



北大资源
PKU RESOURCES

PEKING UNIVERSITY RESOURCES
(HOLDINGS) COMPANY LIMITED

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

Stock Code 股份代號 : 00618

2017 INTERIM REPORT
中期報告

PKU
RESOURCES

北大資源(控股)有限公司

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Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr Cheung Shuen Lung (*Chairman*)
Mr Zeng Gang (*President*)
Ms Sun Min
Mr Shi Hua
Ms Liao Hang
Mr Zheng Fu Shuang

Independent non-executive directors

Mr Li Fat Chung
Ms Wong Lam Kit Yee
Mr Chan Chung Kik, Lewis

COMMITTEES

Audit Committee

Mr Li Fat Chung (*Chairman*)
Ms Wong Lam Kit Yee
Mr Chan Chung Kik, Lewis

Remuneration Committee

Mr Li Fat Chung (*Chairman*)
Mr Cheung Shuen Lung
Ms Wong Lam Kit Yee

Nomination Committee

Mr Cheung Shuen Lung (*Chairman*)
Ms Wong Lam Kit Yee
Mr Chan Chung Kik, Lewis

COMPANY SECRETARY

Ms Tang Yuk Bo, Yvonne

AUTHORISED REPRESENTATIVES

Mr Cheung Shuen Lung
Mr Zeng Gang

AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISERS

Jun He Law Offices

PRINCIPAL BANKERS

The Export-Import Bank of China
Bank of Beijing
Bank of Communications
Huaxia Bank
Pingan Bank
DBS Bank (Hong Kong) 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

MUFG Fund Services (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 WEBSITE

www.pku-resources.com

Chairman's Statements

Dear shareholders,

During the first half of 2017, against the complex and ever-changing environment at home and abroad, the Chinese government adhered to the general principle of “making progress while maintaining stability” and focused on the promotion of the structural reform of the supply side, thereby maintaining steady growth and good momentum of economic development with economic growth rate reaching 6.9% and better-than-expected performance of various indicators. The government spared no effort to tackle real estate and financial risks even in times of economic upturn. In particular, in response to the central government's emphasis on the residential nature of housing, local governments continued to roll out city-specific policies to control housing prices in a view to preventing property bubbles and clearing inventory at the same time. The upgrade of traditional policies regarding restrictions on purchase and loans, together with innovative policies on purchase restriction, has restrained speculative investment demand and gradually tightened the credit liquidity for both real estate supply and demand. Both policies are gradually taking effect. According to the data, the first-tier cities recorded the most significant decrease in terms of area transacted while the third- and fourth-tier cities showed better performance with turnover remained at a similar level of last year. Meanwhile, since most cities across China experienced a narrow price rise in aggregate as compared to the second half of last year, the overall price level has stabilized.

Under such complicated environment in the industry, the Board continued to implement the overall development strategy of “One Body Two Wings” with a view to further establish a first-class production, learning and research platform through vertical integration and horizontal alignment. Meanwhile, with quality and resources as core drivers, the Company continued to focus on enhancing quality, providing better services and optimizing customer experience and ensure strict compliance with the operation requirements for fast turnover, and hence delivered profitable growth. During the reporting period, the amount and area of contracted sales of real estate amounted to RMB7,196 million and 721,811 sq.m., representing an increase of 44% and 35% respectively as compared to the corresponding period last year. During the reporting period, the Company recorded revenue of HK\$5.86 billion and profit attributable to owners of the parent of HK\$71.7 million.

In terms of “One Body”, i.e. the establishment of a “first-class production, learning and research platform”, PKU has accelerated the vertical integration and horizontal alignment by actively initiating industry cooperation and resources consolidation. In the first half of the year, the Company and its subsidiaries (collectively the “Group”) pushed forward the development of its industrial-urban projects in an orderly manner by cooperating with various local governments, such as Kunming City, Yunnan, Jizhou District, Tianjin, Wenjiang District, Chengdu, Suining City, Sichuan, Danzhou City, Hainan, Zhengding New District, Shijiazhuang, Huizhou City, Guangdong, etc., and by approaching various enterprises for cooperation opportunities, such as LG Group, COFCO Group, China Environmental Water Holdings, Domusvi (France) Group, Shanghai Lingang Group and Beijing 798 Art Zone, etc. Meanwhile, the Group has commenced industry cooperation with Peking University Science Park, PKU Healthcare, Founder Information Industry Group, Founder Life, Founder H Fund and Founder Education Group (all being subsidiaries under the same shareholder), with a view to facilitating the commencement of integrated industrial-urban businesses.

