereupon the lender requested one of the Group's subsidiaries to pay the general repurchase amount and the premium repurchase amount totalling approximately RMB600,000,000 in relation to the relevant borrowings, and grant a preferential right of compensation on the collateral provided by another subsidiary within the scope of the creditor's rights determined by the aforementioned judgement, of which the legal case has been admitted by the Intermediate People's Court of Fuzhou City, Fujian Province (the "Fuzhou City Court"), and (2) a pre-litigation property attachment, issued by the Intermediate People's Court of Shijiazhuang City, Hebei Province (the "Shijiazhuang City Court"), against the Group's properties valued not more than RMB314,000,000 in relation to borrowings of RMB280,000,000.

Based on the latest information available to the Group, the plaintiff who applied for the pre-litigation property attachment in the Xining City Court did not initiate further legal proceedings against the Group, the Shijiazhuang City Court has released the pre-litigation property attachment, and the Dongguan City Court and the Shenzhen Court have terminated the aforementioned trial or arbitration. Based on the civil judgement from the Fuzhou City Court received by the Group on 15 March 2021, two of the Group's subsidiaries, as defendants, are liable to repay the principal amount of the borrowings as well as the corresponding interests to the plaintiff.

Winding up petition against Founder Information

On 28 October 2020, The Bank of New York Mellon, London Branch filed a petition at the High Court of Hong Kong for the winding up of Founder Information, the immediate holding company of the Company, on the ground that Founder Information was unable to pay a debt arising from bonds issued by another subsidiary of Founder Information in which Founder Information is the guarantor of such bonds (the "Petition").

Subsequent to the end of the reporting period, on 5 March 2021, a sealed regulating order was issued by the High Court of Hong Kong regarding the appointment of the liquidators of Founder Information, which shall have the powers, including but not limited to, taking possession of the property of Founder Information and selling any of the property of Founder Information (including the shares of the Company) by way of public auction or private contract, with power to transfer the whole of it to any person or to sell the same in parcels. As at the date of approval of these financial statements, the Company is not aware of any further progress of the Petition other than those disclosed in the Company's announcement dated 12 March 2021.

2.1 BASIS OF PREPARATION (continued)

Going concern basis (continued)

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

In view of such circumstances, the board of directors of the Company has given careful consideration to the future liquidity of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve the Group's financial position which include, but are not limited to, the following:

(i) The Group has actively negotiating with existing lenders for loan extension, the waiver of the repayable on demand clause and breach of the undertaking and restrictive covenant requirements of certain bank and other borrowings.

(ii) The management of the Group has prepared a business strategy plan, which have been reviewed by the board of directors of the Company. The business strategy plan mainly focuses on the acceleration of pre-sale of suitable properties of the Group as well as the implementation of cost control measurements.

The board of directors of the Company is of the opinion that, taking into account the above measures which may bring in additional new sources of financing to the Group, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the next twelve months. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2020 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Group will be able to implement the aforementioned plans and measures. Whether the Group will be able to continue as a going concern will depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

(i) successfully negotiating with the Group's existing lenders to seek extension of the due dates of the Group's borrowings;

(ii) successfully carrying out the Group's business strategy plan and cost control measures so as to improve the Group's working capital and cash flow position; and

(iii) successfully obtaining additional new sources of financing going forward.

Should the Group be unable to operate as a going concern, adjustments may have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKFRS 16	*COVID-19-Related Rent Concessions*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's buildings have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB835,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

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

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases:* removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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

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

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

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

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

Business combinations and goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

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

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

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

Fair value measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

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

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

Investment properties

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

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

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

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

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.

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	36 to 42 years
Buildings	1 to 5 years

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

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

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

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

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

Group as a lessor

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

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

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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 derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

Impairment of financial assets

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

General approach

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

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

Simplified approach

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

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

Financial liabilities

Initial recognition and measurement

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

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

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:

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Properties under development

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

Properties held for sale

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

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

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

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation.

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

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

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

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

(a) Sale of information products

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

(b) Property development

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from other sources

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

Other income

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

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

Contract liabilities

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

Contract costs

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

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

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

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Right-of-return assets

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

Refund liabilities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a certain percentage of the participating employees' salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

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

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

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

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

Classification between investment properties and properties held for sale

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Variable consideration for returns

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

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

The Group updates its assessment of expected returns annually and the refund liabilities are adjusted accordingly. Estimates of expected returns are sensitive to changes in circumstances and the Group's past experience regarding returns may not be representative of customers' actual returns in the future. As at 31 December 2020, the amount recognised as refund liabilities was RMB12,296,000 (2019: RMB23,126,000) for the expected returns.

Provision for expected credit losses on trade receivables

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

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

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

Estimation of fair value of investment properties

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

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

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

The carrying amount of investment properties at 31 December 2020 was RMB1,523,097,000 (2019: RMB757,166,000). Further details, including the key assumptions used for the fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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

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

Provision against inventories

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

Deferred tax assets

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

PRC corporate income tax

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

PRC land appreciation tax

The Group is subject to land appreciation tax ("LAT") in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the local tax authorities upon the completion of the Group's property development projects. The Group has not finalised its LAT tax returns and payments with the local tax authorities for its property development projects. When the final outcome is determined, it may be different from the amounts that were initially recorded, and any differences will affect the current income tax expense and LAT provision in the period which LAT is ascertained.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the distribution of information products segment sells information products;

(b) the property development segment sells properties; and

(c) the property investment segment leases and subleases properties.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(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, non-lease-related finance costs as well as head office and corporate expenses are excluded from such measurement.

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

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2020

	Distribution of information products RMB'000	Property development RMB'000	Property investment RMB'000	Total RMB'000
Segment revenue, other income and gains (note 5)				
Revenue from external customers	5,235,950	3,811,529	37,923	9,085,402
Other income and gains	524	65,090	478,617	544,231
	5,236,474	3,876,619	516,540	9,629,633
Segment results	28,837	(739,754)	510,883	(200,034)
Reconciliation:				
Interest income				38,844
Corporate and unallocated expenses				(86,701)
Finance costs (other than interest on lease liabilities)				(1,028,990)
Loss before tax				(1,276,881)
Segment assets	4,871,369	32,103,398	685,246	37,660,013
Reconciliation:				
Elimination of intersegment receivables				(2,124,943)
Corporate and other unallocated assets				2,655,502
Total assets				38,190,572
Segment liabilities	1,338,208	24,269,323	409,631	26,017,162
Reconciliation:				
Elimination of intersegment payables				(2,124,943)
Corporate and other unallocated liabilities				15,006,311
Total liabilities				38,898,530
Other segment information				
Share of losses of associates	912	2,897	–	3,809
Investments in associates	649	103	–	752
Fair value gains on transfers from properties held for sale to investment properties	–	–	478,556	478,556
Fair value gain on investment properties	–	–	61	61
Impairment of trade receivables	10,846	–	–	10,846
Impairment of financial assets included in prepayments, other receivables and other assets, net	6,511	(392)	–	6,119
Provision against inventories, net	(22,880)	–	–	(22,880)
Impairment of properties under development, net	–	583,253	–	583,253
Impairment of properties held for sale, net	–	60,808	–	60,808
Depreciation and amortisation	10,526	14,367	433	25,326
Capital expenditure*	3,216	3,323	–	6,539
Interest penalty on loan defaults	8,345	443,736	–	452,081

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2019

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

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographic information

(a) Revenue from external customers

	Distribution of information products RMB'000	Property development RMB'000	Property investment RMB'000	Total RMB'000
For the year ended 31 December 2020				
Mainland China	**5,233,024**	**3,811,529**	**35,942**	**9,080,495**
Hong Kong	**2,926**	**–**	**1,981**	**4,907**
	5,235,950	**3,811,529**	**37,923**	**9,085,402**
For the year ended 31 December 2019				
Mainland China	8,836,069	15,216,685	32,411	24,085,165
Hong Kong	43,956	–	2,469	46,425
	8,880,025	15,216,685	34,880	24,131,590

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

(b) Non-current assets

	2020 RMB'000	2019 RMB'000
Mainland China	**1,634,386**	889,392
Hong Kong	**649**	1,662
	1,635,035	891,054

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

Information about major customers

During the year, there was no revenue from sales to an external customer which accounted for 10% or more of the Group's total revenue (2019: Nil).

