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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 2020

The board of directors (the “Board”) of Peking University Resources (Holdings) Company Limited (the “Company”) is pleased to present the unaudited interim condensed consolidated financial information of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019. This interim condensed consolidated financial information has not been audited, but has been reviewed by the audit committee of the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	<i>Notes</i>	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
REVENUE	5	2,654,962	8,587,144
Cost of sales		<u>(2,384,345)</u>	<u>(7,021,437)</u>
Gross profit		270,617	1,565,707
Other income and gains	6	51,758	128,720
Selling and distribution expenses		(146,469)	(194,056)
Administrative expenses		(229,240)	(255,097)
Other expenses and losses, net		(21,306)	(18,083)
Finance costs	7	(317,597)	(58,364)
Share of losses of associates		<u>(1,437)</u>	<u>(846)</u>

	<i>Notes</i>	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
PROFIT/(LOSS) BEFORE TAX	8	(393,674)	1,167,981
Income tax expense	9	<u>(97,254)</u>	<u>(741,318)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>(490,928)</u>	<u>426,663</u>
Attributable to:			
Owners of the parent		(458,084)	129,076
Non-controlling interests		<u>(32,844)</u>	<u>297,587</u>
		<u>(490,928)</u>	<u>426,663</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT	10		
Basic and diluted		<u>RMB(7.14) cents</u>	<u>RMB2.01 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	(490,928)	426,663
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(16,164)</u>	<u>(6,490)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(16,164)</u>	<u>(6,490)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>(507,092)</u>	<u>420,173</u>
Attributable to:		
Owners of the parent	<u>(474,487)</u>	122,572
Non-controlling interests	<u>(32,605)</u>	<u>297,601</u>
	<u>(507,092)</u>	<u>420,173</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	<i>Notes</i>	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		90,753	94,470
Investment properties		757,166	757,166
Right-of-use assets		23,414	28,248
Goodwill		–	–
Other intangible assets		5,442	6,508
Investment in associates		3,249	4,662
Deferred tax assets		203,061	213,941
Other non-current assets		–	50,000
		<hr/>	<hr/>
Total non-current assets		1,083,085	1,154,995
CURRENT ASSETS			
Properties under development		19,235,831	17,626,739
Properties held for sale		12,999,319	12,465,450
Inventories		361,792	651,171
Trade and bills receivables	11	851,759	1,276,186
Prepayments, other receivables and other assets		2,047,229	1,942,541
Prepaid tax		746,904	594,591
Other current assets		315,227	315,227
Restricted cash		920,956	957,536
Cash and cash equivalents		985,867	1,556,977
		<hr/>	<hr/>
Total current assets		38,464,884	37,386,418
CURRENT LIABILITIES			
Trade and bills payables	12	4,910,531	5,462,358
Other payables and accruals		19,060,805	16,438,769
Interest-bearing bank and other borrowings		12,358,294	12,654,876
Tax payable		2,398,135	2,384,772
Lease liabilities		9,637	9,596
Provision		97,102	104,320
		<hr/>	<hr/>
Total current liabilities		38,834,504	37,054,691
NET CURRENT ASSETS/(LIABILITIES)		(369,620)	331,727
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/> 713,465 <hr/>	<hr/> 1,486,722 <hr/>

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	713,465	1,486,722
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	–	258,079
Lease liabilities	5,042	8,480
Deferred tax liabilities	117,875	116,523
Total non-current liabilities	122,917	383,082
Net assets	590,548	1,103,640
EQUITY		
Equity attributable to owners of the parent		
Issued capital	545,335	545,335
Reserves	(879,027)	(404,540)
	(333,692)	140,795
Non-controlling interests	924,240	962,845
Total equity	590,548	1,103,640

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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.

During the period, 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 30 June 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 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”).

* For identification purposes only

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 *Interim Financial Reporting*. The interim condensed consolidated 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 consolidated financial statements for the year ended 31 December 2019.

Going concern basis

The Group incurred a net loss of RMB490,928,000 for the six months ended 30 June 2020, and had net current liabilities of RMB369,620,000 and negative equity attributable to owners of the parent of RMB333,692,000 as at 30 June 2020.