In terms of “Two Wings”, i.e. “Quality plus Resources”, the Group has strived for providing craftsmanship products in respect of its precisely-fabricated products and integrating resources for better service. At the beginning of 2017, the Group officially upgraded and announced its corporate positioning as a “New Eco-City Operator”, and launched its new product strategy with a focus on “CITY+ and LIFE+”. Two product systems named “CITY+ Charming City (CITY+ 魅力城市)” and “LIFE+ Energetic Community (LIFE+活力社區)” were also launched. Among the projects on sale during the first half of the year, various projects achieved product premium with an average premium rate of 14% over the peripheral products. The projects under the Group in Chengdu, Wuhan, Zhuzhou, Yichang and Kunshan have become the benchmarks for price determination and product quality improvement in the local markets. Focusing on the building quality community and charming city, the Group has established a community service system featuring its unique characteristics in respect of ancillary services, providing a high-quality life style through community cultural centers and community health management centers. It has also joined hands with

Chairman's Statements

the International Butler Academy to facilitate the connection of international property services. Besides, the Group has launched the "PKU Program" (源計劃), covering activities such as PKU Growth (源成長), PKU Health (源健康), PKU Book Club (源書館), PKU Community (源客會) and PKU Social Charity (源公益), with a view to demonstrating humanity and care of PKU to its customers.

To accelerate business development and strategic transformation, the Group has exerted great efforts in enhancing corporate management level and developing innovative management models. During the reporting period, it continued to deepen the operation control system by launching centralized marketing system, adopting CRM system for customer management as well as channel management and establishment, developing a cost control system adhering to the principle of "involving all staff in all processes with control over total cost" and strengthening redeployment and training for workforce, which formed a market-oriented and professional talent pool and control mechanism, thus promoting business development in an effective manner.

The Group has also attached great importance to and proactively performed its corporate social responsibility through charitable educational assistance, poverty alleviation and voluntary teaching activities. In the first half of the year, it contributed donations to building the "PKU Resources Library" (北大資源圖書館) in Jinggangshan Huangao Zhongxin Primary School (井岡山黃坳中心小學) and provided resources in the "Practice Base of Educational Assistance for Party Members" (愛心助學黨員實踐基地), with a view to providing support in the journey of growth for over 1,000 students with knowledge and love. Besides, the Group also launched charitable campaigns, poverty alleviation and voluntary teaching activities in Kunming, Guiyang, Wuhan, Chengdu, Jinggangshan, Jinan and other cities, which received encouraging response from the society.

Looking forward to the second half of the year, the economy will be stable with slowing growth. Against the backdrop of financial deleveraging, the liquidity supply of commercial banks will tighten and the regulation in respect of the real estate will be more stringent with possible comprehensive adjustment on the real estate market in the second half of the year. However, following the promotion of strategies such as the national innovation-driven strategy, the "innovation and venture" strategy, modern urbanization and establishment of unique small towns, there remains huge room for the future development of the real estate industry in the long run. In view of the above, the Group will actively respond to the national strategies of innovation-driven and "innovation and venture" development by adhering to the integrated industrial-urban development model, steadily promoting the implementation of the strategy of "One Body Two Wings" and accelerating the consolidation of foundation for core business development. The goal of which is to contribute intelligence and energy, cultural attractiveness and economic drivers to the cities with industries covering technology, health, cultural innovation and science education while facilitating modern urbanization with industry development, with a view to striving for the development of a first-class platform for production, learning and research in China, thus becoming the leader of the integrated industrial-urban development model in China.

I would like to take this opportunity to extend my sincere gratitude to the shareholders, management and all staff of the Group for their hard work, and to our customers, business partners and all sectors of the community for their support. All staff of the Group will continue to strive for innovation in a realistic and pragmatic manner, with a view to maximizing the values for shareholders, the Company and the society with more outstanding performance.

