



北大资源
PKU RESOURCES

Peking University Resources (Holdings) Company Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 00618



Interim Report 2014



北大资源

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Corporate Information

BOARD OF DIRECTORS

Executive directors

Ms Yu Li (*Chairwoman*)
 Mr Fang Hao (*President*)
 Mr Zhou Bo Qin
 Mr Zhang Zhao Dong
 Mr Xie Ke Hai
 Mr Zheng Fu Shuang

Independent non-executive directors

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

COMMITTEES

Audit Committee

Mr Li Fat Chung (*Chairman*)
 Ms Wong Lam Kit Yee
 Ms Cao Qian

Remuneration Committee

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

Nomination Committee

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

COMPANY SECRETARY

Ms Tang Yuk Bo, Yvonne

AUTHORISED REPRESENTATIVES

Ms Yu Li
 Mr Fang Hao

AUDITORS

Ernst & Young
 Certified Public Accountants

LEGAL ADVISERS

Jun He Law Offices

PRINCIPAL BANKERS

Bank of Beijing
 China Everbright Bank
 China Merchants Bank
 SPD Bank
 Huaxia Bank
 DBS Bank (Hong Kong) Limited
 Hang Seng Bank Limited
 Industrial and Commercial Bank of China (Asia) Limited

REGISTERED OFFICE

Canon's Court
 22 Victoria Street
 Hamilton HM12
 Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1408, 14th Floor
 Cable TV Tower
 9 Hoi Shing Road
 Tsuen Wan
 New Territories
 Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Principal registrars

Butterfield Fulcrum Group (Bermuda) Limited
 The Belvedere Building
 69 Pitts Bay Road
 Pembroke HM08
 Bermuda

Hong Kong branch share registrars and transfer office

Tricor Tengis Limited
 Level 22, Hopewell Centre
 183 Queen's Road East
 Hong Kong

LISTING INFORMATION

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

COMPANY WEBSITES

www.pku-resources.com

INTERIM RESULTS

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 statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2014, together with the comparative figures for the corresponding period in 2013. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
REVENUE		1,851,909	1,145,780
Cost of sales		(1,764,318)	(1,066,742)
Gross profit		87,591	79,038
Other income and gains	3	4,618	131,620
Selling and distribution expenses		(65,359)	(57,156)
Administrative expenses		(57,114)	(30,560)
Other operating expenses, net		(1,530)	(29,013)
Finance costs	4	(44,728)	(26,256)
Share of profits and losses of associates		(7,766)	(2,127)
PROFIT/(LOSS) BEFORE TAX	5	(84,288)	65,546
Income tax expense	6	(284)	(3,215)
PROFIT/(LOSS) FOR THE PERIOD		(84,572)	62,331
Attributable to:			
Owners of the parent		(67,351)	72,353
Non-controlling interests		(17,221)	(10,022)
		(84,572)	62,331
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic		HK(2.81) cents	HK4.44 cents
Diluted		HK(2.81) cents	HK2.88 cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(84,572)	62,331
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(38,609)	14,672
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(38,609)	14,672
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(123,181)	77,003
Attributable to:		
Owners of the parent	(95,717)	82,010
Non-controlling interests	(27,464)	(5,007)
	(123,181)	77,003

Condensed Consolidated Statement of Financial Position

30 June 2014

		30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		18,531	12,378
Investment properties		203,293	209,180
Prepaid land lease payments		11,110	11,385
Goodwill		–	–
Other intangible assets		254	56
Investments in associates		22,118	29,884
Total non-current assets		255,306	262,883
CURRENT ASSETS			
Properties under development		4,278,030	3,202,723
Properties held for sale		210,210	253,170
Inventories		276,161	224,780
Trade and bills receivables	9	774,500	695,473
Prepayments, deposits and other receivables		260,273	122,575
Taxes recoverable		17,545	19,374
Restricted cash	10	191,941	194,642
Cash and cash equivalents		496,676	817,391
Total current assets		6,505,336	5,530,128
CURRENT LIABILITIES			
Trade and bills payables	11	785,088	968,181
Other payables and accruals		1,278,761	1,544,820
Interest-bearing bank and other borrowings		1,441,399	880,140
Tax payable		2,825	5,010
Total current liabilities		3,508,073	3,398,151
NET CURRENT ASSETS		2,997,263	2,131,977
TOTAL ASSETS LESS CURRENT LIABILITIES		3,252,569	2,394,860

Condensed Consolidated Statement of Financial Position

30 June 2014

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	3,252,569	2,394,860
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	1,462,270	578,198
Long term payable	147,000	62,071
Deferred tax liabilities	208,615	222,583
Total non-current liabilities	1,817,885	862,852
Net assets	1,434,684	1,532,008
EQUITY		
Equity attributable to owners of the parent		
Issued capital	239,797	239,797
Reserves	850,968	935,966
	1,090,765	1,175,763
Non-controlling interests	343,919	356,245
Total equity	1,434,684	1,532,008

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the parent											
	Issued capital (Unaudited) HK\$'000	Employee		Contributed surplus (Unaudited) HK\$'000	Exchange		General reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
		Share premium account (Unaudited) HK\$'000	share-based compensation reserve (Unaudited) HK\$'000		fluctuation reserve (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000						
At 1 January 2014	239,797	654,341*	22,070*	520,156*	60,404*	10,558*	132,108*	(463,671)*	1,175,763	356,245	1,532,008	
Loss for the period	-	-	-	-	-	-	-	(67,351)	(67,351)	(17,221)	(84,572)	
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	(28,366)	-	-	-	(28,366)	(10,243)	(38,609)	
Total comprehensive loss for the period	-	-	-	-	(28,366)	-	-	(67,351)	(95,717)	(27,464)	(123,181)	
Contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	15,138	15,138	
Equity-settled share option arrangements	-	-	10,719	-	-	-	-	-	10,719	-	10,719	
At 30 June 2014	239,797	654,341*	32,789*	520,156*	32,038*	10,558*	132,108*	(531,022)*	1,090,765	343,919	1,434,684	
At 1 January 2013	110,606	156,019	3,208	520,156	42,866	10,558	-	(523,438)	319,975	-	319,975	
Profit/(loss) for the period	-	-	-	-	-	-	-	72,353	72,353	(10,022)	62,331	
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	9,657	-	-	-	9,657	5,015	14,672	
Total comprehensive income/(loss) for the period	-	-	-	-	9,657	-	-	72,353	82,010	(5,007)	77,003	
Acquisition of subsidiaries	52,791	179,488	-	-	-	-	205,088	-	437,367	355,247	792,614	
Issue of convertible bonds classified as equity	-	-	-	-	-	-	62,000	-	62,000	-	62,000	
Contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	3,765	3,765	
Equity-settled share option arrangements	-	-	2,389	-	-	-	-	-	2,389	-	2,389	
At 30 June 2013	163,397	335,507	5,597	520,156	52,523	10,558	267,088	(451,085)	903,741	354,005	1,257,746	