5. REVENUE, OTHER INCOME AND GAINS

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

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers		
Sale of properties	**3,811,529**	15,216,685
Sale of information products	**5,235,950**	8,880,025
	9,047,479	24,096,710
Revenue from other sources		
Gross rental income	**37,923**	34,880
	9,085,402	24,131,590

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

Sale of properties

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

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

	2020 RMB'000	2019 RMB'000
Amounts expected to be recognised as revenue		
Within one year	**7,155,915**	8,210,457
In the second year	**6,147,754**	3,077,948
In the third year	**53,306**	95,345
	13,356,975	11,383,750

The amounts disclosed above do not include variable consideration which is constrained.

5. REVENUE, OTHER INCOME AND GAINS (continued)

Sale of information products

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

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

	2020 RMB'000	2019 RMB'000
Amounts expected to be recognised as revenue within one year	**101,014**	295,812

An analysis of other income and gains is as follows:

	Notes	2020 RMB'000	2019 RMB'000
Other income			
Management and consultancy service fee income		**31,974**	89,923
Bank interest income		**9,823**	24,919
Other interest income from related companies		**29,021**	21,216
Government grants*		**1,361**	1,711
Gain on lease revision		**160**	–
Others		**23,662**	27,476
		96,001	165,245
Gains			
Fair value gains on transfers from properties held for sale to investment properties	20	**478,556**	–
Fair value gain on investment properties	14	**61**	–
Foreign exchange gains, net		**8,457**	7,985
		487,074	7,985
		583,075	173,230

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

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2020 RMB'000	2019 RMB'000
Cost of inventories sold		**5,090,963**	8,629,000
Cost of properties sold		**2,838,021**	10,110,630
Provision against inventories, net		**(22,880)**	21,682
Impairment of properties under development, net	19	**583,253**	917,744
Impairment of properties held for sale, net		**60,808**	2,350,895
Cost of sales		**8,550,165**	22,029,951
Auditor's remuneration		**4,380**	4,180
Depreciation of property, plant and equipment	13	**11,896**	14,724
Less: Depreciation capitalised in properties under development		**(3,437)**	(1,329)
		8,459	13,395
Depreciation of right-of-use assets	15(a)	**11,361**	9,284
Amortisation of other intangible assets	17	**2,069**	3,537
Loss on disposal of property, plant and equipment*		**21**	94
Fair value loss on investment properties, net*	14	**–**	560
Impairment of financial assets, net:			
Impairment of trade receivables	22	**10,846**	9,843
Impairment of financial assets included in prepayments, other receivables and other assets, net	23	**6,119**	61,827
		16,965	71,670
Interest penalty on loan defaults*		**452,081**	–
Penalty on late payment of land cost*		**32,956**	–
Lease payments not included in the measurement of lease liabilities	15(c)	**9,458**	14,804
Employee benefit expense (including the directors' remuneration – note 8):			
Wages and salaries		**304,026**	393,414
Pension scheme contributions**		**5,935**	18,860
		309,961	412,274

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

** At 31 December 2020, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2019: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on bank and other borrowings	**1,051,682**	1,393,783
Interest on loans from related companies	**647,067**	902,578
Interest expense arising from revenue contracts	**700,353**	764,308
Interest on discounted bills	**1,308**	6,711
Interest expense arising from lease contracts	**1,779**	2,455
Total interest expense	**2,402,189**	3,069,835
Less: Interest capitalised	**(1,371,420)**	(2,245,486)
	1,030,769	824,349

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2020 RMB'000	2019 RMB'000
Fees	**444**	333

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

(a) Independent non-executive directors

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

	2020 RMB'000	2019 RMB'000
Mr Li Fat Chung*	28	111
Ms Wong Lam Kit Yee*	28	111
Mr Chan Chun Kik Lewis	148	111
Mr Lau Ka Wing*	120	–
Mr Lai Nga Ming Edmund*	120	–
	444	333

* Mr Li Fat Chung and Ms Wong Lam Kit Yee resigned as independent non-executive directors of the Company and Mr Lau Ka Wing and Mr Lai Nga Ming Edmund were appointed as non-executive directors of the Company with the effect from 1 April 2020.

There were no other emoluments payable to the independent non-executive directors during the year.

(b) Executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2020					
Executive directors:					
Mr Cheung Shuen Lung	–	–	–	–	–
Mr Zeng Gang#	–	–	–	–	–
Ms Sun Min	–	–	–	–	–
Mr Ma Jian Bin	–	–	–	–	–
Ms Liao Hang	–	–	–	–	–
Mr Zheng Fu Shuang	–	–	–	–	–
	–	–	–	–	–

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2019					
Executive directors:					
Mr Cheung Shuen Lung	–	–	–	–	–
Mr Zeng Gang#	–	–	–	–	–
Ms Sun Min	–	–	–	–	–
Mr Ma Jian Bin	–	–	–	–	–
Ms Liao Hang	–	–	–	–	–
Mr Zheng Fu Shuang	–	–	–	–	–
	–	–	–	–	–

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2019: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration for the year of the five (2019: five) highest paid employees who are neither a director nor the chief executive of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	**4,872**	5,215
Performance related bonuses	**4,147**	8,396
Pension scheme contributions	**154**	188
	9,173	13,799

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

	Number of employees 2020	2019
HK$1,000,001 to HK$2,000,000	**2**	–
HK$2,000,001 to HK$3,000,000	**3**	2
HK$3,000,001 to HK$4,000,000	**–**	3
	5	5

10. INCOME TAX

	2020 RMB'000	2019 RMB'000
Current – Hong Kong		
Charge for the year	**297**	482
Current – Mainland China		
Charge for the year	**203,178**	1,108,693
PRC LAT	**158,280**	854,497
Deferred (note 31)	**206,402**	(3,077)
Total tax charge for the year	**568,157**	1,960,595

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2019: 25%) on the taxable profits of the Group's PRC subsidiaries.

PRC LAT

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

10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates are as follows:

2020

	Hong Kong		Mainland China		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Loss before tax	(5,988)		(1,270,893)		(1,276,881)	
Tax at the statutory tax rate	(988)	16.5	(317,723)	25.0	(318,711)	25.0
Loss attributable to an associate	150	(2.5)	725	(0.1)	875	(0.1)
Income not subject to tax	(797)	13.3	(1)	–	(798)	0.1
Expenses not deductible for tax	–	–	104,812	(8.2)	104,812	(8.2)
Tax losses utilised from the previous periods	–	–	(37,349)	2.9	(37,349)	2.9
Tax losses not recognised	1,042	(17.4)	507,987	(40.0)	509,029	(39.9)
Temporary differences not recognised	–	–	191,589	(15.1)	191,589	(15.0)
LAT	–	–	158,280	(12.5)	158,280	(12.4)
Tax effect of LAT	–	–	(39,570)	3.1	(39,570)	3.1
Tax charge at the Group's effective rate	(593)	9.9	568,750	(44.9)	568,157	(44.5)

2019

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

There is no tax expense attributable to associates (2019: Nil) included in "Share of losses of associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

No dividends have been declared and paid by the Company during the year ended 31 December 2020 (2019: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of RMB2,025,393,000 (2019: RMB2,421,877,000), and the weighted average number of ordinary shares of 6,416,155,647 (2019: 6,416,155,647) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2020 (2019: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020						
At 31 December 2019 and at 1 January 2020:						
Cost	98,761	40,004	42,792	26,554	–	208,111
Accumulated depreciation	(20,946)	(31,328)	(38,627)	(22,740)	–	(113,641)
Net carrying amount	77,815	8,676	4,165	3,814	–	94,470
At 1 January 2020, net of accumulated depreciation	77,815	8,676	4,165	3,814	–	94,470
Additions	–	3,680	–	640	2,193	6,513
Disposals	–	(658)	(586)	–	–	(1,244)
Transfers	2,193	–	–	–	(2,193)	–
Depreciation provided during the year	(4,137)	(6,124)	(617)	(1,018)	–	(11,896)
At 31 December 2020, net of accumulated depreciation	75,871	5,574	2,962	3,436	–	87,843
At 31 December 2020:						
Cost	100,954	40,071	35,721	27,194	–	203,940
Accumulated depreciation	(25,083)	(34,497)	(32,759)	(23,758)	–	(116,097)
Net carrying amount	75,871	5,574	2,962	3,436	–	87,843

13. PROPERTY, PLANT AND EQUIPMENT (continued)

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

As at 31 December 2020, two of the Group's buildings with an aggregate carrying amount of RMB44,347,000 (2019: RMB44,157,000) did not have building ownership certificates registered under the name of the respective subsidiaries of the Group.