In 2019, Peking Founder defaulted on its bond redemption of RMB2,000,000,000 and the Group also defaulted 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 February 2020, Bank of Beijing applied to The First Intermediate People’s Court of Beijing for the initiation of reorganisation procedures against Peking Founder, details of which are included in the Company’s announcement dated 18 February 2020.

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 in relation to borrowings of RMB2,320,000,000, (2) legal proceedings in Dongguan City Third People’s Court of Guangdong Province requiring the repayment of principal, interest and default penalty of a loan amounting to RMB1,061,770,000 which was subsequently changed to RMB773,656,000, and (3) an application for arbitration of a securities conflict case requiring the payment of principal involved in relevant securities and the expected revenue amounting to RMB496,991,000. Based on the latest information available to the Group, the plaintiff applied for the pre-litigation property attachment did not initiate further legal proceedings against the Group and Dongguan City Third People’s Court of Guangdong Province has terminated the trial because the reorganisation procedure against Peking Founder is in process, while only the application for arbitration of a securities conflict case is ongoing as of the date of approval of the interim condensed consolidated financial information.

As at 30 June 2020 and up to the date of approval of the interim condensed consolidated financial information, the Group's borrowings with aggregate amounts of RMB4,602,367,000 and RMB5,399,403,000, respectively, were overdue.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt regarding 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. Subsequent to the balance sheet date, the Group has submitted written loan extension applications to two lenders for an aggregate loan amount of RMB1,811,948,000, as well as has been in active verbal negotiation with ten lenders to explore the possibility of loan extension with an aggregate amount of RMB3,155,419,000. The board of directors of the Company is also of the view that the Group will carry on its operation and deliver its properties to customers as usual, and therefore the advances received with an aggregate amount of RMB11,648,010,000 as of 30 June 2020 will not result in direct cash outflow (i.e., refunds) notwithstanding that the reorganisation procedure against Peking Founder is yet to be finalised.

The board of directors of the Company is of the opinion that, taking into account of the loan extension, the current operation of the Group as well as the possible outcome of the reorganisation procedure against Peking Founder, the Group will have sufficient financial resources to continue as a going concern.

Should the Group fail to achieve the aforementioned matters, it might not be able to continue as a going concern, and adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than what they are currently recorded in the interim condensed consolidated statement of financial position as at 30 June 2020. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the interim condensed consolidated financial information.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and impact of the revised HKFRSs are described below:

- (a) 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.

- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. 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 hedge relationships.
- (c) 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 covid-19 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 retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the covid-19 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 covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB604,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

- (d) 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. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

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 before tax. The adjusted profit before tax is measured consistently with the Group's profit 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, 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.

Six months ended 30 June 2020

	Distribution of information products <i>RMB'000</i> (Unaudited)	Property development <i>RMB'000</i> (Unaudited)	Property investment <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue, other income and gains				
Revenue from external customers	2,322,904	316,376	15,682	2,654,962
Other income and gains	97	31,478	–	31,575
	<u>2,323,001</u>	<u>347,854</u>	<u>15,682</u>	<u>2,686,537</u>
Segment results	(7,585)	(49,353)	5,550	(51,388)
<i>Reconciliation:</i>				
Interest income				20,183
Corporate and unallocated expenses				(45,689)
Finance costs (other than interest on lease liabilities)				<u>(316,780)</u>
Loss before tax				<u><u>(393,674)</u></u>

Six months ended 30 June 2019

	Distribution of information products <i>RMB'000</i> (Unaudited)	Property development <i>RMB'000</i> (Unaudited)	Property investment <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue, other income and gains				
Revenue from external customers	3,929,899	4,644,914	12,331	8,587,144
Other income and gains	5,239	35,707	–	40,946
	<u>3,935,138</u>	<u>4,680,621</u>	<u>12,331</u>	<u>8,628,090</u>
Segment results	(7,143)	1,196,500	5,577	1,194,934
<i>Reconciliation:</i>				
Interest income				87,774
Corporate and unallocated expenses				(57,448)
Finance costs (other than interest on lease liabilities)				<u>(57,279)</u>
Profit before tax				<u><u>1,167,981</u></u>

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2020 and 31 December 2019, respectively.