* These reserve accounts comprise the consolidated reserves of HK\$850,968,000 (31 December 2013: HK\$935,966,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:		(84,288)	65,546
Adjustments for:			
Finance costs	4	44,728	26,256
Share of profits and losses of associates		7,766	2,127
Interest income	3	(3,286)	(2,975)
Depreciation	5	2,033	2,096
Loss/(gain) on disposal of items of property, plant and equipment		32	(319)
Amortisation of intangible assets	5	65	–
Amortisation of land lease payments	5	167	166
(Reversal of impairment)/impairment of trade receivables	5	(119)	17,813
Write off of prepayments, deposits and other receivables	5	–	110
Reversal of write-back/(write-back) of trade and other payables	5	1,783	(1,271)
Provision for obsolete inventories	5	5,798	4,646
Gain on bargain purchase	3	–	(128,568)
Equity-settled share option expense		10,719	2,389
		(14,602)	(11,984)
Increase in inventories		(56,684)	(25,486)
Increase in properties under development		(979,220)	(342,119)
Decrease in properties held for sale		42,960	–
Increase in trade and bills receivables		(78,600)	(5,366)
Increase in prepayments, deposits and other receivables		(137,698)	(140,732)
(Decrease)/increase in trade and bills payables		(199,373)	4,995
(Decrease)/increase in other payables and accruals		(287,394)	252,082
Increase/(decrease) in long term payable		84,929	(3,000)
Exchange differences		(58,557)	22,928
Cash used in operations		(1,684,239)	(248,682)
Interest received		2,910	2,057
Interest paid		(104,983)	(26,256)
Mainland of the People's Republic of China ("Mainland China" or the "PRC") corporate income tax paid		(5,737)	(929)
Land appreciation tax paid		(8,240)	(25,087)
Net cash flows used in operating activities		(1,800,289)	(298,897)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Net cash flows used in operating activities	(1,800,289)	(298,897)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	376	2,455
Purchases of items of property, plant and equipment	(8,715)	(194)
Purchases of intangible assets	(265)	–
Proceeds from disposal of items of property, plant and equipment	148	194
Decrease/(increase) in time deposits with original maturity of over three months when acquired	360	(190)
Advance of entrusted loans to related companies	–	(63,200)
Repayment of entrusted loans from related companies	–	49,800
Decrease/(increase) in restricted cash	2,701	(21,931)
Acquisition of subsidiaries	–	303,738
Net cash flows (used in)/from investing activities	(5,395)	270,672
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	2,278,253	273,352
Repayment of bank and other borrowings	(779,096)	(151,820)
Capital contributions from non-controlling shareholders	15,138	3,765
Net cash flows from financing activities	1,514,295	125,297
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(291,389)	97,072
Cash and cash equivalents at beginning of period	804,601	279,544
Effect of foreign exchange rate changes, net	(28,966)	3,109
CASH AND CASH EQUIVALENTS AT END OF PERIOD	484,246	379,725
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	484,246	284,575
Non-pledged time deposits	12,430	107,790
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	496,676	392,365
Non-pledged time deposits with original maturity of over three months when acquired	(12,430)	(12,640)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	484,246	379,725

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2013, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK (IFRIC)-Int 21	<i>Levies</i>

The adoption of the above HKFRSs has had no significant impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

2. 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) Distribution of information products: | Sales of information products |
| (b) Property development: | Sales of properties |
| (c) Property investment: | Leasing of properties |

	Distribution of information products		Property development		Property investment		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue								
Sales to external customers	1,661,765	1,121,814	162,439	-	27,705	23,966	1,851,909	1,145,780
Segment results	6,311	(21,989)	(35,384)	(15,708)	12,123	8,956	(16,950)	(28,741)
<i>Reconciliation:</i>								
Interest income							3,286	2,975
Gain on bargain purchase							-	128,568
Foreign exchange differences, net							1,282	(921)
Corporate and unallocated expenses							(19,412)	(7,952)
Finance costs							(44,728)	(26,256)
Share of profits and losses of associates							(7,766)	(2,127)
Profit/(loss) before tax							(84,288)	65,546

Geographic information

The Group's revenue from external customers is derived substantially from its operations in the People's Republic of China (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 2013: Nil).

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

3. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Other income		
Bank interest income	2,744	2,059
Other interest income	542	916
Others	50	77
	3,336	3,052
Gains		
Foreign exchange differences, net	1,282	–
Gain on bargain purchase	–	128,568
	1,282	128,568
	4,618	131,620

4. FINANCE COSTS

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest on bank loans	17,498	1,537
Interest on loans from subsidiaries of 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"), a substantial shareholder of the Company	904	18,100
Interest on loans from 北大資源集團有限公司 (Peking University Resources Group Co., Ltd.*) ("PKU Resources"), a fellow subsidiary of Peking Founder	95,119	7,424
Interest on discounted bills	12,797	9,871
	126,318	36,932
Total interest expenses	126,318	36,932
Less: Interest capitalised	(81,590)	(10,676)
	44,728	26,256

* For identification purpose only

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation and amortisation	2,265	2,262
(Reversal of impairment)/impairment of trade receivables	(119)	17,813
Provision for obsolete inventories	5,798	4,646
Reversal of write-back/(write-back) of trade and other payables	1,783	(1,271)
Write-off of prepayments, deposits and other receivables	–	110
Foreign exchange differences, net	(1,282)	921

6. INCOME TAX

	For the six months ended 30 June	
	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Group:		
Current		
PRC corporate income tax		
Charge for the period	2,364	1,419
Underprovision in prior periods	1,188	929
PRC land appreciation tax	4,424	–
	7,976	2,348
Deferred	(7,692)	867
Total tax charge for the period	284	3,215

No Hong Kong profits tax has been provided as there were no assessable profits arising in Hong Kong during the period (six months ended 30 June 2013: Nil).