As at 31 December 2020, one of the Group's buildings with a net carrying amount of approximately RMB23,150,000 (2019: RMB24,778,000) was pledged to a financial institution to secure loans granted to the Group (note 29).

14. INVESTMENT PROPERTIES

	Notes	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January		**757,166**	750,851
Transfer from properties held for sale		**776,884**	3,390
Net gain/(loss) from fair value adjustments	5, 6	**61**	(560)
Exchange realignment		**(11,014)**	3,485
Carrying amount at 31 December		**1,523,097**	757,166

The Group's investment properties consist of one residential and seven commercial properties in Mainland China and one commercial property in Hong Kong. The directors of the Company have determined that the investment properties consist of two classes of asset, i.e., commercial and residential, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2020 based on valuations performed by 北京經緯仁達資產評估有限公司 (Beijing Jingwei Renda Assets Appraisal Co., Ltd*) ("BJR"), independent professionally qualified valuers, at RMB1,523,097,000. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

As at 31 December 2020, one of the Group's investment properties with a carrying amount of RMB787,211,000 (2019: RMB20,503,000) did not have a building ownership certificate registered under the name of the corresponding subsidiary of the Group.

As at 31 December 2020, one of the Group's investment properties with a net carrying amount of approximately RMB165,344,000 (2019: RMB179,552,000) was pledged to a financial institution to secure loans granted to the Group (note 29).

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

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

* *For identification purposes only*

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

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

	Fair value measurement as at 31 December 2020 using			
Recurring fair value measurement for:	**Quoted prices in active markets (Level 1) RMB'000**	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Commercial properties	**–**	**–**	**1,521,453**	**1,521,453**
Residential property	**–**	**–**	**1,644**	**1,644**
	–	**–**	**1,523,097**	**1,523,097**

	Fair value measurement as at 31 December 2019 using			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Commercial properties	–	–	755,583	755,583
Residential property	–	–	1,583	1,583
	–	–	757,166	757,166

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 (2019: Nil).

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

	Commercial properties RMB'000	**Residential property** RMB'000
Carrying amount at 1 January 2019	749,309	1,542
Transfer from properties under development	3,390	–
Net gains/(loss) from fair value adjustments recognised in other expenses and losses, net, in profit or loss	(601)	41
Exchange realignment	3,485	–
Carrying amount at 31 December 2019 and 1 January 2020	755,583	1,583
Transfer from properties held for sale	776,884	–
Net gains from fair value adjustments recognised in other income and gains in profit or loss	–	61
Exchange realignment	(11,014)	–
Carrying amount at 31 December 2020	1,521,453	1,644

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 2020	Range 2019
Residential properties	Market approach	Adjustment on market unit price (per sq.m.)	**-6.1% to -3.0%**	-2.0% to -3.1%
Commercial properties	Income approach	Adjustment on market rental (per sq.m. and per month)	**2.0% to 6.0%**	2.0% to 6.0%
		Adopted yield	**6.0%**	6.0%
	Market approach	Adjustment on market unit price (per sq.m.)	**-12.5% to 5.0%**	-17.1% to 1.2%

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

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

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

Under the income approach, fair value is estimated by capitalising the current rental income and the reversionary value of the properties after tenancies expire by reference to current market rental transactions by making relevant adjustments.

The adjustment on market rental is determined by referring to the differences of the subject properties against the comparable properties in terms of location, size, and age of the comparable properties. The yields adopted are determined by reference to the current yields of the subject properties and the market yield derived from the rental of comparable properties.

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

15. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

	Leasehold land RMB'000	Buildings RMB'000	Total RMB'000
As at 1 January 2019	11,609	11,955	23,564
Additions	–	13,968	13,968
Depreciation charge	(392)	(8,892)	(9,284)
As at 31 December 2019 and 1 January 2020	11,217	17,031	28,248
Additions	–	4,923	4,923
Depreciation charge	(392)	(10,969)	(11,361)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(2,932)	(2,932)
As at 31 December 2020	10,825	8,053	18,878

15. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

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

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	**18,076**	11,955
New leases	**4,923**	13,968
COVID-19-related rent concessions from lessors	**(835)**	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(3,092)**	–
Accretion of interest recognised during the year	**1,779**	2,455
Payments	**(10,279)**	(10,302)
Carrying amount at 31 December	**10,572**	18,076
Analysed into:		
Current portion	**9,454**	9,596
Non-current portion	**1,118**	8,480

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

As disclosed in note 2.2 to the financial statements, the Group has early adopted the amendment to HKFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain buildings during the year.

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

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	**1,779**	2,455
Depreciation charge of right-of-use assets	**11,361**	9,284
Expense relating to short-term leases and other leases with remaining lease terms ended on or before year end (included in administrative expenses)	**9,458**	14,804
COVID-19-related rent concessions from lessors	**(835)**	–
Total amount recognised in profit or loss	**21,763**	26,543

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

15. LEASES (continued)

The Group as a lessor

The Group leases its investment properties (note 14) consisting of one residential and seven commercial properties in Mainland China and one commercial property in Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the year was RMB37,923,000 (2019: RMB34,880,000), details of which are included in note 5 to the financial statements.

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

	2020 **RMB'000**	2019 RMB'000
Within one year	**54,892**	45,562
After one year but within two years	**60,436**	40,238
After two years but within three years	**54,149**	35,452
After three years but within four years	**49,310**	31,199
After four years but within five years	**75,926**	24,966
After five years	**516,880**	111,330
	811,593	288,747

16. GOODWILL

	2020 **RMB'000**	2019 RMB'000
At 1 January and 31 December:		
Cost	**2,261**	2,261
Accumulated impairment	**(2,261)**	(2,261)
Net carrying amount	**–**	–

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

17. OTHER INTANGIBLE ASSETS

	Computer software RMB'000
31 December 2020	
Cost at 1 January 2020, net of accumulated amortisation	**6,508**
Additions	**26**
Amortisation provided during the year	**(2,069)**
At 31 December 2020	**4,465**
At 31 December 2020:	
Cost	**13,663**
Accumulated amortisation	**(9,198)**
Net carrying amount	**4,465**
31 December 2019	
At 1 January 2019:	
Cost	11,441
Accumulated amortisation	(3,592)
Net carrying amount	7,849
Cost at 1 January 2019, net of accumulated amortisation	7,849
Additions	2,196
Amortisation provided during the year	(3,537)
At 31 December 2019	6,508
At 31 December 2019 and 1 January 2020:	
Cost	13,637
Accumulated amortisation	(7,129)
Net carrying amount	6,508

18. INVESTMENTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Share of net assets	**752**	4,662

Particulars of the Group's associates are as follows:

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

The above investments are indirectly held by the Company.

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

	2020 RMB'000	2019 RMB'000
Share of the associates' loss and total comprehensive loss for the year	**3,809**	2,017
Aggregate carrying amount of the Group's investments in associates	**752**	4,662

19. PROPERTIES UNDER DEVELOPMENT

	Note	**2020** **RMB'000**	2019 RMB'000
Carrying amount at 1 January		**17,626,739**	23,278,793
Additions		**4,061,072**	8,319,125
Transfer to properties held for sale		**(2,860,568)**	(13,053,435)
Impairment	6	**(583,253)**	(917,744)
Carrying amount at 31 December		**18,243,990**	17,626,739
Properties under development expected to be completed within normal operating cycle and classified as current assets and expected to be recovered:			
Within one year		**6,805,768**	6,835,691
After one year		**11,438,222**	10,791,048
		18,243,990	17,626,739

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

As at 31 December 2020, certain of the Group's properties under development with an aggregate carrying amount of approximately RMB12,176,058,000 (2019: RMB10,299,941,000) were pledged to banks and financial institutions to secure loans granted to the Group (note 29).

20. PROPERTIES HELD FOR SALE

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

During the year, certain of the Group's properties held for sale with an aggregate carrying amount of RMB298,328,000 were transferred to investment properties at fair value of RMB776,884,000, resulting in a fair value gain of RMB478,556,000 included in the Group's other income and gains.