	Distribution of information products <i>RMB'000</i>	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets				
30 June 2020 (Unaudited)	4,778,586	33,363,005	690,207	38,831,798
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,140,617)
Corporate and other unallocated assets				2,856,788
Total assets (Unaudited)				<u>39,547,969</u>
31 December 2019 (Audited)	5,015,514	31,170,911	685,959	36,872,384
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(1,654,016)
Corporate and other unallocated assets				3,323,045
Total assets (Audited)				<u>38,541,413</u>
Segment liabilities				
30 June 2020 (Unaudited)	1,210,878	24,602,893	409,963	26,223,734
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,140,617)
Corporate and other unallocated liabilities				14,874,304
Total liabilities (Unaudited)				<u>38,957,421</u>
31 December 2019 (Audited)	1,604,536	21,791,464	281,539	23,677,539
<i>Reconciliation:</i>				
Elimination of intersegment payables				(1,654,016)
Corporate and other unallocated liabilities				15,414,250
Total liabilities (Audited)				<u>37,437,773</u>

Geographic information

Revenue from external customers

	Distribution of information products <i>RMB'000</i> (Unaudited)	Property development <i>RMB'000</i> (Unaudited)	Property investment <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
For the year ended 30 June 2020				
Mainland China	2,322,593	316,376	14,601	2,653,570
Hong Kong	311	–	1,081	1,392
	<u>2,322,904</u>	<u>316,376</u>	<u>15,682</u>	<u>2,654,962</u>
For the year ended 30 June 2019				
Mainland China	3,894,025	4,644,914	11,092	8,550,031
Hong Kong	35,874	–	1,239	37,113
	<u>3,929,899</u>	<u>4,644,914</u>	<u>12,331</u>	<u>8,587,144</u>

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Sales of goods	2,322,904	3,929,899
Sales of properties	316,376	4,644,914
	<u>2,639,280</u>	<u>8,574,813</u>
<i>Revenue from other sources</i>		
Gross rental income	15,682	12,331
	<u>2,654,962</u>	<u>8,587,144</u>

All of the Group's revenue are recognised when goods and properties are transferred at a point of time.

6. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	3,490	14,470
Other interest income from related companies	16,693	73,304
Management and consultancy service fee income	22,677	26,756
Government grants*	254	1,580
Others	8,644	10,074
	<u>51,758</u>	<u>126,184</u>
Gains		
Foreign exchange differences, net	–	2,536
	<u>51,758</u>	<u>128,720</u>

* Various government grants have been received for investments in certain regions in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other loans	505,130	744,670
Interest on loans from related companies	164,498	490,173
Interest expense arising from revenue contracts	430,065	607,681
Interest expense arising from lease contracts	817	1,085
Interest on discounted bills	932	6,027
	<u>1,101,442</u>	<u>1,849,636</u>
Total interest expenses	1,101,442	1,849,636
Less: Interest capitalised	(783,845)	(1,791,272)
	<u>317,597</u>	<u>58,364</u>

8. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	2,260,789	3,790,589
Cost of properties sold	252,263	3,232,809
Provision against inventories	510	30,196
Impairment of properties under development, net	(112,105)	10,083
Impairment of properties held for sale, net	(17,112)	(42,240)
	<hr/>	<hr/>
Cost of sales	2,384,345	7,021,437
Depreciation of property, plant and equipment	6,499	5,905
Depreciation of right-of-use assets	5,009	3,724
Amortisation of other intangible assets	1,066	893
Impairment of financial assets:		
Impairment of trade receivables*	6,060	5,841
Impairment of financial assets included in prepayments, other receivables and other assets*	2,036	11,764
Loss on disposal of items of property, plant and equipment*	11	27
Foreign exchange losses, net*	1,804	–
Claim provision*	11,395	451
	<hr/> <hr/>	<hr/> <hr/>

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

9. INCOME TAX

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	120	–
Current – Mainland China		
Charge for the period	69,971	441,626
PRC land appreciation tax	15,373	408,524
	<hr/>	<hr/>
	85,464	850,150
Deferred	11,790	(108,832)
	<hr/>	<hr/>
Total tax charge for the period	97,254	741,318
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Hong Kong profits tax

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

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 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.