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

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

6. INCOME TAX (CONTINUED)

The share of tax credit attributable to associates amounting to approximately HK\$789,000 (six months ended 30 June 2013: share of tax charge of HK\$493,000) is included in "Share of profits and losses of associates" in the condensed consolidated statement of profit or loss.

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

The calculation of basic earnings per share amount for the six months ended 30 June 2014 is based on the loss for the period attributable to ordinary equity holders of the parent of approximately HK\$67,351,000 (six months ended 30 June 2013: profit of HK\$72,353,000), and the weighted average number of ordinary shares of 2,397,970,318 (six months ended 30 June 2013: 1,631,052,403) in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the period ended 30 June 2014 in respect of a dilution as the impact of the options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

The calculation of diluted earnings per share amount for the period ended 30 June 2013 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 ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share for the period ended 30 June 2013 are based on:

Earnings

	For the six months ended 30 June 2013 (Unaudited) HK\$'000
	<hr/>
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<hr/> 72,353 <hr/>

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

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

Number of shares

	For the six months ended 30 June 2013 (Unaudited)
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	1,631,052,403
Effect of dilution – weighted average number of ordinary shares:	
Share options	19,429,077
Convertible bonds classified as equity	865,116,279
	<u>2,515,597,759</u>

8. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

9. TRADE AND BILLS RECEIVABLES

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

An aged analysis of the 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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within 6 months	748,937	666,438
7 to 12 months	16,450	12,627
13 to 24 months	9,113	16,408
	774,500	695,473

As at 30 June 2014, certain of the Group's bills receivable of approximately HK\$42,113,000 (31 December 2013: HK\$34,337,000) were pledged to banks to secure the bank loans.

As at 30 June 2014, included in the Group's trade and bills receivables are amounts due from subsidiaries of Peking Founder of approximately HK\$107,483,000 (31 December 2013: HK\$27,860,000) and a subsidiary of Founder Holding Limited ("FHL"), in which a 31.42% equity interest was indirectly held by Peking Founder, of approximately HK\$110,000 (31 December 2013: Nil), which are repayable on similar credit terms to those offered to the major customers of the Group.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

10. RESTRICTED CASH

The Group's bank deposits were pledged to banks to secure the banking facilities granted to the Group, as deposits for construction of the relevant properties and as guarantees deposits for certain mortgage loans granted by banks to purchasers of the Group's properties. The restricted cash are deposited with creditworthy banks with no recent history of default. The carrying amounts of the restricted approximate to their fair values.

11. TRADE AND BILLS PAYABLES

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Trade payables	457,082	394,455
Bills payable	328,006	573,726
	785,088	968,181

An aged 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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within 6 months	529,539	878,514
Over 6 months	255,549	89,667
	785,088	968,181

Included in the Group's trade and bills payables are amounts due to subsidiaries of Peking Founder of approximately HK\$2,585,000 (31 December 2013: Nil), subsidiaries of PKU Resources of approximately HK\$1,937,000 (31 December 2013: Nil) and subsidiaries of FHL of approximately HK\$808,000 (31 December 2013: HK\$6,938,000), which are repayable on similar credit terms to those offered by the related companies to their major customers.

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

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

12. RELATED PARTY TRANSACTIONS

(I) Transactions and commitments with related parties

In addition to the related party transactions and balances disclosed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period:

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

During the period, information products of approximately HK\$101,454,000 (six months ended 30 June 2013: HK\$16,195,000) were sold to Peking Founder Group. The directors consider that the sales of products were made according to published prices and conditions similar to those offered to other customers of the Group.

- (b) On 29 August 2011, the Company entered into a master agreement with FHL to govern the sale of information products to FHL and its subsidiaries (collectively "Founder Group") for a term of three years from 1 January 2011 to 31 December 2013.

On 9 December 2013, the Company renewed the master agreement with FHL, pursuant to which the Group would sell information products to Founder Group, for the three years ending 31 December 2016.

During the period, information products of approximately HK\$98,000 (six months ended 30 June 2013: HK\$1,283,000) were sold to Founder Group. The directors consider that the sales of products were made according to published prices and conditions similar to those offered to other customers of the Group.

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

During the period, information products of approximately HK\$5,663,000 (six months ended 30 June 2013: HK\$1,611,000) were purchased from Peking Founder Group by the Group. The directors consider that the purchase of information products from Peking Founder Group were made in accordance with the terms of the master agreement.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

12. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

During the period, the Group did not purchase any software product or systems integration product from Founder Group (six months ended 30 June 2013: Nil).

- (e) On 7 May 2013, 昆山高科電子藝術創意產業發展有限公司 (Kunshan Hi-Tech Electronic Arts Creative Industry Development Company Limited*) ("Kunshan Hi-Tech") entered into an entrusted loan master agreement with PKU Resources, pursuant to which PKU Resources would provide short term loans through a financial institution to Kunshan Hi-Tech for one year.

On 7 May 2013, PKU Resources provided a one-year short term unsecured loan of approximately HK\$316,000,000 to Kunshan Hi-Tech and bears an interest at an interest rate of 12.5% per annum and to be paid quarterly. On the same date, PKU Resources provided another one-year short term loan of approximately HK\$50,560,000 to Kunshan Hi-Tech. The loan was unsecured and bears an interest at an interest rate of 11.5% per annum and to be paid quarterly. The above two loans and related interests of approximately HK\$16,265,000 (six months ended 30 June 2013: HK\$6,778,000) in aggregate were fully paid during the period ended 30 June 2014.

- (f) On 15 October 2013, PKU Resources provided a two-year unsecured loan of approximately HK\$577,507,000 to Qingdao Boya Real Estate Co., Ltd. ("Qingdao Boya") and bears an interest at an interest rate of 11.5% per annum and to be paid quarterly, of which principal of approximately HK\$462,397,000 was early settled on 7 November 2013. The remaining loan of HK\$111,870,000 (31 December 2013: HK\$115,110,000) remained unpaid and was included in interest-bearing bank and other borrowings in the condensed consolidated statement of financial position as at 30 June 2014.

On 26 November 2013, PKU Resources provided a two-year unsecured loan of approximately HK\$173,663,000 to Qingdao Boya and bears an interest at an interest rate of 11.5% per annum and to be paid quarterly. The loan of HK\$168,775,000 (31 December 2013: HK\$173,663,000) remained unpaid and was included in interest-bearing bank and other borrowings in the condensed consolidated statement of financial position as at 30 June 2014.

