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北大資源
PKU RESOURCES

Peking University Resources (Holdings) Company Limited

北大資源(控股)有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00618)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the “Board”) of Peking University Resources (Holdings) Company Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2016, together with the comparative figures for the corresponding period in 2015. This condensed consolidated interim financial information has not been audited, but has been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
REVENUE	4	6,994,671	2,871,206
Cost of sales		<u>(6,068,466)</u>	<u>(2,682,447)</u>
Gross profit		926,205	188,759
Other income and gains	4	22,275	820,451
Selling and distribution expenses		(193,579)	(196,804)
Administrative expenses		(169,420)	(151,005)
Other operating income/(expenses), net		1,143	(9,008)
Finance costs	5	(19,018)	(57,786)
Share of losses of associates		<u>(1,370)</u>	<u>(4,617)</u>
PROFIT BEFORE TAX	6	566,236	589,990
Income tax expense	7	<u>(394,834)</u>	<u>(165,439)</u>
PROFIT FOR THE PERIOD		<u>171,402</u>	<u>424,551</u>

		For the six months ended 30 June	
	<i>Notes</i>	2016	2015
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Attributable to:			
Owners of the parent		138,502	300,507
Non-controlling interests		32,900	124,044
		<u>171,402</u>	<u>424,551</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	8	<u>HK2.31 cents</u>	<u>HK5.03 cents</u>
Diluted		<u>HK2.12 cents</u>	<u>HK4.62 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
PROFIT FOR THE PERIOD	171,402	424,551
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(55,291)</u>	<u>(6,427)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(55,291)</u>	<u>(6,427)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>116,111</u>	<u>418,124</u>
Attributable to:		
Owners of the parent	92,551	290,126
Non-controlling interests	<u>23,560</u>	<u>127,998</u>
	<u>116,111</u>	<u>418,124</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

	<i>Notes</i>	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		154,509	97,407
Investment properties		357,566	360,807
Prepaid land lease payments		56,502	14,621
Goodwill		–	–
Other intangible assets		736	1,014
Investments in associates		18,118	19,488
		<hr/>	<hr/>
Total non-current assets		587,431	493,337
CURRENT ASSETS			
Properties under development		33,363,178	33,443,212
Properties held for sale		3,749,333	3,680,178
Inventories		462,383	323,585
Trade and bills receivables	9	822,145	826,856
Prepayments, deposits and other receivables		1,977,899	1,673,955
Prepaid tax		287,958	360,951
Restricted cash		1,168,151	1,210,154
Cash and cash equivalents		2,762,948	1,838,246
		<hr/>	<hr/>
Total current assets		44,593,995	43,357,137
CURRENT LIABILITIES			
Trade and bills payables	10	3,519,903	3,902,537
Other payables and accruals		15,560,727	14,283,672
Interest-bearing bank and other borrowings		1,076,539	3,762,308
Tax payable		286,524	158,038
		<hr/>	<hr/>
Total current liabilities		20,443,693	22,106,555
NET CURRENT ASSETS		24,150,302	21,250,582
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		24,737,733	21,743,919
		<hr/>	<hr/>

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>24,737,733</u>	<u>21,743,919</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	21,923,465	18,859,146
Long term payable	–	177,699
Deferred tax liabilities	<u>216,331</u>	<u>242,344</u>
Total non-current liabilities	<u>22,139,796</u>	<u>19,279,189</u>
Net assets	<u>2,597,937</u>	<u>2,464,730</u>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	598,825	598,825
Reserves	<u>1,733,158</u>	<u>1,640,607</u>
	2,331,983	2,239,432
Non-controlling interests	<u>265,954</u>	<u>225,298</u>
Total equity	<u>2,597,937</u>	<u>2,464,730</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2016

1. CORPORATE INFORMATION

Peking University Resources (Holdings) Company Limited (the “Company”) is a limited liability company incorporated in Bermuda. The head office and principal place of business of the Company are located at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.