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

The calculation of basic loss per share (six months ended 30 June 2019: earnings per share) amount is based on the loss for the period attributable to ordinary equity holders of the parent of RMB458,084,000 (six months ended 30 June 2019: profit of RMB129,076,000), and the weighted average number of ordinary shares of 6,416,155,647 (six months ended 30 June 2019: 6,416,155,647) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the period (six months ended 30 June 2019: Nil).

11. TRADE AND BILLS RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	894,723	1,235,603
Bills receivable	43,677	121,164
	938,400	1,356,767
Impairment	(86,641)	(80,581)
	851,759	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 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 trade and bills receivables as at the end of the reporting period, based on the invoice date and/or bills receipt date and net of loss allowance, is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 6 months	753,551	1,229,984
7 to 12 months	82,601	25,871
13 to 24 months	8,746	8,462
Over 24 months	6,861	11,869
	851,759	1,276,186

As at 30 June 2020, included in the Group's trade and bills receivables are amounts due from fellow subsidiaries of approximately RMB6,276,000 (31 December 2019: RMB6,858,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

12. TRADE AND BILLS PAYABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade payables	4,910,531	5,396,987
Bills payable	–	65,371
	4,910,531	5,462,358

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 6 months	4,777,889	5,371,556
Over 6 months	132,642	90,802
	4,910,531	5,462,358

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

As at 30 June 2020, included in the Group's trade and bills payables are amounts due to fellow subsidiaries of approximately RMB8,366,000 (31 December 2019: RMB9,830,000), 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 2020 (six months ended 30 June 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the first half of 2020, under the impact of COVID-19 pandemic, the global economy showed severe downturn with economic deglobalization and a decline of both import and export continuously. In particular, trade-dependent economies were more significantly hit, while the unstable factors in China's economic development increased. Amidst the stressed conditions such as global pandemic remaining its peak level, continued trade frictions between the People's Republic of China (the "PRC") and the U.S. and sluggish external demands, the PRC adopted proactive measures to contain the spread of pandemic locally within a short period of time and obtained effective results. Meanwhile, the PRC has steadily pushed forward the resumption of work and production and economic recovery. Its GDP decreased by 6.8% year-on-year during the first quarter of 2020 but achieved a year-on-year growth of 3.2% for the second quarter of 2020. The general macroeconomy has recovered at a faster pace and its development was expected to become stable.

During the first half of 2020, the Central Government intensified the countercyclical regulation to maintain liquidity and commenced the specific tasks according to the general requirements of the "six steady growth" and "six supporting policies". With regard to the real estate sector, adhering to the overall unwavering positioning of "houses are for living, not for speculation", the strategic policy by city was implemented more flexibly, while the relevant supporting policies of supply and demand side were launched in various places. However, fiscal regulation was still stringent and the fundamentals of the macro control policies such as "restrictions on purchase of properties" and "restrictions on mortgage loans" remained unchanged. Promoting a stable real estate market is the key focus of the prospective development of the industry.

Under the impacts of the pandemic and other various factors, the real estate market was affected relatively more during the first half of the year. In view of the market data level, the sales area of commodity housing nationwide from January to June 2020 amounted to 694.04 million square meters, representing a year-on-year decrease of 8.4%, while the sales of commodity housing amounted to RMB6,689.5 billion, representing a year-on-year decline of 5.4%. In view of the policy level, the fiscal regulation of both demand and supply sides remained relatively strict and more relaxation policies were required in terms of less restrictions imposed on home residence settlement and introduction of talents. Overall, the real estate market has recovered gradually and maintained steady development during the first half of the year.

OVERALL PERFORMANCE

The Group reported a loss for the six months ended 30 June 2020 of approximately RMB490.9 million (six months ended 30 June 2019: profit of RMB426.7 million). The Group's revenue for the current interim period has decreased by 69.1% to approximately RMB2,655.0 million (six months ended 30 June 2019: RMB8,587.1 million) as a result of the decrease in areas delivered of property development projects. The Group's gross profit has decreased by 82.7% to approximately RMB270.6 million (six months ended 30 June 2019: RMB1,565.7 million). The gross profit margin decreased from last interim period's 18.2% to current interim period's 10.2% due to decrease 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 decreased by 16.4% to approximately RMB375.7 million (six months ended 30 June 2019: RMB449.2 million).