On 25 December 2013, PKU Resources provided a two-year unsecured loan of approximately HK\$289,425,000 to Qingdao Boya and bears an interest at an interest rate of 11.5% per annum and to be paid quarterly, of which principal of approximately HK\$16,338,000 was early settled on 16 May 2014. The remaining loan of HK\$273,087,000 (31 December 2013: HK\$289,425,000) remained unpaid and was included in interest-bearing bank and other borrowings in the condensed consolidated statement of financial position as at 30 June 2014.

* For identification purpose only

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

12. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(f) (continued)

On 23 May 2014, Qingdao Boya entered into supplemental agreements regarding the above loans with PKU Resources to revise the interest rate to 10.4% per annum and the maturity to 21 May 2016.

The related interest expense of these three loans (before interest capitalisation) of HK\$32,130,000 (six months ended 30 June 2013: Nil) in aggregate were charged to Qingdao Boya and fully paid during the six months ended 30 June 2014.

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

On 23 December 2013, the Company, Founder Finance and Peking Founder entered into a financial service agreement to extend the terms of the provision by Founder Finance of (i) the deposit service; (ii) the loan services; and (iii) the miscellaneous financial services to the Group for the three years ending 31 December 2016. Peking Founder has provided the guarantee to the Company in the financial services agreement.

As at 30 June 2014, the Group placed deposits of approximately HK\$37,374,000 (31 December 2013: Nil) in Founder Finance and the related interest of approximately HK\$122,000 (six months ended 30 June 2013: HK\$443,000) was earned by Group during the six months ended 30 June 2014. The interest rates on these deposits offered by Founder Finance were the prevailing interest rates offered by the PBOC.

On 11 February 2014, 19 February 2014, 21 February 2014, 3 March 2014 and 20 June 2014, the Group borrowed loans from Founder Finance of approximately HK\$25,177,000, HK\$25,177,000, HK\$12,589,000, HK\$25,177,000 and HK\$62,150,000, respectively. The above loans of approximately HK\$88,120,000 and the related interest of approximately HK\$807,000 were paid by Group to Founder Finance during the six months ended 30 June 2014. The remaining loan of HK\$62,150,000 (31 December 2013: Nil) and related interest payable of HK\$97,000 (31 December 2013: Nil) remained unpaid and was included in interest-bearing bank and other borrowings, and other payable and accruals, respectively, in the condensed consolidated statement of financial position as at 30 June 2014.

Notes to Condensed Consolidated Interim Financial Statements

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12. RELATED PARTY TRANSACTIONS (CONTINUED)

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

- (h) On 28 August 2012, the Company entered into a master lease agreement with Peking Founder, pursuant to which the Company agrees to procure one of its subsidiaries to lease certain commercial premises at Founder International Building to Peking Founder Group for the three years ending 31 December 2014. During the six months ended 30 June 2014, a subsidiary of the Company engaged a subsidiary of PKU Resources to collect rental income from independent tenants on its behalf, until those tenants enter into lease agreements with the subsidiary of the Company. No management fee was charged during the period.

During the six months ended 30 June 2014, rental income of approximately HK\$8,683,000 (six months ended 30 June 2013: HK\$9,902,000) were received from Peking Founder Group. The related rental of HK\$4,341,000 (31 December 2013: HK\$21,000) receivable from Peking Founder Group remained undue and were included in trade and bills receivables in the condensed consolidated statement of financial position as at 30 June 2014.

- (i) During the six months ended 30 June 2014, PKU Resources made advances to certain subsidiaries of the Company, which are unsecured, bears an interest at an interest rate of 12.0% per annum and have no fixed terms of repayment. The related interest expense of these advances (before interest capitalisation) of HK\$46,724,000 (six months ended 30 June 2013: Nil) in aggregate was charged to the Group during the six months ended 30 June 2014. As at 30 June 2014, unsettled advances of HK\$1,420,305,000 (31 December 2013: HK\$225,361,000) and related interests payable of HK\$37,377,000 (31 December 2013: Nil) remained unpaid and were included in interest-bearing bank and other borrowings, and other payables and accruals, respectively, in the condensed consolidated statement of financial position as at 30 June 2014.
- (j) On 6 May 2012, Kunshan Hi-Tech entered into a loan agreement with PKU Resources, pursuant to which PKU Resources would provide short term loans through Founder Finance to Kunshan Hi-Tech for one year. On 5 July 2012, Kunshan Hi-Tech and Founder Finance entered into an entrusted loan agreement to give effect to the Loan Agreement. Pursuant to which PKU Resources would provide a one-year short term loan of approximately HK\$311,250,000 to Kunshan Hi-Tech. The loan bears an interest at an interest rate of 12.5% per annum and to be paid semi-annually. The interest expense of HK\$11,322,000 was charged during the six months ended 30 June 2013. The loan was early settled in full on 12 April 2013.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

12. RELATED PARTY TRANSACTIONS (CONTINUED)

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

- (k) On 29 August 2011, the Company entered into a HP Master Agreement with FHL to govern the purchase of HP products from Founder Group for a term of three years from 1 January 2011 to 31 December 2013. The Company did not renew the agreement during the six months ended 30 June 2014.

During the six months ended 30 June 2013, HP Products of approximately HK\$45,777,000 were purchased from Founder Group and commission fee of approximately HK\$136,000 was paid to Founder Group. The directors consider that the purchases of HP products and commission fees were made in accordance with the HP Master Agreement.

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

On 4 July 2012, the Group provided a six-month short term loan of approximately HK\$49,800,000 to a subsidiary of Peking Founder and the related interest of approximately HK\$28,000 was earned by the Group during the six months ended 30 June 2013. The loan is unsecured and bears an interest at the prevailing benchmark Renminbi lending rate for loan period of six months offered by the PBOC plus 15% of such rate. The entrusted loan and related interest receivable were fully settled by that subsidiary of Peking Founder on 4 January 2013.

On 15 April 2013, the Group provided a one-year short term loan of approximately HK\$63,200,000 to a subsidiary of Peking Founder and the related interest of approximately HK\$1,035,000 was earned by the Group during the six months ended 30 June 2013. The loan was unsecured and bore an interest at an interest rate of 7.8% per annum. The entrusted loan and related interest receivables were early settled by that subsidiary of Peking Founder in full on 6 November 2013.