Cheung Shuen Lung
Chairman

30 August 2017

Management Discussion and Analysis

MARKET REVIEW

During the first half of 2017, against the complex and ever-changing environment at home and abroad, the Chinese government adhered to the general principle of “making progress while maintaining stability” and focused on the promotion of the structural reform of the supply side, thereby maintaining steady growth and good momentum of economic development with economic growth rate reaching 6.9% and better-than-expected performance of various indicators. The government spared no effort to tackle real estate and financial risks even in times of economic upturn. In particular, in response to the central government’s emphasis on the residential nature of housing, local governments continued to roll out city-specific policies to control housing prices in a view to preventing property bubbles and clearing inventory at the same time. The upgrade of traditional policies regarding restrictions on purchase and loans, together with innovative policies on purchase restriction, has restrained speculative investment demand and gradually tightened the credit liquidity for both real estate supply and demand. Both policies are gradually taking effect. According to the data, the first-tier cities recorded the most significant decrease in terms of area transacted while the third- and fourth-tier cities showed better performance with turnover remained at a similar level of last year. Meanwhile, since most cities across China experienced a narrow price rise in aggregate as compared to the second half of last year, the overall price level has stabilized.

OVERALL PERFORMANCE

The Group reported a profit attributable to owners of the Company for the six months ended 30 June 2017 of approximately HK\$71.7 million (six months ended 30 June 2016: HK\$138.5 million). The Group’s revenue for the current interim period has decreased by 16.2% to approximately HK\$5,864.9 million (six months ended 30 June 2016: HK\$6,994.7 million) as a result of decrease in sales in property development business. The Group’s gross profit has decreased by 41.4% to approximately HK\$542.6 million (six months ended 30 June 2016: HK\$926.2 million). The gross profit margin decreased from last interim period’s 13.2% to current interim period’s 9.3% 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 increased by 4.4% to approximately HK\$379.1 million (six months ended 30 June 2016: HK\$363.0 million).

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

- a. a decrease in revenue by 16.2% to approximately HK\$5,864.9 million (six months ended 30 June 2016: HK\$6,994.7 million) as a result of decrease in sales in property development business;
- b. an increase in selling and distribution expenses and administrative expenses by 4.4% to approximately HK\$379.1 million (six months ended 30 June 2016: HK\$363.0 million) as attributable to the expansion of the property development business;
- c. an increase in finance cost by approximately HK\$13.2 million to HK\$32.2 million (six months ended 30 June 2016: HK\$19.0 million) as a result of increase in average bank borrowings for the property development business; and
- d. a decrease in income tax expenses by HK\$312.1 million to approximately HK\$82.7 million (six months ended 30 June 2016: HK\$394.8 million) as a result of decrease in corporate income tax and land appreciation tax in the People’s Republic of China (the “PRC”) during the current interim period.

Basic and diluted earnings per share attributable to equity holders of the Company for the current interim period were HK1.20 cents (six months ended 30 June 2016: HK2.31 cents) and HK1.12 cents (six months ended 30 June 2016: HK2.12 cents), respectively.

Management Discussion and Analysis

OPERATING REVIEW

Real Estate Business

Property Development

The turnover of the property development business of the Group for the current interim period decreased by 53.7% to approximately HK\$2,220.7 million (six months ended 30 June 2016: HK\$4,793.1 million) due to the uneven delivery schedule of development properties between first and second half of the year 2017. The segment results recorded a profit of approximately HK\$173.5 million (six months ended 30 June 2016: HK\$583.1 million). The decline in segment results was in line with decline in segment revenue.

During the first half of 2017, the Group proactively pushed forward its property development as planned. As at 30 June 2017, a total of 28 projects were under construction, with a total area under construction reaching 7,465,000 sq.m..