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

- a. a decrease in gross profit by 82.7% to approximately RMB270.6 million (six months ended 30 June 2019: RMB1,565.7 million) as a result of decrease in revenue of property development business and distribution of information products business;
- b. a decrease in other revenue and gains by RMB77.0 million to approximately RMB51.8 million (six months ended 30 June 2019: RMB128.7 million) as a result of decrease in bank and other interest income;
- c. a decrease in selling and distribution expenses and administrative expenses by 16.4% to approximately RMB375.7 million (six months ended 30 June 2019: RMB449.2 million) attributable to the strict control on expenses imposed by the management;
- d. an increase in finance costs by RMB259.2 million to approximately RMB317.6 million (six months ended 30 June 2019: RMB58.4 million) as a result of decrease in interest capitalised of those subsidiaries with their property development projects completed during the current interim period; and
- e. a decrease in income tax expenses by RMB644.1 million to approximately RMB97.3 million (six months ended 30 June 2019: RMB741.3 million) as a result of decrease in corporate income tax and land appreciation tax in the PRC during the current interim period.

The loss attributable to the owners of the parents and non-controlling interests of the Group for the six months ended 30 June 2020 are approximately RMB458.1 million (six months ended 30 June 2019: profit of RMB129.1 million) and RMB32.8 million (six months ended 30 June 2019: profit of RMB297.6 million) respectively. Basic and diluted loss per share attributable to equity holders of the Company for the current interim period were RMB7.14 cents (six months ended 30 June 2019: earnings of RMB2.01 cents).

OPERATING REVIEW

Real Estate Business

Property Development

The turnover of the property development business of the Group for the current interim period decreased by 93.2% to approximately RMB316.4 million (six months ended 30 June 2019: RMB4,644.9 million). The segment results recorded a loss of approximately RMB49.4 million (six months ended 30 June 2019: profit of RMB1,197.6 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 reversal of impairment of properties under development, net and properties held for sale, net.

As at 30 June 2020, the Group had a total of 38 property development projects in 18 cities across Mainland China. The total gross floor area (the “GFA”) of the land reserves of the Group amounted to approximately 7,411,000 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 second half of the year.

Contracted Sales

In the first half of 2020, in response to the regularized pandemic and industrial changes, the Group pushed forward the resumption of work and production actively. As at 30 June 2020, there were totally 26 projects of 4,766,900 square meters under construction. During the period from January to June 2020, the Group had 32 projects on sale. Contracted sales of properties and contracted GFA amounted to approximately RMB1.984 billion and 213,900 square meters, respectively, with an average selling price of approximately RMB9,276 per square meter.

Project List

At 30 June 2020

City	Project name	Planned GFA (square meters)
Tianjin	PKU Resources • Yuefu	271,382
	PKU Resources • Yuecheng	437,646
	Tuanbo Project • Park 1898	67,640

City	Project name	Planned GFA (square meters)
Qingdao	PKU Resources Square	140,690
Kaifeng	PKU Resources • Wei Ming Mansion	323,596
	PKU Resources • Phase 1 of Block C, Wei Ming Mansion (Kaifeng 39 mu)	79,410
	PKU Resources • Zijing Mansion (Kaifeng 285 mu project)	533,914
Kunshan	PKU Resources • Jiujin Yihe	725,848
	PKU Resources • Yihe Tianyue (Qian Deng Project)	207,816
Ezhou	PKU Resources • Lianhu Jincheng	782,261
Wuhan	PKU Resources • Shanshui Nianhua	234,482
	Founder International Financial Building (Zhongbei Road Project)	204,671
Changsha	PKU Resources • Time	132,352
	PKU Resources • Ideal Home	189,639
Zhuzhou	PKU Resources • Emerald Park	554,148
Chengdu	PKU Resources • Yannan International	541,920
	PKU Resources • Xishanyue	72,752
	PKU Resources • Yihe Yajun	286,351
	PKU Resources • Park 1898	218,384
	PKU Resources • Yihe Emerald Mansion	216,759
	Boya City Plaza (Xinchuan Science & Technology Park 35 mu Project)	140,826
	Xinfan Project	213,316
Chongqing	PKU Resources • Jiangshan Mingmen	671,572
	PKU Resources • Zijing Mansion (Tea Garden 155 mu)	209,337
	PKU Resources • Yannan	723,382
	PKU Resources • Boya	517,671
	PKU Resources • Yuelai	402,393
Foshan	PKU Resources • Boya Binjiang	914,183
Dongguan	Boya Gongguan 1898	31,277
	Yihe Emerald Park (Park 1898)	188,403