- (m) On 10 December 2013, the Group entered into several gardening construction agreements with 北京博雅禾木園林景觀科技有限公司 (Beijing Boyahemu Landscape Technology Co., Ltd.*) ("Beijing Boya"), a subsidiary of PKU Resources, pursuant to which Beijing Boya agrees to undertake gardening construction on Kunshan Electronic Arts Creative City Demonstration area landscape project. Further details of the transaction were set out in the announcement of the Company dated 10 December 2013.

During the six months ended 30 June 2014, the Group received gardening construction services from Beijing Boya with service fee of HK\$9,806,000 in aggregate. The directors consider that the provision of gardening construction services was made in accordance with the gardening construction agreements.

* For identification purpose only

Notes to Condensed Consolidated Interim Financial Statements

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12. RELATED PARTY TRANSACTIONS (CONTINUED)

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

- (n) As at 30 June 2014, guarantees were given by Peking Founder to banks in connection with banking facilities granted to the Group of approximately HK\$1,468,210,000 (31 December 2013: HK\$1,130,273,000) which were utilised to the extent of approximately HK\$900,026,000 (31 December 2013: HK\$881,771,000).
- (o) As at 30 June 2014, guarantees were given by PKU Resources to banks in connection with banking facilities granted to the Group of approximately HK\$248,600,000 (31 December 2013: Nil) which were utilised to the extent of approximately HK\$154,754,000 (31 December 2013: Nil).

The related party transactions in respect of item (a) to (m) above for the current interim period also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(II) Outstanding balances with related parties

- (a) The balances due to subsidiaries of FHL included in other payables and accruals as at 30 June 2014 were approximately HK\$144,000 (31 December 2013: HK\$192,000). The balances are unsecured, interest-free and have no fixed terms of repayment.
- (b) Except for the rental receivables due from Peking Founder Group disclosed in note 12(I)(h) to the condensed consolidated interim financial statements, other balances due from Peking Founder Group included in prepayments, deposits and other receivables were approximately HK\$93,876,000 (31 December 2013: HK\$6,086,000), which are unsecured, interest-free and have no fixed terms of repayment.
- (c) Except for the loans and related interest payables due to Peking Founder Group disclosed in note 12(I)(g) to the condensed consolidated interim financial statements, other balances due to Peking Founder Group included in other payables and accruals as at 30 June 2014 were approximately HK\$76,864,000 (31 December 2013: HK\$102,007,000). The balances are unsecured, interest-free and have no fixed terms of repayment.
- (d) Except for the entrusted loans and other borrowings and related interest payables due to PKU Resources disclosed in note 12(I)(f) and 12(I)(i) to the condensed consolidated interim financial statements, other balances due to PKU Resources included in other payables and accruals in the condensed consolidated statement of financial position as at 30 June 2014 were approximately HK\$93,059,000 (31 December 2013: HK\$348,653,000). The balances are unsecured, interest-free and have no fixed terms of repayment.

Notes to Condensed Consolidated Interim Financial Statements

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12. RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Outstanding balances with related parties (continued)

- (e) The balance due from Founder Information included in prepayments, deposits and other receivables as at 30 June 2014 was approximately HK\$4,255,000 (31 December 2013: HK\$4,251,000), and the balance due to Founder Information included in other payables and accruals was approximately HK\$23,370,000 (31 December 2013: HK\$5,400,000). These balances are unsecured, interest-free and have no fixed terms of repayment. The balance due to Founder Information included in long term payable as at 30 June 2014 was approximately HK\$147,000,000 (31 December 2013: HK\$62,071,000). The balance is unsecured, interest-free and not repayable within one year.
- (f) Details of the Group's trade balances with its related companies as at the end of the reporting period are included in notes 9 and 11 to the condensed consolidated interim financial statements.

(III) Compensation of key management personnel of the Group

In the opinion of the directors, the directors of the Company represented the key management personnel of the Group. Compensation paid to directors during the period is as follows:

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Short term employee benefits	808	1,315
Equity-settled share option expense	10,719	2,389
Post-employment benefits	8	8
Total compensation paid to key management personnel	11,535	3,712

Notes to Condensed Consolidated Interim Financial Statements

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13. CONTINGENT LIABILITIES

As at 30 June 2014, 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\$392,143,000 (31 December 2013: HK\$294,943,000). This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible 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 condensed consolidated financial statements as at 30 June 2014.

14. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties or the property leased from an independent company under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within one year	51,288	38,007
In the second to fifth years, inclusive	25,841	17,966
	77,129	55,973

Notes to Condensed Consolidated Interim Financial Statements

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14. OPERATING LEASE ARRANGEMENTS (CONTINUED)

(b) As lessee

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

At 30 June 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within one year	21,312	36,639
In the second to fifth years, inclusive	9,099	568
	30,411	37,207

15. COMMITMENTS

In addition to the operating lease commitments detailed in note 14(b) above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Contracted, but not provided for:		
Properties under development	926,796	565,193
Property, plant and equipment	126,984	–
	1,053,780	565,193

Management Discussion and Analysis

China's overall economy has been stable throughout the first half of 2014. Economic growth rate slowed down but still maintained at a reasonable range in terms of major growth indicators. The government has implemented austerity measures and maintained growth, while adjusted the structure of the economy and industry and facilitated reforms. The Directors are of the view that this strategy has enabled China to realize stable yet fast economic growth. Looking into 2014, the Directors are of the view that the real estate sector will run smoothly, but is expected to be slightly adjusted and tightened up in some cities in the PRC. It is likely that there are more positive catalysts than negative factors for the property market in the second half of the year. The Directors believe that the government may continue to implement a series of light incentive policies, which may play a constructive role in the property market in the PRC. Expanding the pilot real estate tax program to more cities is an important task for the Chinese finance and tax departments this year to promote real estate reform, which may have a significant impact on the property market.

OVERALL PERFORMANCE

The Group reported a loss attributable to owners of the Company for the six months ended 30 June 2014 of approximately HK\$67.4 million (six months ended 30 June 2013: profit of HK\$72.4 million). The Group's revenue for the current interim period has increased significantly by 61.6% to approximately HK\$1,851.9 million (six months ended 30 June 2013: HK\$1,145.8 million) as a result of increase in sales in distribution of information products and property development business. The Group's gross profit has increased by 10.8% to approximately HK\$87.6 million (six months ended 30 June 2013: HK\$79.0 million). The gross profit margin decreased from last interim period's 6.9% to current interim period's 4.7% due to intense competition in distribution of information products business. Total selling and distribution expenses and administrative expenses for the current interim period have increased by 39.6% to approximately HK\$122.5 million (six months ended 30 June 2013: HK\$87.7 million).