As at 31 December 2020, certain of the Group's properties held for sale with an aggregate carrying amount of approximately RMB5,451,684,000 (2019: RMB6,081,866,000) were pledged to banks and financial institutions to secure loans granted to the Group (note 29).

21. INVENTORIES

	2020 RMB'000	2019 RMB'000
Trading stocks	**531,193**	651,171

22. TRADE AND BILLS RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	**1,088,687**	1,235,603
Bills receivable	**42,880**	121,164
	1,131,567	1,356,767
Impairment	**(91,427)**	(80,581)
	1,040,140	1,276,186

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

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

	2020 RMB'000	2019 RMB'000
Within 6 months	**997,003**	1,229,984
7 to 12 months	**5,719**	25,871
13 to 24 months	**32,972**	8,462
Over 24 months	**4,446**	11,869
	1,040,140	1,276,186

22. TRADE AND BILLS RECEIVABLES (continued)

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

	2020 **RMB'000**	2019 RMB'000
At beginning of year	**80,581**	70,738
Impairment losses, net (note 6)	**10,846**	9,843
At end of year	**91,427**	80,581

The increase in the loss allowance for the year ended 31 December 2020 was mainly due to the increase in fully impaired trade receivables of RMB7,880,000 which were past due for over 3 years. The increase in the loss allowance for the year ended 31 December 2019 was mainly due to the increase in trade receivables of RMB17,020,000 which were past due for over 2 years.

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

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

As at 31 December 2020

		Past due			
	Current	**Less than 1 year**	**1 to 2 years**	**Over 2 years**	**Total**
Expected credit loss rate	**0.98%**	**3.04%**	**15.14%**	**97.52%**	**8.40%**
Gross carrying amount (RMB'000)	**881,120**	**115,872**	**12,270**	**79,425**	**1,088,687**
Expected credit losses (RMB'000)	**8,595**	**3,517**	**1,858**	**77,457**	**91,427**

As at 31 December 2019

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

22. TRADE AND BILLS RECEIVABLES (continued)

Included in the Group's trade and bills receivables are amounts due from fellow subsidiaries of approximately RMB2,372,000 (2019: RMB6,858,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

Transferred financial assets that are not derecognised in their entirety

At 31 December 2020, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB15,900,000 (2019: RMB35,650,000) to certain of its suppliers in order to settle the trade payables due to these suppliers (the "Endorsement"). In the opinion of the directors of the Company, the Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group does not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers had recourse was RMB15,900,000 as at 31 December 2020 (2019: RMB35,650,000).

Transferred financial assets that are derecognised in their entirety

At 31 December 2020, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB114,963,000 (2019: RMB146,824,000). The Derecognised Bills had a maturity within six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills (2019: Nil). No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'000	2019 RMB'000
Non-current		
Other assets	–	50,000
Current		
Prepayments	**762,935**	960,295
Deposits and other receivables	**1,036,914**	1,047,439
Right-of-return assets	**11,775**	22,557
Other assets	**50,000**	–
	1,861,624	2,030,291
Impairment	**(93,869)**	(87,750)
	1,767,755	1,942,541

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

The movements in the loss allowance for impairment of prepayments, other receivables and other assets, are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of year	**87,750**	25,923
Impairment losses, net (note 6)	**6,119**	61,827
At end of year	**93,869**	87,750

The increase in the loss allowance in 2020 and 2019 was mainly due to the increase in other receivables past due for over 2 years.

As at 31 December 2020, included in the Group's deposits and other receivables are amounts due from fellow subsidiaries, a non-controlling shareholder of a subsidiary and an associate amounting to RMB14,647,000 (2019: RMB1,630,000), RMB15,419,000 (2019: Nil) and RMB6,998,000 (2019: Nil), respectively, which are unsecured, interest-free and repayable on demand, and amounts due from a non-controlling shareholder of a subsidiary and an associate amounting to RMB149,100,000 (2019: RMB99,110,000) and RMB12,250,000 (2019: RMB12,573,000), respectively, which are unsecured, repayable on demand and bear interests at rates of 10.5% (2019: 10.5%) and 10% (2019: 10%) per annum, respectively.

24. OTHER CURRENT ASSETS

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

25. RESTRICTED CASH

The Group's bank deposits with aggregate amounts of RMB10,361,000, RMB437,268,000 and RMB13,671,000 were pledged to banks to secure the Group's borrowings, as deposits for the construction of the relevant properties and as guarantee deposits for certain mortgage loans granted by banks to purchasers of the Group's properties, respectively (2019: RMB25,090,000, RMB901,318,000 and RMB31,128,000,respectively). The restricted cash is deposited with creditworthy banks with no recent history of default.

26. CASH AND CASH EQUIVALENTS

	2020 **RMB'000**	2019 RMB'000
Cash and bank balances	**1,391,820**	1,556,977
Time deposits	**10,034**	–
Cash and cash equivalents	**1,401,854**	1,556,977

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB1,394,994,000 (2019: RMB1,553,886,000). 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 three months and earn interest at the short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

At 31 December 2020, included in the Group's cash and cash equivalents were cash and bank balances of RMB7,575,000 (2019: RMB10,266,000) placed with PKU Founder Group Finance Co., Ltd. ("Founder Finance"), a financial institution approved by the People's Bank of China ("PBOC"). Founder Finance is a subsidiary of Peking Founder. The interest rates for these deposits were the prevailing savings rates offered by the PBOC.

27. TRADE AND BILLS PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	**4,920,330**	5,396,987
Bills payable	**–**	65,371
	4,920,330	5,462,358

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

	2020 RMB'000	2019 RMB'000
Within 6 months	**4,679,208**	5,371,556
Over 6 months	**241,122**	90,802
	4,920,330	5,462,358

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

Included in the Group's trade and bills payables are amounts due to fellow subsidiaries of approximately RMB7,344,593 (2019: RMB9,830,000), which are repayable on credit terms similar to those offered by other similar suppliers of the Group.

28. OTHER PAYABLES AND ACCRUALS

	2020 RMB'000	2019 RMB'000
Other payables	**8,511,233**	6,692,392
Accruals	**33,006**	33,585
Contract liabilities (note)	**10,290,733**	9,654,247
Dividend payable to a non-controlling shareholder	**35,274**	35,419
Refund liabilities	**12,296**	23,126
	18,882,542	16,438,769

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

Included in the Group's other payables are amounts due to the immediate holding company, intermediate holding companies (including Peking Founder), fellow subsidiaries and a non-controlling shareholder of a subsidiary amounting to RMB726,532,000, RMB244,038,000, RMB869,137,000 and RMB9,276,000 (2019: RMB779,647,000, RMB237,254,000, RMB363,133,000 and RMB3,419,000), respectively, which are unsecured and interest-free and have no fixed terms of repayment, and amounts due to an intermediate holding company amounting to RMB2,350,831,000 (2019: RMB1,990,038,000),which are unsecured, bear interests at rates ranging from 4.35% to 15% per annum (2019: 7.5% to 15%) and repayable on demand.

Note:

Details of contract liabilities are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000	1 January 2019 RMB'000
Sale of information products	**92,049**	125,483	127,392
Sale of properties	**10,196,820**	9,527,332	15,123,481
Lease of properties	**1,864**	1,432	1,165
Total contract liabilities	**10,290,733**	9,654,247	15,252,038

Contract liabilities include advances received to deliver information products and properties, and significant financing components for the contract where the period between the advance received from customers and the transfer of the promised property or service exceeds one year. The increase of contract liabilities in 2020 was mainly due to the increase in advances received from customers in relation to the sale of properties at the end of the year. The decrease of contract liabilities in 2019 was mainly due to the decrease in advances received from customers in relation to the sale of properties.

Included in the Group's contract liabilities as at 31 December 2020 are amounts due to fellow subsidiaries of approximately RMB19,400,000 (2019: RMB19,445,000).