As at 30 June 2016, the Company was owned as to approximately 57.15% by Founder Information (Hong Kong) Limited (“Founder Information”) which was in turn owned as to approximately 97.36% by 北大方正集團有限公司 (Peking University Founder Group Company Limited*) (“Peking Founder”). In the opinion of the directors, the ultimate holding company is 北大資產經營有限公司 (Peking University Asset Management Company Limited*), which is established in the People’s Republic of China (the “PRC”).

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are described in note 3 to the condensed consolidated interim financial information.

* For identification purposes only

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2016 is prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting*.

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2015.

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are the same as these used in the annual financial statements for the year ended 31 December 2015, except in relation to the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) that affect the Group and are adopted for the first time for the current period’s financial information:

HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above revised HKFRSs has no material impact on the accounting policies of the Group.

3. OPERATING SEGMENT INFORMATION

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

- (a) the distribution of information products segment sells information products
- (b) the property development segment sells properties
- (c) the property investment segment leases and subleases properties

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is measured of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

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

For the six months ended 30 June

	Distribution of information products		Property development		Property investment		Total	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Segment revenue								
Sales to external customers	2,195,654	1,782,201	4,793,093	1,062,088	5,924	26,917	6,994,671	2,871,206
Segment results	5,174	(6,281)	583,071	632,182	4,819	6,427	593,064	632,328
Reconciliation:								
Interest income							10,347	39,807
Corporate and unallocated expenses							(18,157)	(24,359)
Finance costs							(19,018)	(57,786)
Profit before tax							<u>566,236</u>	<u>589,990</u>

Geographic information

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

Information about a major customer

During the period, there was no external customer accounted for 10% or more of the Group's total revenue (six months ended 30 June 2015: Nil).

4. REVENUE, OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue		
Sales of goods	2,195,654	1,782,201
Sales of properties	4,793,093	1,062,088
Gross rental income	5,924	26,917
	<u>6,994,671</u>	<u>2,871,206</u>
Other income		
Bank interest income	9,901	11,602
Management and consultancy service income	6,905	–
Other interest income	446	28,205
Others	909	275
	<u>18,161</u>	<u>40,082</u>
Gains		
Gain on disposal of subsidiaries	–	780,369
Reversal of write-back of trade payables	2,948	–
Foreign exchange differences, net	1,166	–
	<u>4,114</u>	<u>780,369</u>
	<u>22,275</u>	<u>820,451</u>

5. FINANCE COSTS

	For the six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest on bank loans	341,981	396,424
Interest on other loans	537,203	447,197
Interest on loans from subsidiaries of Peking Founder	7,272	3,430
Interest on loans from 北大資源集團有限公司 (Peking University Resources Group Co., Ltd.*), a fellow subsidiary of Peking Founder	227,462	441,866
Interest on discounted bills	7,035	14,965
	<u>1,120,953</u>	<u>1,303,882</u>
Total interest expenses	<u>(1,101,935)</u>	<u>(1,246,096)</u>
Less: Interest capitalised		
	<u>19,018</u>	<u>57,786</u>

* For identification purposes only

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Depreciation and amortisation	12,153	14,639
Impairment/(reversal of impairment) of trade receivables	(2,096)	7,450
Provision for obsolete inventories	9,530	9,563
Reversal of write-back of trade payables	2,948	1,737
Impairment/(reversal of impairment) of prepayments, deposits and other receivables	751	(276)
Loss on disposal of items of property, plant and equipment	202	2

7. INCOME TAX

	For the six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current		
PRC corporate income tax	185,506	179,413
PRC land appreciation tax	228,807	2,411
	414,313	181,824
Deferred	(19,479)	(16,385)
Total tax charge for the period	394,834	165,439

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2015: Nil).

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2015: 25%) on the taxable profits of the Group's PRC subsidiaries.