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

- a. one-off gain on bargain purchase arising from the acquisition of subsidiaries engaged in property development and investment business of approximately HK\$128.6 million for the six months ended 30 June 2013;
- b. an increase in selling and distribution expenses and administrative expenses by 39.6% to approximately HK\$122.5 million (six months ended 30 June 2013: HK\$87.7 million) as attributable to the expansion of the property development business;
- c. a decrease in other operating expenses by 94.7% to approximately HK\$1.5 million (six months ended 30 June 2013: HK\$29.0 million) as a result of decrease in impairment of trade receivables and provision for late payment of Chinese customs duties and the fine;
- d. an increase in finance costs by 70.4% to approximately HK\$44.7 million (six months ended 30 June 2013: HK\$26.3 million) as a result of increase in bank and other borrowings; and
- e. an increase in the share of losses of associates by HK\$5.6 million to approximately HK\$7.8 million (six months ended 30 June 2013: HK\$2.1 million) as a result of decline in sales of mobile phones distributed in Hong Kong.

Management Discussion and Analysis

Basic and diluted loss per share attributable to equity holders of the Company for the current interim period were HK2.81 cents (six months ended 30 June 2013: earnings of HK4.44 cents) and HK2.81 cents (six months ended 30 June 2013: earnings of HK2.88 cents), respectively.

OPERATING REVIEW

Real Estate Business

Property Development

The turnover of the property development business of the Group for the current interim period was approximately HK\$162.4 million (six months ended 30 June 2013: Nil). The segment results recorded a loss of approximately HK\$35.4 million (six months ended 30 June 2013: HK\$15.7 million). The increase in segment loss was due to increase in selling and distribution expenses and administrative expenses arising from the expansion of property development business.

PKU Resources • Time project is located in Yanghupian Zone, Yuelu District, West of Xiangjiang, Changsha City, with Xiangjiang to the east, Yuelu Mountain on the north and Dawangshan Resort, Tourism and Exhibition Centre (大王山度假旅遊會議中心) on the south. Yanghu Wetland Park (洋湖濕地公園) was built thereon, which covers an area of 6,000 mu and is the largest urban wetland park in the central region. Located in the river landscape of Jin Jiang (靳江), the project is included in the geographical scope of “West Changsha River Exemplary Zone” (長沙大河西先導區) established by the Changsha City Government. The aggregate contract value amounts to RMB44.98 million in the first half of 2014. PKU Resources • Time project is positioned as a high-end community for Yanghu wealthy people. It is expected that the project will continue to increase the Group’s investment value.

PKU Resources • Li Cheng project is erected on two various parcels of land located on the southern side of Yingbin Road, Bacheng Town, Kunshan city, Jiangsu province and the western side of Zhangjiagang River. The project has a site area of 288,518 sq.m., and aims to create a complex concept city for culture and creativity suitable for living, industry and travel by combining natural ecology, commercial office, sports and leisure, living and residence. With intense construction and completion of development products, the integration of landscape design and cultural industry has showed results. Supporting facilities are being improved with comfortable regional environment suitable for living, and the complementarity between “green, ecology” and “culture” is achieved here, reflecting the value of the project. The sales of the project continued in 2014 with realized contract value of approximately RMB109.93 million in the first half of the year. Kunshan city is located in the southeastern part of Jiangsu province and adjacent to the border with the Shanghai Municipality, with superior geographical location. It is located in one of the most vigorous region in China, and as one of the most economically successful county of top 100 counties in China, it is expected that there will be a huge growth potential for Kunsan property industry.

Management Discussion and Analysis

Honglianhu Project in Hubei is composed of six adjacent vacant land parcels located in Huarong District, Ezhou City, Hubei Province, China. It has a total site area of approximately 674,597.2 sq.m. and is expected to be launched for sale in the fourth quarter of 2014. Ezhou city is a famous historic-cultural city and also known as “Landscape Garden City” (山水園林城), the best place for living, or “Eco-tourism City” (生態旅遊城). There are 133 lakes and 650,000 mu of water areas in Ezhou city. Therefore, it is renowned as “100-Lake City” (百湖之市) and “Land of Plenty Resources” (魚米之鄉). With the gradual establishment of Ezhou High-New Zone, it is expected that the investment value of the Group’s residential land will continue to increase.

PKU Resources Plaza is located at the core of Universal Wealth Centre in the Laoshan district of Qingdao City, Shandong Province. It is a high-end commercial complex comprised of financial commercial operations and 5A office buildings. Its planned gross floor area is 103,659 sq.m. and the sales office is already open. PKU Resources Plaza is developed and managed by Qingdao Boya Real Estate Company Limited, a non-wholly-owned subsidiary of the Group, with extensive development prospect in the future.

The newly secured PKU Resources • Yuefu project in 2014 is located at Donglihu district of Tianjin City. The total site area is 235,635 sq.m., and it is designed to include French town houses and high-rise apartments. The project is developed and managed by Tianjin Peking University Resources Properties Limited, a non-wholly-owned subsidiary of the Company. The property market in Tianjin is relatively positive with relatively strong demand, demonstrating huge appreciation potential in the region. The project is expected to provide new profit growth point for the Group.

On 9 July 2014, Tianjin Boya Properties Limited, a non-wholly-owned subsidiary of the Company, acquired a parcel of land of 66,543.8 sq.m. in He Xi District, Tianjin City. The land is located in the southeast of the cross of Hei Niu Cheng Road and Hong Ze Nan Road, He Xi District, Tianjin, the PRC. Approximately 36,990.2 sq.m. of the lot is for residential buildings, approximately 26,593.9 sq.m. is for commercial buildings and approximately 5,500 sq.m. is for open areas.

In the opinion of the management of the Group, the demand of the property industry in China will be stable in the second half of the year. Property development business will offer appreciation potential with a promising earnings outlook, which will continue to provide new profit growth point for the Group.

Property Investment

The Property Investment Business recorded a turnover of approximately HK\$27.7 million (six months ended 30 June 2013: HK\$24.0 million) and segment profit of approximately HK\$12.1 million (six months ended 30 June 2013: HK\$9.0 million) during the current interim period.