During January to June 2017, 22 projects of the Group were on sale. Contracted sales of properties and contracted GFA amounted to approximately RMB7,196 million and 721,811 sq.m., respectively, with average selling price being RMB9,970 per sq.m.. Contracted sales increased by 43.9% as compared to the corresponding period of last year. Contracted sales were mainly from property projects such as Foshan Boya Binjiang, Tianjin Yuecheng, Wuhan Shanshuinianhua, Chongqing Yannan, Hangzhou Wei Ming Mansion, Guiyang Dream City, Chengdu Yihe Emerald Mansion, Yihe Yajun, Zhuzhou Emerald Park and Kunshan Licheng, etc.

As at 30 June 2017, the Group had a total of 15 property development projects in 28 cities across China, with a land bank of approximately 3,178,799 sq.m.. There was a significant increase in the number of the Group's real estate development projects as compared to the corresponding period last year. The Group will proactively increase its reserve of integrated industrial-urban projects and grasp the opportunities to expand into regional hub cities and suburban areas with great development potential, high density of population and sound industrial fundamentals in the second half of the year with a view to implementing its integrated industrial-urban development model.

Dongguan Huangjiang Park 1898 Project

The project occupies a site area of approximately 61,700 sq.m. and has a total gross floor area of 132,300 sq.m.. It enjoys an excellent geographical location with a linear distance of 20 km from Shenzhen Guangming New District and 30 km from Shenzhen Longhua District, respectively, offering easy access to ancillary facilities in the CBD of Guangming New District and Longhua District. Located at the center of Huangjiang town, the project is only 500 meters away from the central business circle of Huangjiang and the 200,000 sq.m. Huangjiang Renmin Park resides just on the other side of the road, allowing it to share both the ancillary facilities of the city centre and city park. The project is surrounded by six expressways and thus enjoys distinctive advantages in transportation. It takes only 30 minutes-drive from Shenzhen to Huangjiang through Dongguan-Shenzhen Expressway. In the future, light rail lines R1 and R4 will pass through the surrounding area of the project. The project will be within 1,000 meter of walking distance from Huangjiang North station on R1 line, which will be connected to Shenzhen Metro Line 6, such that project is literally 6 stops away from Shenzhen.

Management Discussion and Analysis

Wuhang Zhongbei Road Project

Located at the core section of Zhongbei Road, the project is connected to the developed road network in the surrounding area and has quick access to the “Three Towns in Wuhang”, providing it with distinctive advantages in transportation and great convenience for business. The region is less than 5 km away from the two major commercial districts, namely Zhongnan District and Xudong District. There are 5-star hotels, 5A-grade office buildings, shopping centers and commercial streets in the proximity with different kinds of comprehensive ancillary facilities. Given the prominent commercial value, land resource is scarce in the region. The project is close to “Zhongbei Spring (中北春天)” project, a residential project with a total gross floor area of 102,500 sq.m., in the east, Decheng Center office building (5A grade) in the south, Zhongbei Road which is 40 meters wide with a frontage of 280 meters long in the west and Chejialing street with a widening project under planning in the north.

The project has a planned net site area of 19,700 sq.m., a plot ratio of 7.0 and a maximum gross floor area of 138,000 sq.m. It adopts a twin tower layout, comprising a north tower of about 230 meters tall and a south tower of 120 meters tall, respectively. The products will adhere to the planning concept of commercial, technology and ecology, which will serve as the foundation for developing into a regional landmark for business complex. A number of financial enterprises, including PKU Founder Life, Guotong Trust, Founder Securities, Founder Technology, Huaxia Bank, etc., are potential tenants of the property, while other tenants from the fashion and retail industry such as Starbucks, Pizza Hut, Wastons and Mannings will also be introduced in the future.

Chengdu Xinchuan 35-acre Project

Situated at south of First City in Chengdu (成都國際城) and adjacent to Tianfu Avenue, the central axis of the city, the project serves a portal to Xinchuan Technology Park (新川科技園). Occupying a prime location, the project is connected to the two major traffic arteries in Tianfu New District, namely Tianfu Avenue and the South Extension of Hongxing Road, and in close proximity to Metro Line 1 (within about 400 meters). It also enjoys advantageous leisure resources as it resides right next to the Heartland of Xinchuan Park (新川之心公園). This 35-acre project is a milestone project of PKU Resources’s industrial-urban integration in Southwest China with full use of the superior geographical location of the project and the advantages of Peking University in terms of education resources. The project is positioned as “Tianfu Center • Xinchuan Portal • first-class humanities education and leisure project (天府中心 • 新川門戶 • 鼎級人文教育休閒項目)”. According to market research, the market expectation in respect of this positioning of residents and commercial clients in this region has improved.