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020			2019		
	Effective interest rate %	**Maturity**	**RMB'000**	Effective interest rate %	Maturity	RMB'000
Current						
Bank loans – secured	**9.0**	**On demand**	**133,333**	7.6	On demand	30,000
Bank loans – unsecured	**–**	**–**	**–**	5.2	2020	62,306
Bank loans – unsecured	**8.0**	**On demand**	**19,000**	8.0	On demand	20,000
Bank loans – unsecured@	**LPR+30%–35%**	**On demand**	**285,000**	LPR+25%–35%	On demand	380,000
Bank loans – unsecured@	**LPR+69.25bps–75bps**	**On demand**	**184,824**	LPR+69.25bps	On demand	100,000
Other loans – secured#	**7.8**	**On demand**	**700,000**	7.8	2020	700,000
Other loans – secured#	**8.1–14.5**	**On demand**	**9,636,482**	6.7–14.4	On demand	9,614,135
Other loans – unsecured#	**8.51**	**On demand**	**490,000**	7.8–10.0	On demand	1,002,936
Other loans – unsecured*	**6.5–10**	**On demand**	**690,305**	6.5–10.0	2020	745,499
Other loans – unsecured*	**15.0**	**2021**	**35,000**	–	–	–
			12,173,944			12,654,876
Non-current						
Bank loans – secured	**–**	**–**	**–**	9.0	2021	253,333
Other loans – unsecured*	**–**	**–**	**–**	8.5	2021	4,746
			–			258,079
			12,173,944			12,912,955

* The balances represent loans from Peking Founder amounting to RMB240,000,000 (2019: RMB599,940,000), three fellow subsidiaries amounting to RMB370,085,000 (2019: RMB35,085,000) and a non-controlling shareholder of a subsidiary amounting to RMB115,220,000 (2019: RMB115,220,000).

The balances represent borrowings from financial institutions.

@ The balances represent loans with floating interest rates.

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

	2020 RMB'000	2019 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**622,157**	592,306
In the second year	**–**	253,333
	622,157	845,639
Other loans repayable:		
Within one year or on demand	**11,551,787**	12,062,570
In the second year	**–**	4,746
	11,551,787	12,067,316
	12,173,944	12,912,955

Notes:

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

	Notes	2020 RMB'000	2019 RMB'000
Property, plant and equipment	13	**23,150**	24,778
Investment properties	14	**165,344**	179,552
Properties under development	19	**12,176,058**	10,299,941
Properties held for sale	20	**5,451,684**	6,081,866
Restricted cash	25	**10,361**	25,090
		17,826,597	16,611,227

In addition, certain of the Group's bank and other loans are secured by the pledge of certain equity interests of certain subsidiaries and fellow subsidiaries of the Group, and the assignment of returns arising from certain properties under development and properties held for sale of the Group. Peking Founder, 北大資源集團有限公司 (Peking University Resources Group Co., Ltd.*) ("PKU Resources") and Founder Information have provided corporate guarantees for loans amounting to RMB11,253,073,000 (2019: RMB11,557,818,000), and PKU Resources has provided properties as security for the Group's loans amounting to RMB3,330,664,000 (2019: RMB2,703,800,000) as at the end of the reporting period.

* *For identification purposes only*

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

Notes: (continued)

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

	2020 RMB'000	2019 RMB'000
Renminbi	**12,076,027**	12,808,063
United States dollars	**97,917**	104,892
	12,173,944	12,912,955

During the years ended 31 December 2019 and 2020, as a result of the Peking Founder Reorganisation and the Group's default of its loan repayments, there were breaches of loan covenants of the Group's borrowings, further details of which are set out in note 2.1 to the financial statements. As at 31 December 2020, there were interest penalties of RMB435,525,000 included in the Group's other payables and accruals.

30. PROVISION

	Claim	
	2020 RMB'000	2019 RMB'000
At 1 January	**104,320**	116,308
Additional provision	**8,135**	17,905
Reversal of provision	**–**	(14,095)
Settlement	**(33,680)**	(15,798)
At 31 December	**78,775**	104,320

Two of the Group's subsidiaries in Tianjin, were not able to deliver properties to customers (the "Tianjin Properties' Customers") in accordance with the delivery schedules as stipulated in the property sales contracts and such entities became defendants in lawsuits brought by certain of the Tianjin Properties' Customers seeking claims arising from the late delivery of properties. Based on the judgements made by the court of first instance (the "Judgements") in 2018, the Group has estimated claim provisions with reference to the default compensation rates and the number of days in default. As at the end of 2018, certain Tianjin Properties' Customers were in the process of appealing the Judgements and the lawsuits had been settled in 2019. The provision estimation made in 2018 has been adjusted according to the judgements made by the court of second instance and additional provision was made based on the default compensation rates and the number of days in default in 2019 and 2020. In 2019 and 2020, the Group partially settled the default compensation of RMB15,798,000 and RMB33,680,000, respectively.

31. DEFERRED TAX

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

Deferred tax liabilities

	Revaluation of properties RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Total RMB'000
At 1 January 2019	70,945	19,949	69,580	160,474
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	174	3,265	(14,792)	(11,353)
Exchange realignment	259	–	–	259
At 31 December 2019 and 1 January 2020	71,378	23,214	54,788	149,380
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	116,293	2,918	(319)	118,892
Exchange realignment	(506)	–	–	(506)
At 31 December 2020	187,165	26,132	54,469	267,766

Deferred tax assets

	Impairment RMB'000	Provision for LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Significant financing component from receipt in advance RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Total RMB'000
At 1 January 2019	115,075	64,189	22,440	28,960	24,410	255,074
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	8,272	48,998	(22,440)	(25,845)	(17,261)	(8,276)
At 31 December 2019 and 1 January 2020	123,347	113,187	–	3,115	7,149	246,798
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(75,037)	(34,400)	8,871	7,166	5,890	(87,510)
At 31 December 2020	48,310	78,787	8,871	10,281	13,039	159,288

31. DEFERRED TAX (continued)

Deferred tax assets (continued)

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

	2020 RMB'000	2019 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**107,264**	213,941
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(215,742)**	(116,523)
	(108,478)	97,418

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

	2020 RMB'000	2019 RMB'000
Tax losses	**5,594,845**	3,716,637
Deductible temporary differences	**6,843,748**	5,589,961
	12,438,593	9,306,598

The Group has tax losses arising in Hong Kong of RMB100,591,000 (2019: RMB91,346,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in Mainland China of RMB5,494,254,000 (2019: RMB3,625,291,000) that will expire in one to five years for offsetting against future taxable profits.

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

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

At 31 December 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB3,422,954,000 at 31 December 2020 (2019: RMB3,289,827,000).

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

32. SHARE CAPITAL

Shares

	2020 RMB'000	2019 RMB'000
Authorised:		
15,000,000,000 (2019: 15,000,000,000) ordinary shares of HK$0.10 each	**1,500,000**	1,500,000

	2020		2019	
	HK$'000	RMB'000 (equivalent)	HK$'000	RMB'000 (equivalent)
Issued and fully paid:				
6,416,155,647 (2019: 6,416,155,647) ordinary shares of HK$0.10 each	**641,616**	**545,335**	641,616	545,335

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

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2019	6,416,155,647	545,335	2,182,454	2,727,789
Share premium deduction	–	–	(2,182,196)	(2,182,196)
At 31 December 2019, 1 January 2020 and 31 December 2020	6,416,155,647	545,335	258	545,593

Note: During 2019, the Company's share premium of HK$2,689,000,000 (equivalent to RMB2,182,196,000) was reduced and the credit amount arising from the reduction of share premium was transferred to the Company's contributed surplus which was then applied to set off the entire accumulated losses of the Company to result in a nil accumulated loss.

Share options

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

33. SHARE OPTION SCHEME

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

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

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

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

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

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

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

34. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 78 of the financial statements.