Management Discussion and Analysis

Founder International Building is located in the west zone of Zhongguan Village, Haidian District, Beijing City. With its superb location, it covers an area of 5,121 sq.m. with a total gross floor area of 51,159.23 sq.m. The building has 17 floors overground and 4 floors underground, with the 1st to 3rd floors for commercial use and the 3rd to 17th floors as offices. In the first half of 2014, Founder International Building achieved accumulated rental income of RMB19.71 million, representing an increase of 17% as compared to the corresponding period of last year. In Beijing, the property prices showed another round of booming in the first half of 2014, further suggesting a strong rigid demand for properties in Beijing. As a well-known commercial property in Zhongguancun, Founder International Building also benefited from such rise in property prices and will continue to provide steady cash flow for the Group.

International Building of Wuhan is located at Dandong Road, Jiangnan District, a flourishing street in Wuhan city. The property has a total gross floor area of 26,963.32 sq.m. and its aggregate monthly rental amounted to approximately RMB597,000. It comprises an office complex and office units at specified levels, with almost full occupancy now. The legitimate owner of the land use right is Hubei Tianranju Business Management Limited (湖北天然居商業運營管理公司), a wholly-owned subsidiary of Hong Kong Tianranju Holdings Limited. Wuhan property has huge potential for economic growth in the future and may become a new economic growth point.

On 19 June 2014, the Group entered into the provisional agreement to purchase the property in Wanchai, Hong Kong for a total consideration of approximately HK\$133.0 million. The Group will either use the property by itself or lease out the property after completion for rental income, depending on the then market circumstances. The directors believe in the long term prospect of commercial properties in Hong Kong and hence consider that the acquisition will strengthen the Group's property portfolio and/or income base.

Distribution Business

Distribution of information products

The distribution business of the Group recorded a turnover of approximately HK\$1,661.8 million representing an increase of 48.1% as compared to last interim period (six months ended 30 June 2013: HK\$1,121.8 million). The segment results recorded a profit of HK\$6.3 million (six month ended 30 June 2013: loss of HK\$22.0 million). The improvement of segment results was due to reduction in impairment of trade receivables and provision for late payment of Chinese customs duties and the fine.

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 and UPS power supply of a number of internationally famed and branded information product manufacturers such as HP, H3C, CommScope, Brocade, Microsoft, Samsung, Corning, Lifesize, Iomega, Kecom, Avaya and Eaton. 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.

Management Discussion and Analysis

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.

In addition, the Group focuses on the current assets management. The Group's trade and bills receivables turnover periods have improved from the six months ended 30 June 2013's 99.0 days to the current interim period's 73.8 days while the inventory turnover periods have improved from the six months ended 30 June 2013's 32.5 days to the current interim period's 28.3 days, respectively. The improvement in trade and bills receivables turnover period and inventory turnover periods is mainly attributable to strict control on credit control and inventory level imposed by the management.

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

In order to create more value for our shareholders, the management of the Group will consistently and closely monitor the price fluctuation of properties in the major cities over China and actively pursue opportunities to invest in the Chinese market. The Group will leverage the cultural background and educational resources of Peking University, together with the relevant superior industry resources on healthcare, technology and finance of Founder Group to create educational property, healthy property, technological property and financial property, so as to continuously enhance the profitability and operating performance of its real estate segment.

Distribution Business

The Distribution Business 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. 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.

Management Discussion and Analysis

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 640 employees as at 30 June 2014 (31 December 2013: 600). The increase in number of employees mainly arose from the expansion of property development and investment business during the current interim period.

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 2014, the Group had approximately HK\$2,903.7 million interest-bearing bank and other borrowings (31 December 2013: HK\$1,458.3 million), of which HK\$277.9 million (31 December 2013: HK\$12.1 million) were floating interest bearing and HK\$2,625.8 million (31 December 2013: HK\$1,446.2 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\$1,441.4 million (31 December 2013: HK\$880.1 million) were repayable within one year and HK\$1,462.3 million (31 December 2013: HK\$578.2 million) were repayable within three years. The Group's banking facilities were secured by corporate guarantee given by the Company and Peking University Founder Group Company Limited, and certain of the Group's bank deposits and bills receivable. The increase in bank loans was mainly attributed to the expansion of Property Development Business and Distribution Business.

At 30 June 2014, the Group recorded total assets of approximately HK\$6,760.6 million (31 December 2013: HK\$5,793.0 million) which were financed by liabilities of approximately HK\$5,326.0 million (31 December 2013: HK\$4,261.0 million), non-controlling interests of approximately HK\$343.9 million (31 December 2013: HK\$356.2 million) and equity of approximately HK\$1,090.8 million (31 December 2013: HK\$1,175.8 million). The increase in total assets was attributable to increase in properties under development in the PRC. The Group's net asset value per share as at 30 June 2014 was maintained at HK\$0.45 (31 December 2013: HK\$0.49).

The Group had total cash and bank balances and pledged deposits of approximately HK\$688.6 million as at 30 June 2014 (31 December 2013: HK\$1,012.0 million). As at 30 June 2014, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total equity attributable to owners of the parent, was 2.66 (31 December 2013: 1.24) while the Group's current ratio was 1.85 (31 December 2013: 1.63).

As at 30 June 2014, the capital commitments for contracted, but not provided for, properties under development and property, plant and equipment were approximately HK\$926.8 million (31 December 2013: HK\$565.2 million) and HK\$127.0 million (31 December 2013: Nil) respectively.

Management Discussion and Analysis

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. No financial instrument was used for hedging purposes. It is expected that the appreciation of RMB in the long-run would have a favourable impact on the Group.

Material acquisitions and disposals of subsidiaries and associates

The Group had no acquisition or disposal of subsidiaries and associates for the six months ended 30 June 2014.

Charges on assets

As at 30 June 2014, bank deposits of approximately HK\$191.9 million (31 December 2013: HK\$194.6 million) and bills receivable of approximately HK\$42.1 million (31 December 2013: HK\$34.3 million) were pledged to banks to secure general banking facilities granted, as deposits for construction of the relevant properties and as guarantees deposits for certain mortgage loans granted by banks to purchasers of the Group's properties.

Contingent liabilities

As at 30 June 2014, 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\$392,143,000 (31 December 2013: HK\$294,943,000). This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible 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 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 condensed consolidated financial statements as at 30 June 2014.