Currently, the distribution of properties under this project was as follows: (1) 60% self-owned properties (66,200 sq.m.), comprising high-end A grade office buildings, humanities education and commercial properties and branded hotels, etc.; and (2) 40% sales properties (41,700 sq.m.), which are positioned to serve the high-end sector and to improve the living community of the public.

Management Discussion and Analysis

List of other quality projects

Name of project	Location	Planned gross floor area (sq. m.)
Emerald Park	Lusong District, Zhuzhou	552,886
Yuelai	Yubei District, Chongqing	293,380
Boya East	Beibu New District, Chongqing	452,993
Boya	Beibu New District, Chongqing	364,874
Jiangshan Mingmen	Jiangbei District, Chongqing	528,775
Yannan	Jiulongpo District, Chongqing	552,026
Wei Ming Mansion	Yuhang District, Hangzhou	178,901
Ideal Home G70	Yuelu District, Changsha	189,859
Time G65	Yuelu District, Changsha	131,452
Xishanyue, Yihe Yajun	Xinjin County, Chengdu	135,700
Shanshuinianhua	Jiangxia District, Wuhan	275,717
Zhongbei Road Project	Wuchang District, Wuhan	182,267
Yuefu	Dongli District, Tianjin	235,720
Yuecheng	Hexi District, Tianjin	317,800
Lianhu Jincheng	Ezhou City, Wuhan	To be determined
		(Note)
PKU Resources Plaza	Laoshan District, Qingdao	103,500
Xinduxinyuan	Shibei District, Qingdao	59,975
Licheng	Kunshan City, Suzhou	736,634
Botai City	Xishan District, Kunming	272,286
PKU Resources City	Longting District, Kaifeng	332,100
Dream City	Guanshanhu District, Guiyang	780,190
Boya Binjiang	Sanshui District, Foshan	697,502
Lianhu Jincheng	Huarong District, Ezhou	661,856
Huang Jiang Project	Huangjiang Town, Dongguan	135,763
Zhangmutou Project	Zhangmutou Town, Dongguan	23,926
Yannan International	Shuangliu District, Chengdu	381,086
Yihe Emerald Mansion	High-tech Zone, Chengdu	149,108
Park 1898	Shuangliu District, Chengdu	155,883
Xinchuan Technology Park 35-acre Project	High-tech Zone, Chengdu	104,360

Note: The planning and indicators of this project is still under negotiation.

Property Investment

The turnover of property investment business increased by 34.8% to approximately HK\$8.0 million (six months ended 30 June 2016: HK\$5.9 million). The segment results recorded a profit of approximately HK\$3.3 million (six months ended 30 June 2016: HK\$4.8 million).

Wuhan International Building, an investment property project held or entrusted by the Group, is located on Dandong Road, Jiangnan District, which is a flourishing block in Wuhan City, Hubei Province, with a total GFA of 26,963 sq.m.. In the first half of 2017, Wuhan International Building realized an accumulated rental income of RMB4.96 million, with an occupancy rate of approximately 99%.

Management Discussion and Analysis

Distribution Business

Distribution of Information Products

The distribution business of the Group recorded a turnover of approximately HK\$3,636.2 million representing an increase of 65.6% as compared to last interim period (six months ended 30 June 2016: HK\$2,195.7 million). The segment results recorded a profit of HK\$53.9 million (six months ended 30 June 2016: HK\$5.2 million). The improvement in segment results was due to increase in segment revenue during the current interim period.

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

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

PROSPECTS

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

Real Estate Business

Looking forward to the second half of the year, the economy will experience a slowdown while maintaining stability and is expected to show an upward trend followed by a decline during the year. Against the backdrop of de-leveraging in the financial sector, tightened liquidity of commercial banks and stricter regulatory control over real estates, the credit granted to the real estate industry was limited. Hence, the real estate industry is now facing a capital environment under a "directional rate hike". With further strengthened adjustment and control, the real estate market may be subject to a comprehensive adjustment in the second half of the year.