City	Project name	Planned GFA (square meters)
Guiyang	PKU Resources • Dream City	1,039,781
	Quanhu Project	108,238
	Duyun Project	314,201
Kunming	Kunming Botai City	425,530
Yuxi	Yuxi Project (Resources Rui Cheng • Yihe Jiujin)	482,490
Hangzhou	PKU Resources • Wei Ming Mansion	193,884
Xining	Boya Financial Plaza	417,311
Yichang	Changjiang International Cultural Plaza	239,860

Property Investment

The turnover of property investment business increased by 27.2% to approximately RMB15.7 million (six months ended 30 June 2019: RMB12.3 million). The segment results recorded a profit of approximately RMB5.6 million (six months ended 30 June 2019: RMB5.6 million). The increase in segment revenue was mainly attributed to the increase in rented floor area during the current interim period.

Distribution Business

Distribution of Information Products

The distribution business of the Group recorded a turnover of approximately RMB2,322.9 million representing a decrease of 40.9% as compared to last interim period (six months ended 30 June 2019: RMB3,929.9 million). The segment results recorded a loss of RMB7.6 million (six months ended 30 June 2019: RMB7.1 million).

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 current interim period 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 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 to 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

In the second half of 2020, the real estate business is expected to be further challenged by more stringent control policies. Financial channels are expected to be further tightened and the uncertainties in the development environment will linger.

As such, the Group will focus more on the development model of "seeking the proper balance between asset-light and asset-heavy" with a view to increasing the proportion of asset-light business in the overall business. Responding to the market change reasonably, the Group will optimize the financial structure to further enhance the risk management and control, at the same time securing the sustainable development by enhancing its business performance in aspects such as product, service and cost.

In connection with city-industry integration, the Group will adhere to the development strategy of "One body, Two Wings and Three Cores" and expand the scope and depth of resource integration through both vertical and horizontal development with a focus on its core businesses of "industry, city and innovation". The Group will push ahead with the development of regional markets in core city clusters, striving to become the key driver for their city development and industrial upgrade.

Distribution Business

The distribution business will continuously refine its product structure to avoid product overlapping and minimise market risks. 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, put stringent control over working capital including trade receivables and payables and strengthen inventory and cost management. The Group will continue to seek cooperation with other international information products suppliers and identify investment opportunities.

EMPLOYEES

The Group has developed human resources policies and procedures based on the performance and merits of its employees. The Group ensures that the pay level of its employees is 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 975 employees as at 30 June 2020 (31 December 2019: 1,205). The decline in the number of employees is due to reduction in operation scale of Property Development Business and Distribution Business.

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 the PRC. As at 30 June 2020, the Group had approximately RMB12,358.3 million interest-bearing bank and other borrowings (31 December 2019: RMB12,913.0 million), of which approximately RMB474.8 million (31 December 2019: RMB480.0 million) were floating interest bearing and RMB11,883.5 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 Founder, and borrowings from financial institutions. Peking Founder is the substantial shareholder of the Company. Almost all of interest-bearing bank and other borrowings are denominated in Renminbi ("RMB"), of which RMB12,358.3 million (31 December 2019: RMB12,654.9 million) were repayable within one year and nil (31 December 2019: RMB258.1 million) were repayable within two years. The Group's banking facilities were secured by corporate guarantee given by the Company, Peking Founder and Peking University Resources Group Co., Ltd (a substantial shareholder of the Company), 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 interim period. The increase in other payables and accruals by 16.0% to RMB19,060.8 million (31 December 2019: RMB16,438.8 million) was due to increase in contract liabilities arising from sale of properties.