Other Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2014, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

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

Long positions in share options of the Company:

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

Save as disclosed above, as at 30 June 2014, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

SHARE OPTION SCHEME

The Company operates share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The following share options were outstanding under the share option scheme at 1 January 2014 and at the end of the period:

Name or category of participant	Number of share options at 1 January 2014 and 30 June 2014	Date of grant of share options (Note 1)	Exercise period of share options (Note 2)	Exercise price of share options (Note 3) HK\$ per share
Executive Directors				
Ms Yu Li	16,339,690	10.6.2013	10.6.2014 to 9.6.2016	0.910
Mr Fang Hao	16,339,690	10.6.2013	10.6.2014 to 9.6.2016	0.910
Mr Zhou Bo Qin	16,339,690	10.6.2013	10.6.2014 to 9.6.2016	0.910
Mr Zhang Zhao Dong	10,514,050	5.12.2011	5.12.2012 to 4.12.2014	0.281
Mr Zhang Zhao Dong	16,339,690	10.6.2013	10.6.2014 to 9.6.2016	0.910
Mr Xie Ke Hai	10,514,050	5.12.2011	5.12.2012 to 4.12.2014	0.281
Mr Xie Ke Hai	16,339,690	10.6.2013	10.6.2014 to 9.6.2016	0.910
Subtotal	102,726,550			
Other employees of the Group				
In aggregate	10,514,050	5.12.2011	5.12.2012 to 4.12.2014	0.281
In aggregate	81,698,450	10.6.2013	10.6.2014 to 9.6.2016	0.910
Subtotal	92,212,500			
Other employee of the substantial shareholder of the Company				
In aggregate	10,514,050	5.12.2011	5.12.2012 to 4.12.2014	0.281
Total	205,453,100			

Other Information

Notes to the table of share options outstanding during the period:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. The options granted on 5 December 2011 are exercisable in the following two tranches:
 - (i) First 40% of the options are exercisable from 5 December 2012 to 4 December 2014; and
 - (ii) The remaining 60% of the options are exercisable from 5 December 2013 to 4 December 2014.

The options granted on 10 June 2013 are exercisable in the following two tranches:

- (i) First 40% of the options are exercisable from 10 June 2014 to 9 June 2016; and
 - (ii) The remaining 60% of the options are exercisable from 10 June 2015 to 9 June 2016.
3. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Other Information

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 30 June 2014, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
北大資產經營有限公司 (Peking University Asset Management Company Limited*)	1	Through a controlled corporation	1,756,288,254	73.24
北大資源集團有限公司 (Peking University Resources Group Co., Ltd.*)	2	Through a controlled corporation	1,756,288,254	73.24
北大資源集團控股有限公司 (Peking University Resources Group Holdings Co., Ltd.*)	3	Through a controlled corporation	1,756,288,254	73.24
北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder")	4	Through a controlled corporation	1,756,288,254	73.24
Founder Information (Hong Kong) Limited ("Founder Information")	5	Directly beneficially owned	1,756,288,254	73.24
Mr Zheng Fu Shuang		Directly beneficially owned	200,019,000	8.34

* For identification purpose only

Notes:

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

Other Information

3. Peking University Resources Group Holdings Co., Ltd. is deemed to be interested in the 1,756,288,254 shares of the Company under the SFO by virtue of its interest in Founder Information, which it agreed to acquire under the share transfer agreement entered into between Peking Founder and Peking University Resources Group Holdings Co., Ltd.. As at the date of interim report, the transfer of shares under the share transfer agreement is not yet completed.
4. Peking Founder is deemed to be interested in the 1,756,288,254 shares of the Company under the SFO by virtue of its interest in Founder Information.
5. Founder Information is interested in the 1,756,288,254 shares of the Company, out of which 427,906,976 shares are to be allotted and issued upon exercise of convertible bonds.

Save as disclosed above, as at 30 June 2014, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 2014. 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 2014.

PLACING OF NEW SHARES

On 27 November 2013, after trading hours, the Company entered into the placing agreement with the placing agent pursuant to which the placing agent conditionally agreed with the Company to endeavor to place up to 326,792,000 placing shares to not less than six placees which are professional, institutional or other investors, who and whose ultimate beneficial owners are independent third parties at the placing price of HK\$0.80 per placing share. The placing price of HK\$0.80 per placing share represented a discount of approximately 19.19% to the closing price of HK\$0.99 per share as quoted on the Stock Exchange on 27 November 2013.

The placing was completed on 23 December 2013. 326,792,000 placing shares was successfully placed at a price of HK\$0.80 per share pursuant to the placing agreement. The aggregate nominal value of the placing shares is HK\$32,679,200. The aggregate gross and net proceeds from the placing are approximately HK\$261.4 million and approximately HK\$260.0 million, respectively. The net price to the Company of each placing share, which is calculated by dividing the aggregate net proceeds from the placing by the total number of placing shares, is approximately HK\$0.796.

The directors of the Company consider the placing represents a good opportunity to raise additional funds and widen the Shareholder base of the Company. Accordingly, the directors consider that the Placing is in the interests of the Company and shareholders as a whole.

Other Information

To the best of the directors' knowledge, information and belief, having made all reasonable enquiries, the Placees and their ultimate beneficial owners are third parties independent of and are not connected with the Company and its connected persons.

Use of Proceeds

As at 30 June 2014, the net proceeds of the Placing had been fully utilized as intended as in approximately 50% of the net proceeds of the placing in the acquisition of new land and development of new projects and approximately 50% of the net proceeds as general working capital of the Group.

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 (the "Listing Rules") throughout the six months ended 30 June 2014, except for the following deviations:

Provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Ms Cao Qian, Independent Non-executive Director of the Company, could not attend the special general meeting of the Company held on 13 February 2014 and the annual general meeting of the company held on 30 May 2014 due to business commitment in the PRC. Ms Wong Lam Kit Yee, Independent Non-executive Director of the Company, could not attend the special general meeting of the Company held on 13 February 2014 due to other business commitment. However, all other independent non-executive directors of the Company were present thereat to be available to answer any question to ensure effective communication with shareholders of the Company.

Provision E.1.2 of the CG Code provides that the Chairman of the board should attend the annual general meeting. Ms Yu Li could not attend the special general meeting of the Company held on 13 February 2014 and the annual general meeting of the Company held on 30 May 2014 due to business commitment in the PRC. Mr Zhou Bo Qin, Executive Director of the Company, was present thereat to be available to answer questions at the special general meeting and the annual general meeting.

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 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.

Other Information

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's condensed consolidated interim financial statements for the six months ended 30 June 2014, including the accounting principles adopted by the Group, with the Company's management.

By Order of the Board
PEKING UNIVERSITY RESOURCES (HOLDINGS) COMPANY LIMITED
Yu Li
Chairwoman

Hong Kong
27 August 2014