The Group will continue to work diligently on its operations in cities where it has already established its presence and focus on faster inventory clearance to recoup funds. Meanwhile, the Group will also step up its efforts in industrial-urban integration with an aim to promote modern urbanization with industry development as a driving force, thereby bringing wisdom, vitality, cultural appeal and economic momentum to the cities through technology, healthcare, cultural creativity as well as science and education industries.

Accordingly, by adhering to the development strategy of "One Body Two Wings" that takes the "first-class production, learning and research platform" as corporate foundation and adopts "quality plus resources" as key drivers, we will continue to optimize our integrated industrial-urban development model both vertically and horizontally and strive to achieve leap-forward development with a focus on "technology and intelligence" and "big healthcare" industries.

Distribution Business

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

Management Discussion and Analysis

EMPLOYEE

The Group has developed its human resources policies and procedures based on performance and merits. The Group ensures that the pay level of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus systems. The Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance. The Group operates share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group's operations. The Group had not granted any share options to its eligible directors and employees during the current interim period. The Group has approximately 1,473 employees as at 30 June 2017 (31 December 2016: 1,367).

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

During the current interim period, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and China. As at 30 June 2017, the Group had approximately HK\$26,840.5 million interest-bearing bank and other borrowings (31 December 2016: HK\$25,165.8 million), of which approximately HK\$446.9 million (31 December 2016: HK\$390.6 million) were floating interest bearing and HK\$26,393.6 million (31 December 2016: HK\$24,775.2 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.

Interest-bearing bank and other borrowings are denominated in Renminbi ("RMB") and United States Dollars ("U.S. dollars"), of which HK\$14,907.8 million (31 December 2016: HK\$10,215.0 million) were repayable within one year and HK\$11,932.7 million (31 December 2016: HK\$14,950.8 million) were repayable within two to five years. The Group's banking facilities were secured by corporate guarantee given by the Company, Peking Founder and PKU Resources, and certain of the properties under development, properties held for sale and bank deposits.

As at 30 June 2017, the Group recorded total assets of approximately HK\$52,975.0 million (31 December 2016: HK\$49,212.7 million) which were financed by liabilities of approximately HK\$50,921.4 million (31 December 2016: HK\$47,324.3 million), non-controlling interests of approximately HK\$98.6 million (31 December 2016: HK\$62.1 million) and equity attributable to owners of the parent of approximately HK\$1,955.0 million (31 December 2016: HK\$1,826.3 million). The increase in equity was attributable to profit for the current interim period.

The Group's net asset value per share as at 30 June 2017 was HK\$0.34 (31 December 2016: HK\$0.32). The increase in net asset value per share was attributable to profit for the current interim period.

The Group had total cash and cash equivalents and restricted cash of approximately HK\$4,066.4 million as at 30 June 2017 (31 December 2016: HK\$4,461.4 million). As at 30 June 2017, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total equity, was 13.07 (31 December 2016: 13.33) while the Group's current ratio was 1.35 (31 December 2016: 1.51). As at 30 June 2017, the capital commitments for contracted, but not provided for, properties under development were approximately HK\$5,949.2 million (31 December 2016: HK\$7,327.9 million).

Treasury policies

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

Management Discussion and Analysis

Exposure to fluctuations in exchange rates and related hedges

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

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no acquisition or disposal of subsidiaries, associates and joint ventures for the six months ended 30 June 2017.