PRC land appreciation tax ("LAT")

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

The share of tax credit attributable to associates amounting to nil (six months ended 30 June 2015: HK\$9,000) is included in "Share of losses of associates" in the condensed consolidated statement of profit or loss.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of HK\$138,502,000 (six months ended 30 June 2015: HK\$300,507,000), and the weighted average number of ordinary shares of 5,988,248,671 (six months ended 30 June 2015: 5,968,645,234) in issue during the period.

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

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

	For the six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>138,502</u>	<u>300,507</u>
	Number of shares For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	5,988,248,671	5,968,645,234
Effect of dilution – weighted average number of ordinary shares: Convertible bonds classified as equity	<u>538,324,279</u>	<u>538,324,279</u>
	<u>6,526,572,950</u>	<u>6,506,969,513</u>

9. TRADE AND BILLS RECEIVABLES

	30 June 2016	31 December 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	845,162	851,969
Impairment	(23,017)	(25,113)
	<u>822,145</u>	<u>826,856</u>

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

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

	30 June 2016	31 December 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 6 months	782,949	807,005
7 to 12 months	30,001	19,009
13 to 24 months	9,195	842
	<u>822,145</u>	<u>826,856</u>

As at 30 June 2016, certain of the Group's bills receivable with an aggregate carrying amount of approximately HK\$22,897,000 (31 December 2015: HK\$53,404,000) were pledged to banks to secure certain of the Group's bills payable.

As at 30 June 2016, included in the Group's trade and bills receivables are amounts due from fellow subsidiaries of approximately HK\$15,799,000 (31 December 2015: HK\$8,955,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

10. TRADE AND BILLS PAYABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade payables	3,126,578	3,386,178
Bills payable	393,325	516,359
	<u>3,519,903</u>	<u>3,902,537</u>

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within 6 months	3,259,669	3,898,582
Over 6 months	260,234	3,955
	<u>3,519,903</u>	<u>3,902,537</u>

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 HK\$6,535,000 (31 December 2015: HK\$52,695,000), which are repayable on credit terms similar to those offered by the Group to their major suppliers.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

During the first half of 2016, the real estate market sustained the overall rebound as at the end of previous year. Meanwhile, the housing price and policy among highlighted cities and cities with high inventory level has become increasingly differentiated. The housing price of first-tier cities surged in the first quarter and impacted some highlighted second-tier cities. On the other hand, third-tier and fourth-tier cities were still under greater destocking pressure. Against the backdrop of the “new normal” of the economy, local policies showed distinct differentiation. Restrictive and control measures remained in force in highlighted cities while policies were actively in place among cities with high inventory level to encourage and boost purchasing demands with an aim to speed up the destocking progress.

According to the market condition, the Group reviewed the reasonableness of its business layout in real time. We continue to consolidate our fundamental on the design of our positioning, control over operating costs and marketing strategies to keep abreast of the market conditions. Accordingly, the Group has achieved a breakthrough in the sales performance in the first half of the year.

Overall Performance

The Group reported a profit attributable to owners of the Company for the six months ended 30 June 2016 of approximately HK\$138.5 million (six months ended 30 June 2015: HK\$300.5 million). The Group’s revenue for the current interim period has increased by 143.6% to approximately HK\$6,994.7 million (six months ended 30 June 2015: HK\$2,871.2 million) as a result of increase in sales in property development business and distribution of information products. The Group’s gross profit has increased by 390.7% to approximately HK\$926.2 million (six months ended 30 June 2015: HK\$188.8 million). The gross profit margin increased from last interim period’s 6.6% to current interim period’s 13.2% due to increase in proportion of property development business with higher gross profit margin. Total selling and distribution expenses and administrative expenses for the current interim period have increased by 4.4% to approximately HK\$363.0 million (six months ended 30 June 2015: HK\$347.8 million).