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

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

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

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

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

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

	2020	2019
Percentage of equity interest held by non-controlling interests (%)	**49%**	49%
Profit for the year allocated to non-controlling interests (RMB'000)	**26,789**	436,226
Accumulated balances of non-controlling interests at the end of the reporting period (RMB'000)	**697,425**	670,636

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

	2020 RMB'000	2019 RMB'000
Revenue	**30,213**	2,770,643
Total cost, expenses and other income, net	**24,458**	(1,880,386)
Profit for the year and total comprehensive income for the year	**54,671**	890,257
Current assets	**2,698,544**	2,473,963
Non-current assets	**231,282**	235,318
Current liabilities	**(1,503,025)**	(932,560)
Non-current liabilities	**(3,485)**	(408,076)
Net cash flows from/(used in) operating activities	**(6,070)**	336,705
Net cash flows from investing activities	**180**	8,125
Net cash flows used in financing activities	**–**	(520,453)
Net decrease in cash and cash equivalents	**(5,890)**	(175,623)

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB4,923,000 (2019: RMB11,955,000) and RMB4,923,000 (2019: RMB11,955,000), respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

2020

	Interest-bearing bank and other borrowings RMB'000	**Lease liabilities RMB'000**
At 1 January 2020	**12,912,955**	**18,076**
Changes from financing cash flows	**(737,840)**	**(8,500)**
New leases	**–**	**4,923**
Foreign exchange movement	**(1,171)**	**–**
Interest expense	**–**	**1,779**
Interest paid classified as operating cash flows	**–**	**(1,779)**
COVID-19-related rent concessions from lessors	**–**	**(835)**
Revision of a lease term arising from a change in the non-cancellable period of a lease	**–**	**(3,092)**
At 31 December 2020	**12,173,944**	**10,572**

2019

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2019 (restated)	15,231,992	11,955
Changes from financing cash flows	(2,321,070)	(7,847)
New leases	–	13,968
Foreign exchange movement	2,033	–
Interest expense	–	2,455
Interest paid classified as operating cash flows	–	(2,455)
At 31 December 2019	12,912,955	18,076

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

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

	2020 RMB'000	2019 RMB'000
Within operating activities	**11,237**	17,259
Within financing activities	**8,500**	7,847
	19,737	25,106

37. CONTINGENT LIABILITIES

Save as disclosed elsewhere in the financial statements, the Group had contingent liabilities as at 31 December 2020 relating to guarantees mainly in respect of mortgages granted by certain banks to certain purchasers of the Group's properties amounting to approximately RMB7,886,614,000 (2019: RMB6,254,001,000). This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of the building ownership certificates which are generally available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the directors of the Company consider that in the case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made for the guarantees in the consolidated financial statements for the year ended 31 December 2020 (2019: Nil).

38. PLEDGE OF ASSETS

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

39. COMMITMENTS

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

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for:		
Properties under development	**4,959,157**	4,517,057

40. RELATED PARTY TRANSACTIONS

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

	Notes	2020 RMB'000	2019 RMB'000
Transactions with fellow subsidiaries:			
Sales of goods*	(i)	–	846
Purchases of goods*	(i)	17,928	29,563
Service fee income*	(i)	24,237	83,640
Rental expense	(i)	8,095	8,164
Service fee expenses**	(i)	47,885	32,795
Interest income	(ii)	12,537	19,871
Interest expense	(iii)	8,591	24,559
Interest penalty on loan defaults	(iv)	93,434	–
Transactions with intermediate holding companies:			
Interest expense	(iii)	632,619	874,600
Interest penalty on loan defaults	(iv)	8,345	–
Transactions with non-controlling shareholders:			
Interest income	(ii)	15,309	284
Interest expense	(iii)	5,857	3,419
Transactions with an associate:			
Service fee income	(i)	6,297	4,897
Interest income	(ii)	1,175	1,061

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

** Certain portions of these related party transactions are continuing connected transactions disclosable in accordance with the Listing Rules.

40. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

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

(ii) The interest income was attributable to deposits placed at Founder Finance which bear interests at rates ranging from 0.455% to 1.495% per annum (2019: from 0.455% to 1.495% per annum), loans to certain fellow subsidiaries which bear interests at a rate of 8% per annum (2019: 8% per annum), loans to a non-controlling shareholder which bear interests at rate of 10.5% per annum (2019: 10.5% per annum), and loans to an associate which bear interests at a rate of 10% per annum (2019: 10% per annum). Further details of these deposits and loans are set out in notes 26 and 23 to the financial statements.

(iii) The interest expenses were attributable to loans from intermediate holding companies (including Peking Founder), which bear interests at rates 4.35% and 15% per annum (2019: 6.5% and 15% per annum), loans from fellow subsidiaries which bear interests at rates ranging from 8.5% to 15% per annum (2019: from 5.52% to 8.5% per annum) and loan from a non-controlling shareholder of a subsidiary which bear interests at rate of 10% per annum (2019: 10% per annum). Further details of these loans are set out in notes 28 and 29 to the financial statements.

(iv) The interest penalties on loan defaults were attributable to defaults of loans from an intermediate holding company and from a fellow subsidiary and the amounts were determined in accordance with the relevant terms as stipulated in the loan agreements.

(b) Commitments with related parties

At the end of the reporting period, a subsidiary of the Group and 北京北大資源物業經營管理集團有限公司 (Peking University Resources Property Management Company Limited*), a subsidiary of PKU Resources, entered into a one-year rental agreement in respect of several office properties for RMB8,500,000 (2019: RMB8,500,000).

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

	2020 RMB'000	2019 RMB'000
Short term employee benefits	**4,591**	7,827
Salaries, allowances and benefits in kind	**5,026**	5,308
Total compensation paid to key management personnel	**9,617**	13,135

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

* *For identification purposes only*

41. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

31 December 2020

	Financial assets at fair value through profit or loss – designated as such upon initial recognition RMB'000	Financial assets at fair value through other comprehensive income – debt investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	–	42,880	997,260	1,040,140
Financial assets included in prepayments, other receivables and other assets	50,000	–	943,045	993,045
Restricted cash	–	–	461,300	461,300
Cash and cash equivalents	–	–	1,401,854	1,401,854
	50,000	42,880	3,803,459	3,896,339

31 December 2019

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

41. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Financial liabilities at amortised cost	
	2020	2019
	RMB'000	RMB'000
Trade and bills payables	**4,920,330**	5,462,358
Lease liabilities	**10,572**	18,076
Financial liabilities included in other payables and accruals	**8,546,507**	6,692,392
Interest-bearing bank and other borrowings	**12,173,944**	12,912,955
	25,651,353	25,085,781

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Other non-current assets	**–**	50,000	**–**	50,000
Financial assets included in prepayments, other receivables and other assets	**50,000**	–	**50,000**	–
Bills receivable	**42,880**	121,164	**42,880**	121,164
	92,880	171,164	**92,880**	171,164
Financial liabilities				
Interest-bearing bank and other borrowings	**12,173,944**	12,912,955	**12,173,944**	12,891,408

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

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

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

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

The fair values of other non-current assets, other assets included in prepayments, other receivables and other assets, bills receivable and non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for other assets included in prepayments, other receivables and other assets and bills receivable as at 31 December 2020 were assessed to be insignificant.

Fair value hierarchy

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

Assets measured at fair values:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2020				
Financial assets included in prepayments, other receivables and other assets	**–**	**50,000**	**–**	**50,000**
Bills receivable	**–**	**42,880**	**–**	**42,880**
	–	**92,880**	**–**	**92,880**
As at 31 December 2019				
Other non-current assets	–	50,000	–	50,000
Bills receivable	–	121,164	–	121,164
	–	171,164	–	171,164

The Group did not have any financial liabilities measured at fair value as at 31 December 2020 and 31 December 2019.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2020				
Interest-bearing bank and other borrowings	**–**	**12,173,944**	**–**	**12,173,944**
As at 31 December 2019				
Interest-bearing bank and other borrowings	–	12,891,408	–	12,891,408

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

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

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

	Increase/ (decrease) in basis points	Decrease/ (increase) in loss before tax 2020 RMB'000	(Decrease)/ increase in profit before tax 2019 RMB'000
RMB	100	**(4,698)**	(4,800)
RMB	(100)	**4,698**	4,800

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

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

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

	Increase/ (decrease) in exchange rate	**Decrease/ (increase) in loss before tax**	(Decrease)/ increase in profit before tax
		2020	2019
	%	**RMB'000**	RMB'000
If the HK$ weakens against US dollars	(5)	**(56,543)**	(51,621)
If the HK$ strengthens against US dollars	5	**56,543**	51,621

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

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

As at 31 December 2020

	12-month expected credit losses	**Lifetime expected credit losses**			
				Simplified	
	Stage 1	**Stage 2**	**Stage 3**	**approach**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Trade receivables*	**–**	**–**	**–**	**1,088,687**	**1,088,687**
Bills receivable	**42,880**	**–**	**–**	**–**	**42,880**
Financial assets included in prepayments, other receivables and other assets					
– Normal**	**1,007,088**	**–**	**–**	**–**	**1,007,088**
– Doubtful**	**–**	**–**	**79,826**	**–**	**79,826**
Restricted cash					
– Not yet past due	**721,060**	**–**	**–**	**–**	**721,060**
Cash and cash equivalents					
– Not yet past due	**1,142,094**	**–**	**–**	**–**	**1,142,094**
	2,913,122	**–**	**79,826**	**1,088,687**	**4,081,635**