As at 30 June 2020, the Group recorded total assets of approximately RMB39,548.0 million (31 December 2019: RMB38,541.4 million) which were financed by liabilities of approximately RMB38,957.4 million (31 December 2019: RMB37,437.8 million), non-controlling interests of approximately RMB924.2 million (31 December 2019: RMB962.8 million) and negative equity attributable to owners of the parent of approximately RMB333.7 million (31 December 2019: positive equity of RMB140.8 million). The decrease in equity was attributable to loss

for the current interim period. The Group's net asset value per share as at 30 June 2020 was RMB0.09 (31 December 2019: RMB0.17). The decrease in net asset value per share was attributable to loss for the current interim period.

The Group had total cash and cash equivalents and restricted cash of approximately RMB1,906.8 million as at 30 June 2020 (31 December 2019: RMB2,514.5 million). As at 30 June 2020, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total equity, was 20.9 (31 December 2019: 11.7) while the Group's current ratio was 0.99 (31 December 2019: 1.01). As at 30 June 2020, the capital commitments for contracted, but not provided for, properties under development were approximately RMB4,816.5 million (31 December 2019: RMB4,517.1 million).

The Group is currently in discussion with the lenders to extend the repayment of principal and interest of loans defaulted. The Group will continue to focus on improving the net cash from operating activities and to meet its funding requirements in its usual course of operation by cash flows generated from operations, as well as implementing tighter control over costs, working capital and capital expenditure.

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 ("HK\$"), RMB and United States Dollars ("U.S. dollars"). Surplus cash is generally placed in short term deposits denominated in HK\$, 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 HK\$ and U.S. dollars. The values of RMB against the U.S. dollars and other currencies may fluctuate and are 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.

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 30 June 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.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures for the six months ended 30 June 2020.

Charges on assets

As at 30 June 2020, properties under development of approximately RMB12,768.1 million, properties held for sale of approximately RMB3,488.7 million, property, plant and equipment of approximately RMB24.9 million, investment properties of approximately RMB179.6 million, bank deposits of approximately RMB139.8 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 30 June 2020, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities granted by certain banks to certain purchasers of the Group's properties amounting to approximately RMB6,882.7 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 and the Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which are generally available within one to two years after the purchasers take possession of the relevant properties. The fair value of the guarantees is not significant and the directors of the Company consider that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made for the guarantees in the interim condensed consolidated financial information as at 30 June 2020 (31 December 2019: Nil).

Event after the reporting period

The Company received a notification letter from Peking Founder on 17 July 2020, stating that the administrator of Peking Founder filed with The First Intermediate People's Court of Beijing (the "Court") an application for the substantive consolidated restructuring of Peking Founder and four other companies including Peking University Resources Group Co., Ltd., which is the controlling shareholder of the Company, Founder Industry Holdings Co., Ltd., Peking University Healthcare Industry Group Co., Ltd. and Peking University Founder Information Industry Group Co., Ltd. (collectively "the Five Companies including Peking Founder"), on the grounds of the highly mixed legal personalities of the Five

Companies including Peking Founder, the costs of distinguishing assets of each company and the impairment of the creditors' interests of fair liquidation with restructuring of the Five Companies including Peking Founder on an individual basis. The Company received a notification letter from Peking Founder on 31 July 2020, regarding a civil order and decision letter received by the administrator of Peking University Founder Group Company Limited from the Court. Pursuant to the civil order and decision letter, the Court decided to accept the substantive consolidated restructuring of the Five Companies including Peking Founder and appointed the administrator of Peking University Founder Group Company Limited as the administrator of substantive consolidated restructuring of the Five Companies including Peking Founder.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of its listed securities during the six months ended 30 June 2020.

CORPORATE GOVERNANCE

The Company has complied with all code provisions of the Corporate Governance 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 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUER

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 (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 of the Company has reviewed the Group's interim condensed consolidated financial information for the six months ended 30 June 2020, including the accounting principles adopted by the Group, with the Company's management.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The 2020 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
27 August 2020

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), Ms. Sun Min, Mr. Ma Jian Bin, Ms. Liao Hang and Mr. Zheng Fu Shuang, and the independent non-executive directors of Mr. Chan Chung Kik, Lewis, Mr. Lau Ka Wing and Mr. Lai Nga Ming, Edmund.