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

- a. an increase in revenue by 143.6% to approximately HK\$6,994.7 million (six months ended 30 June 2015: HK\$2,871.2 million) as a result of increase in sales in property development and distribution of information products business;
- b. one-off gain on disposal of subsidiaries engaged in property development business of approximately HK\$780.4 million for the six months ended 30 June 2015;
- c. an increase in selling and distribution expenses and administrative expenses by 4.4% to approximately HK\$363.0 million (six months ended 30 June 2015: HK\$347.8 million) as attributable to the expansion of the property development business; and
- d. an increase in income tax expenses by HK\$229.4 million to approximately HK\$394.8 million (six months ended 30 June 2015: HK\$165.4 million) as a results of increase in land appreciation tax during the current interim period.

Basic and diluted earnings per share attributable to equity holders of the Company for the current interim period were HK2.31 cents (six months ended 30 June 2015: HK5.03 cents) and HK2.12 cents (six months ended 30 June 2015: HK4.62 cents), respectively.

Operating Review

Real Estate Business

Property Development

The turnover of the property development business of the Group for the current interim period increased by 351.3% to approximately HK\$4,793.1 million (six months ended 30 June 2015: HK\$1,062.1 million). The segment results recorded a profit of approximately HK\$583.1 million (six months ended 30 June 2015: HK\$632.2 million). The decline in segment results was due to gain on disposal of subsidiaries of approximately HK\$780.4 million for the prior interim period.

During the first half of 2016, the Group proactively pushed forward various tasks in accordance with the strategic planning formulated at the beginning of the year, and focused on developing quality products and benchmark projects, so as to enhance our core competitiveness of "Quality plus Resources".

During the current interim period, the Group's property development projects registered encouraging results whereas the sales cycle of project development was significantly shorter than previous years.

During the first half of the year, the Group had 18 property development projects on sale. We successfully launched 3 new projects, namely Yihe Emerald Mansion in Chengdu, Yuelai in Chongqing and Ideal Homes in Changsha, which were generally accepted by the local market immediately following their launch. The Group recognised property contracted sales of approximately RMB5 billion, contracted area of 532,860 sq.m. and average selling price of RMB9,384 per sq.m, representing an increase of 136%, 67.59% and 40.65% respectively as compared to the corresponding period of last year. Contracted sales were mainly from projects such as Culture Metropolis in Tianjin, Yihe Emerald Mansion in Chengdu and Shanshuinianhua in Wuhan.

PKU Resources • Dream City, a project developed and constructed by 貴陽恒隆置業有限公司 (Guiyang Henglong Property Co., Limited*), a subsidiary of the Group, has a GFA of approximately 990,000 sq.m. As at 31 January 2016, the delivered area carried forward of its first phase was 162,000 sq.m. and the Group realized an accumulated income of approximately RMB1.642 billion. The total gross margin was approximately RMB590 million and the gross profit margin was 35.93%.

As at 30 June 2016, the Group had 21 projects under construction, with a total area under construction reaching 5,885,856 sq.m., of which 775,027 sq.m. were newly constructed during the first half of 2016. The Group had 24 property development projects in 14 cities across Mainland China, with a land bank of approximately 4,552,207 sq.m.

Subsequent to the Reporting Period, the Group has obtained the land use rights of 2 projects in Zhangmutou, Dongguan and Zhongbei Road, Wuhan through public transfer procedures.

List of New Land Parcels

Project	Location	Planned use	Total site area (sq.m.)	Planned total GFA (sq.m.)	Interests held by the Group
The Project of Zhangmutou in Dongguan	Dongguan	Residential/ Commercial	9,571	23,928	100%
The Project of Zhongbei Road in Wuhan	Wuhan	Commercial	19,712	138,000	100%

Property Investment

The turnover of property investment business decreased by 78.0% to approximately HK\$5.9 million (six months ended 30 June 2015: HK\$26.9 million). The segment results recorded a profit of approximately HK\$4.8 million (six months ended 30 June 2015: HK\$6.4 million). The decline in segment revenue and results was due to decline in rental income of Founder International Building. As a result of the adjustment of business strategy of the Group, on 27 August 2015, the Company and the owner of Founder International Building entered into termination agreement to terminate the right granted to the Group to manage Founder International Building from 1 September 2015 onwards.