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2019

	12-month expected credit losses	Lifetime expected credit losses			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Other non-current assets	50,000	–	–	–	50,000
Trade receivables*	–	–	–	1,235,603	1,235,603
Bills receivable	121,164	–	–	–	121,164
Financial assets included in prepayments, other receivables and other assets					
– Normal**	974,287	–	–	–	974,287
– Doubtful**	–	–	73,154	–	73,154
Restricted cash					
– Not yet past due	957,536	–	–	–	957,536
Cash and cash equivalents					
– Not yet past due	1,556,977	–	–	–	1,556,977
	3,659,964	–	73,154	1,235,603	4,968,721

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

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

Liquidity risk

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

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

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

	2020		
	Within 1 year RMB'000	**Over 1 year RMB'000**	**Total RMB'000**
Trade and bills payables	**4,920,330**	**–**	**4,920,330**
Lease liabilities	**11,681**	**2,278**	**13,959**
Financial liabilities included in other payables and accruals	**8,546,507**	**–**	**8,546,507**
Interest-bearing bank and other borrowings	**12,675,785**	**–**	**12,675,785**
	26,154,303	**2,278**	**26,156,581**

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

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:

	2020	2019
	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**12,173,944**	12,912,955
Total equity attributable to owners of the parent	**(1,843,537)**	140,795
Debt to equity ratio*	**N/A**	91.71

* As at 31 December 2020, the Group had a shareholders' deficit. As such, no gearing ratio was presented.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	–	–
Total non-current assets	–	–
CURRENT ASSETS		
Prepayments, other receivables and other assets	76,076	280,136
Cash and cash equivalents	2,351	3,917
Total current assets	78,427	284,053
CURRENT LIABILITIES		
Other payables and accruals	163,091	167,202
Total current liabilities	163,091	167,202
NET CURRENT ASSETS/(LIABILITIES)	(84,664)	116,851
TOTAL ASSETS LESS CURRENT LIABILITIES	(84,664)	116,851
Net assets/(liabilities)	(84,664)	116,851
EQUITY		
Issued capital	545,335	545,335
Reserves (note)	(629,999)	(428,484)
Total equity	(84,664)	116,851

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

Note:

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

	Share premium account RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	2,182,454	561,056	179,936	(1,330,546)	1,592,900
Loss for the year	–	–	–	(1,962,538)	(1,962,538)
Other comprehensive income for the year:					
Exchange differences on translation of financial statements of the Company	–	–	40,082	–	40,082
Reduction of share premium	(2,182,196)	2,182,196	–	–	–
Transfer of contributed surplus to set off against accumulated losses	–	(1,337,733)	–	1,337,733	–
Final 2018 dividend	–	(98,928)	–	–	(98,928)
At 31 December 2019 and at 1 January 2020	258	1,306,591	220,018	(1,955,351)	(428,484)
Loss for the year	–	–	–	(194,577)	(194,577)
Other comprehensive loss for the year:					
Exchange differences on translation of financial statements of the Company	–	–	(6,938)	–	(6,938)
At 31 December 2020	258	1,306,591	213,080	(2,149,928)	(629,999)

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus in certain circumstances.

45. SUBSEQUENT EVENTS

Other than those disclosed elsewhere in the financial statements, the Group's significant subsequent events after the end of reporting period are as follows:

(a) Disputes over the Group's amount due to a then intermediate holding company

Subsequent to the approval of the Group's consolidated financial statements by the Board of directors of the Company on 30 March 2021, on 13 April 2021, Peking University Resources Group Investment Company Limited (the "Resources Investment"), a wholly-owned subsidiary of the Company, received a notice (the "Notice") from the administrator of Peking University Founder Group Company Limited (the "Administrator"), which stated that the Administrator did not agree Resources Investment's amount due to Peking University Resources Group Co., Ltd. (the "Resources Group"), a then intermediate holding company of the Company, of approximately RMB2,351 million at 31 December 2020 as disclosed in note 28 to the consolidated financial statements (the "Disputed Amount"). In the Notice, there was no indication of the amount owed by Resources Investment to Resources Group according to Resources Group's record at 31 December 2020.

On 28 April 2021, the Company made an announcement that the management of the Company need time to reconcile the Disputed Amount with the then intermediate holding company and to further discuss and consult on whether to adjust the Group's consolidated financial statements. As the Company was not able to issue 2020 annual reports before 30 April 2021, trading in the shares of the Company on The Stock Exchange of Hong Kong Limited has been suspended with effect from 26 April 2021 at the request of the Company.

45. SUBSEQUENT EVENTS (continued)

(a) Disputes over the Group's amount due to a then intermediate holding company (continued)

Similar announcements were made on 7 July, 23 July, 25 July, 31 August and 25 October 2021 that more time is required to reconcile the Disputed Amount with the intermediate holding company.

On 19 October 2021, a civil legal proceeding has been filed by Resources Group in the Beijing Court against Resources Investment, in respect of the Disputed Amount (the "Litigation"). According to the statement of claim, up to 30 September 2020, the amounts due owed by Resources Investment to Resources Group were approximately RMB7,926 million (the "Alleged Debts"). Resources Group demanded that (i) Resources Investment immediately pay to Resources Group the Alleged Debts; (ii) Resources Investment pay the overdue interests in respect of the Alleged Debts based on the loan prime rate announced by the National Interbank Funding Center for the period from the date of the statement of claim to the actual date of full settlement of the Alleged Debts; and (iii) the litigation costs of the Litigation be borne solely by Resources Investment. The Litigation has been admitted by the Court but the court hearing date in respect of the Litigation has yet to be fixed. The Company is in the course of collecting relevant evidences and will file a defence with respect to the Litigation when appropriate.

On 10 December 2021, the Company published an announcement that the Board is of the view that Resources Group had arranged certain subsidiaries of the Company to transfer or deposit their funds into Resources Group, resulting in large amount of indebtedness due from Resources Group to the Group, and have also undertaken a series of transactions in 2020 and 2021 to transfer, assign and/or offset the respective debts between Resources Group, Resources Investment and other subsidiaries of the Company, and then claimed that there were discrepancies regarding the amount payable by the Group to Resources Group and filed a civil lawsuit against Resources Investment for the repayment of the Alleged Debts.

As of the date of approval of these financial statements, the dispute on the current accounts remained unresolved.

(b) New litigations

According to the Company's announcement dated 15 October 2021, the Company was informed that two civil complaints had been filed in the Shanghai Financial Court (the "Shanghai Financial Court") of the People's Republic of China against the indirectly wholly-owned subsidiaries of the Company, namely Chongqing Yingfeng Property Co., Limited ("Chongqing Yingfeng"), Kunshan Fangshi Property Development Co., Limited ("Kunshan Fangshi") and Hong Kong Yingfeng Holdings Limited ("Hong Kong Yingfeng"); and PRC Century and Chongqing Yingfeng, as defendants, respectively.

45. SUBSEQUENT EVENTS (continued)

(b) New litigations (continued)

First civil complaint

Pursuant to the civil complaint dated 30 August 2021 (the "First Civil Complaint") filed by Shanghai International Trust Company Limited (the "Plaintiff" or "Shanghai Trust") with the Shanghai Financial Court, the Plaintiff demanded that Chongqing Yingfeng (i) immediately pay the Plaintiff the outstanding special debt payables amounting to approximately RMB413.6 million; (ii) immediately pay the Plaintiff the damages for the period from the date of default (inclusive) to the actual date of settlement of all payable amount (inclusive), where the damages as of 30 August 2021 (inclusive) amount to approximately RMB79.5 million, and the damages for the period from 31 August 2021 (inclusive) to the actual date of settlement of all payable amount (inclusive) are equal to approximately RMB413,6 million x 9.7% x 150% x days lapsed from 31 August 2021 (inclusive) to the actual date of settlement of outstanding amount payable÷365; (iii) immediately pay the Plaintiff attorney fee of RMB280,000 paid by the Plaintiff incurred for the creditor's rights involved in this case; the Plaintiff demanded that Kunshan Fangshi undertakes joint and several guarantee liability in respect of the claims set out in (i) to (iii) above; the Plaintiff demanded that pledges provided by Hong Kong Yingfeng, including bonus shares and dividends, be auctioned and sold to enable prioritised compensation to the Plaintiff, to the extent of payable amount acknowledged in the claims set out in (i) to (iii) above; and demanded that litigation costs and preservation fees of the case be jointly borne by Chongqing Yingfeng, Kunshan Fangshi and Hong Kong Yingfeng.

As of the date of approval of these financial statements, the plaintiff and the defendant have reached a mediation agreement to be effective after the judicial confirmation and the mediation statement are obtained.

Second civil complaint

Pursuant to the civil complaint dated 30 August 2021 (the "Second Civil Complaint") filed by the Plaintiff with the Shanghai Financial Court, the Plaintiff demanded that Beijing Founder Century (i) immediately pay the Plaintiff the outstanding principal and interest of entrusted loans amounting to approximately RMB716.2 million; (ii) immediately pay the Plaintiff the default interest amounting to approximately RMB10.0 million as of 30 August 2021 (inclusive), while the default interest from 31 August 2021 (inclusive) is equal to approximately RMB716.2 million x 9.5% x 150% x days lapsed from 31 August 2021 (inclusive) to the actual date of settlement of all principal and interest of entrusted loans (inclusive)÷365; (iii) immediately pay the Plaintiff property preservation and guarantee fees paid by the Plaintiff incurred for the creditor's rights involved in this case; the Plaintiff demanded that collateral provided by Chongqing Yingfeng be auctioned and sold to enable prioritised compensation to the Plaintiff, to the extent of payable amount acknowledged in the claims set out in (i) to (iii) above; and demanded that litigation costs and preservation fees of the case be jointly borne by PRC Century and Chongqing Yingfeng.

As of the date of approval of these financial statements, the plaintiff and the defendant have reached a mediation agreement to be effective after the judicial confirmation and the mediation statement are obtained.

45. SUBSEQUENT EVENTS (continued)

(b) New litigations (continued)

In addition to the above litigations which were published in the Company's announcement, the followings are other major litigations initiated against the Company's subsidiaries subsequent to 31 December 2020:

i. In August 2021, Zhonghang Trust Company Limited filed a civil complaint in the Intermediate People's Court of Nanchang, Jiangxi Province against Kunshan Hi-Tech in respect of the outstanding debts approximately amounting to RMB1,035,851,000 (including outstanding principal of RMB400 million and outstanding interest and the default interest accrued as of 30 June 2021).

ii. In August 2021, Shanghai Trust filed a civil complaint in the Shanghai Financial Court against Kunshan Fangshi in respect of the outstanding entrusted loans amounting to RMB982,523,000 (including the outstanding principal, damages and legal costs). In September 2021, Shanghai Trust filed an application to the Shanghai Financial Court to add Resources Investment as a defendant of the same case.

iii. In August 2021, Minmetals International Trust Co., Ltd ("Minmetals International") filed a civil complaint in the Xining City Court against Dongguan Yihui Property Co., Limited, Yuxi Runya Property Company Limited ("Yuxi Runya") and Chongqing Yingfeng in respect of the outstanding debts amounting to approximately RMB1,510 million (Minmetals International changed the amount of outstanding debts of the case to approximately RMB1,458.5 million in December 2021).

iv. In August 2021, Minmetals International filed a civil complaint in the Xining City Court against Wuhan Tianhe Jinrui Property Development Company Limited, Yuxi Runya and Resources Investment in respect of the outstanding entrusted loans amounting to approximately RMB631 million (including outstanding principal of RMB620 million and outstanding interest and default interest as of 19 August 2021).

v. In August 2021, Kunshan Hi-Tech filed a civil complaint in the Intermediate People's Court of Suzhou, Jiangsu Province against Peking University Resources (Hubei) Asset Management Co., Limited in respect of the outstanding debts approximately amounting to RMB178,518,000 (including the outstanding principal and interest accrued as of 31 August 2021).

vi. In October 2021, the People's Court of Haidian District, Beijing made an order that 70% of the equity interests of Qingdao Boya Real Estate Co., Limited, a subsidiary of Resources Investment, shall be auctioned and sold. In December 2021, the People's Court of Haidian District, Beijing made an order that 70% of the equity interests of Qingdao Boya Real Estate Co., Limited shall be frozen.

45. SUBSEQUENT EVENTS (continued)

(c) Changes of directors

As of the date of approval of the financial statements, other than Mr Zheng Fu Shuang, all of the directors of the Company as of 31 December 2020 have either resigned or been removed, of which Mr Cheung Shuen Lung resigned on 10 November 2021, Mr Zeng Gang resigned on 12 November 2021, Ms Sun Min, Mr Ma Jian Bin and Ms Liao Hang were removed on 10 November 2021, and Mr Chan Chug Kik, Lewis, Mr Lau Ka Wing and Mr Lai Nga Ming, Edmund resigned on 30 September 2021. New directors were appointed as follows:

Executive directors	
Mr Wong Kai Ho	(appointed on 8 October 2021)
Mr Wang Guiwu	(appointed on 8 October 2021)
Mr Huang Zhuguang	(appointed on 1 December 2021)
Non-executive director	
Mr Yau Pak Yue	(appointed on 8 October 2021 and resigned on 7 December 2021)
Independent non-executive directors	
Mr Chu Kin Wang, Peleus	(appointed on 8 October 2021)
Mr Chin Chi Ho, Stanley	(appointed on 8 October 2021)
Mr Ning Rui	(appointed on 8 October 2021 and resigned on 8 December 2021)
Mr Chung Wai Man	(appointed on 8 October 2021)
Mr Hua Yichun	(appointed on 1 December 2021)
Mr Wang Bingzhong	(appointed on 1 December 2021)

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 12 January 2022.

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

continued/...

Location	Use	Tenure	Percentage of interest attributable to the Group
A building to be occupied by a kindergarten and located at Cuntan Street Jiangbei District Chongqing City The PRC	Commercial	Medium term lease	100
Various shop units on various levels of Blocks Nos. A, B and C Located at the western side of Zhangjiagang River and the southern side of Yingbin Road Bacheng Town Kunshan City Jiangsu Province The PRC	Commercial	Medium term lease	51
A building occupied by a cinema and located at the cross of Xiubei Road and Guanshan Road Guanshanhu District Guiyang City Guizhou Province The PRC	Commercial	Medium term lease	70
Various office units on various levels of No. 467 Boya City Plaza Located at Xinyu Road Gaoxin District Chengdu City Sichuan Province The PRC	Commercial	Long term lease	51

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

RESULTS

	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**9,085,402**	24,131,590	24,911,870	16,246,608	13,216,611
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**(2,025,393)**	(2,421,877)	716,310	333,451	(235,992)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**38,190,572**	38,541,413	42,661,238	47,106,223	43,939,896
TOTAL LIABILITIES	**(38,898,530)**	(37,437,773)	(39,656,548)	(44,880,712)	(42,253,813)
NON-CONTROLLING INTERESTS	**(1,136,177)**	(962,845)	(336,184)	(249,263)	(78,167)
	(1,844,135)	140,795	2,668,506	1,976,248	1,607,916

FINANCIAL HIGHLIGHTS

31 December 2020

	2020 RMB'million	2019 RMB'million	+/(-) Change
FINANCIAL PERFORMANCE			
Revenue	**9,085**	24,132	(62.4%)
Gross profit margin	**5.9%**	8.7%	
Loss for the year	**(1,845)**	(1,693)	N/A
KEY FINANCIAL INDICATORS			
Cash and cash equivalents	**1,402**	1,557	(10.0%)
Net current assets/(liabilities)	**(2,233)**	332	N/A
Total assets	**38,191**	38,541	(0.9%)
Total liabilities	**38,899**	37,438	3.9%
Interest-bearing bank and other borrowings	**12,174**	12,913	(5.7%)
Total equity	**(708)**	1,104	N/A
Current ratio (times)	**0.94**	1.01	
Gearing ratio	**N/A**	11.70	
Basic loss per share (RMB cents)	**(31.57)**	(37.75)	
Diluted loss per share (RMB cents)	**(31.57)**	(37.75)	