Wuhan International Building, an investment property project held or entrusted by the Group, is located on Dandong Road, Jiangnan District, which is a flourishing block in Wuhan City, Hubei Province, with a total GFA of 26,963 sq.m. In the first half of 2016, Wuhan International Building realized an accumulated rental income of RMB3.4 million, with an occupancy rate of approximately 99%.

* For identification purpose only

Distribution Business

Distribution of Information Products

The distribution business of the Group recorded a turnover of approximately HK\$2,195.7 million representing an increase of 23.2% as compared to last interim period (six months ended 30 June 2015: HK\$1,782.2 million). The segment results recorded a profit of HK\$5.2 million (six month ended 30 June 2015: loss of HK\$6.3 million). The improvement in segment results was due to decrease in impairment of trade receivables determined based on aging of trade receivables during the current interim period.

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

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

PROSPECTS

The Group is dedicated for a medium to long term development plan of maintaining a satisfactory growth in results and fulfilling its objective to enhance shareholders' value and will continue to seek outstanding and profitable investment opportunities that are in line with the Group's development strategy.

Real Estate Business

Chinese economy has been at a critical period for adjustment this year, posing greater pressure and uncertainties to the economic growth. The real estate market will continue its main theme of promoting housing system reform and destocking, while emphasising stability and implementing policies according to specific local conditions. The monetary environment may have corresponding changes to impose strict control on cities experiencing overheating in the price of real estates.

In the second half of 2016, the Group will focus on exploring quasi first-tier and key second-tier cities whilst increasing land bank and project experience with a more open and flexible approach. Pursuing the core philosophy of "Developing Sophisticated Products", the Group strives to improve customer experience with "Quality plus Resources" and enhance user loyalty with "Products plus Services".

The Group will adhere to the development strategy as planned at the beginning of the year to make rational adjustment to the business structure and open up new developments. It will also enhance the management capacity, lower the finance costs and improve the incentive mechanism for employees, so as to accommodate itself to the changing market condition. Meanwhile, as the saying goes, “Dredging for a deep bay or leave it as a shallow lake”, the Group will concentrate on consolidating the overall strength and position itself as an operator promoting quality life, aiming to seek the fittest development path in the vast and well-developed market based on the foundation of its excellent community service resources.

Distribution Business

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

EMPLOYEE

The Group has developed its human resources policies and procedures based on performance and merits. The Group ensures that the pay level of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group’s salary and bonus systems. The Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance.

The Group operates share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group’s operations. The Group had not granted any share options to its eligible directors and employees during the current interim period.

The Group has approximately 1,385 employees as at 30 June 2016 (31 December 2015: 1,410).

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

During the current interim period, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and China. As at 30 June 2016, the Group had approximately HK\$23,000.0 million interest-bearing bank and other borrowings (31 December 2015: HK\$22,621.5 million), of which approximately HK\$1,295.0 million (31 December 2015: HK\$1,140.8 million) were floating interest bearing and HK\$21,705.0 million (31 December 2015: HK\$21,480.7 million) were fixed interest bearing. The borrowings, which were subject to little seasonality, consisted of mainly bank loans, trust receipt loans and loans from PKU Resources.

Bank and other borrowings are denominated in Renminbi (“RMB”) and United States Dollars (“U.S. dollars”), of which HK\$1,076.5 million (31 December 2015: HK\$3,762.3 million) were repayable within one year and HK\$21,923.5 million (31 December 2015: HK\$18,859.1 million) were repayable within two to five years. The Group’s banking facilities were secured by corporate guarantee given by the Company, Peking Founder and PKU Resources, and certain of the investment properties, properties under development, properties held for sale and bank deposits.

As at 30 June 2016, the Group recorded total assets of approximately HK\$45,181.4 million (31 December 2015: HK\$43,850.5 million) which were financed by liabilities of approximately HK\$42,583.5 million (31 December 2015: HK\$41,385.7 million), non-controlling interests of approximately HK\$266.0 million (31 December 2015: HK\$225.3 million) and equity attributable to owners of the parent of approximately HK\$2,332.0 million (31 December 2015: HK\$2,239.4 million). The increase in equity was attributable to profit for the current interim period. The Group’s net asset value per share as at 30 June 2016 was HK\$0.43 (31 December 2015: HK\$0.41). The increase in net asset value per share was attributable to profit for the current interim period.

The Group had total cash and cash equivalents and restricted cash of approximately HK\$3,931.1 million as at 30 June 2016 (31 December 2015: HK\$3,048.4 million). As at 30 June 2016, the Group’s gearing ratio, measured on the basis of total borrowings as a percentage of total equity, was 8.85 (31 December 2015: 9.18) while the Group’s current ratio was 2.18 (31 December 2015: 1.96).

As at 30 June 2016, the capital commitments for contracted, but not provided for, properties under development were approximately HK\$9,218.7 million (31 December 2015: HK\$6,129.4 million).

Treasury policies

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

Exposure to fluctuations in exchange rates and related hedges

The Group operates mainly in Hong Kong and Mainland China. For the operations in Hong Kong, most of the transactions are denominated in HKD and U.S. dollars. The exchange rate of U.S. dollars against HKD is relatively stable and the related currency exchange risk is considered minimal. For the operations in Mainland China, most of the transactions are denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the Chinese government. The Group has minimal exposure to exchange rate fluctuation. No financial instrument was used for hedging purposes. The Group will closely monitor the currency exchange risk of RMB in the near term as a result.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no acquisition or disposal of subsidiaries, associates and joint ventures for the six months ended 30 June 2016.

Charges on assets

As at 30 June 2016, the Group's investment properties of approximately HK\$59.0 million, properties under development of approximately HK\$9,998.4 million, properties held for sale of approximately HK\$587.1 million and bank deposits of approximately HK\$436.0 million were pledged to its bank and other borrowings.

Contingent liabilities

As at 30 June 2016, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately HK\$5,184.7 million (31 December 2015: HK\$4,090.4 million). This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers and the Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which are generally available within one to two years after the purchases 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 realizable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made for the guarantees in the condensed consolidated financial information as at 30 June 2016.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed securities during the six months ended 30 June 2016. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 June 2016.

CORPORATE GOVERNANCE

The Company has complied with all code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2016, except for the following deviations:

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUER (THE "MODEL CODE")

The Company has adopted a model code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard as set out in the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry by the Company, all directors have confirmed that they have complied with the Model Code regarding directors' securities transactions throughout the accounting period covered by the interim report.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's condensed consolidated interim financial information for the six months ended 30 June 2016, including the accounting principles adopted by the Group, with the Company's management.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The 2016 interim report of the Company containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on The Hong Kong Exchanges and Clearing Limited's website (www.hkexnews.hk) and the Company's website (www.pku-resources.com) in due course.

By Order of the Board
Peking University Resources (Holdings) Company Limited
Cheung Shuen Lung
Chairman

Hong Kong
26 August 2016

As at the date of this announcement, the board of directors of the Company comprises executive directors of Mr Cheung Shuen Lung (Chairman), Mr Zeng Gang (President), Mr Wei Jun Min, Mr Xie Ke Hai, Ms Sun Min and Mr Zheng Fu Shuang, and the independent non-executive directors of Mr Li Fat Chung, Ms Wong Lam Kit Yee and Mr Fung Man Yin, Sammy.