Charges on assets

As at 30 June 2017, the Group's properties under development of approximately HK\$24,507.1 million, properties held for sale of approximately HK\$347.7 million and bank deposits of approximately HK\$2,196.5 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 2017, 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\$6,576.9 million (31 December 2016: HK\$3,606.7 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 realizable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made for the guarantees in the condensed consolidated financial information as at 30 June 2017.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the "Board") of Peking University Resources (Holdings) Company Limited (the "Company") is pleased to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016. This condensed consolidated interim financial information has not been audited, but has been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
REVENUE	4	5,864,857	6,994,671
Cost of sales		(5,322,291)	(6,068,466)
Gross profit		542,566	926,205
Other income and gains	4	57,539	22,275
Selling and distribution expenses		(204,199)	(193,579)
Administrative expenses		(174,948)	(169,420)
Other expenses and losses, net		(6,775)	1,143
Finance costs	5	(32,225)	(19,018)
Share of loss of an associate		(1,230)	(1,370)
PROFIT BEFORE TAX	6	180,728	566,236
Income tax expense	7	(82,721)	(394,834)
PROFIT FOR THE PERIOD		98,007	171,402
Attributable to:			
Owners of the parent		71,729	138,502
Non-controlling interests		26,278	32,900
		98,007	171,402
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		HK1.20 cents	HK2.31 cents
Diluted		HK1.12 cents	HK2.12 cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
PROFIT FOR THE PERIOD	98,007	171,402
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	67,178	(55,291)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	67,178	(55,291)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	165,185	116,111
Attributable to:		
Owners of the parent	128,679	92,551
Non-controlling interests	36,506	23,560
	165,185	116,111

Condensed Consolidated Statement of Financial Position

30 June 2017

	Notes	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	120,331	123,482
Investment properties		482,396	474,787
Prepaid land lease payments		13,787	13,633
Goodwill		–	–
Other intangible assets		1,268	1,246
Investment in an associate		10,401	11,632
Total non-current assets		628,183	624,780
CURRENT ASSETS			
Properties under development		36,977,245	36,012,924
Properties held for sale		6,230,194	4,504,614
Inventories		481,132	397,797
Trade and bills receivables	11	1,426,914	1,039,063
Prepayments, deposits and other receivables		2,398,560	1,616,502
Prepaid tax		766,344	555,614
Restricted cash	12	2,196,547	2,081,276
Cash and cash equivalents		1,869,901	2,380,113
Total current assets		52,346,837	48,587,903
CURRENT LIABILITIES			
Trade and bills payables	13	4,059,925	4,790,420
Other payables and accruals		19,585,626	16,749,635
Interest-bearing bank and other borrowings		14,907,848	10,215,000
Tax payable		294,813	473,540
Total current liabilities		38,848,212	32,228,595
NET CURRENT ASSETS		13,498,625	16,359,308
TOTAL ASSETS LESS CURRENT LIABILITIES		14,126,808	16,984,088

Condensed Consolidated Statement of Financial Position

30 June 2017

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	14,126,808	16,984,088
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	11,932,693	14,950,762
Deferred tax liabilities	140,517	144,913
Total non-current liabilities	12,073,210	15,095,675
Net assets	2,053,598	1,888,413
EQUITY		
Equity attributable to owners of the parent		
Issued capital	598,825	598,825
Reserves	1,356,180	1,227,501
	1,955,005	1,826,326
Non-controlling interests	98,593	62,087
Total equity	2,053,598	1,888,413

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the parent												
	Issued capital	Share		Merger reserve	Non-controlling interests		Exchange fluctuation reserve	General reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
		premium account	Contributed surplus		interests reserve	fluctuation reserve							
		HK\$'000	HK\$'000		HK\$'000	HK\$'000							
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
At 1 January 2017	598,825	2,600,001	520,156	(304,322)	(172,945)	(213,799)	111,453	132,108	(1,445,151)	1,826,326	62,087	1,888,413	
Profit for the period	-	-	-	-	-	-	-	-	71,729	71,729	26,278	98,007	
Other comprehensive income for the period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	56,950	-	-	-	56,950	10,228	67,178	
Total comprehensive income for the period	-	-	-	-	-	56,950	-	-	71,729	128,679	36,506	165,188	
At 30 June 2017	598,825	2,600,001*	520,156*	(304,322)*	(172,945)*	(156,849)*	111,453*	132,108*	(1,373,422)*	1,955,005	98,593	2,053,598	

* These reserve accounts comprise the consolidated reserves of HK\$1,356,180,000 (31 December 2016: HK\$1,227,501,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the parent												Total equity
	Issued capital	Share premium account	Employee share-based compensation reserve	Contributed surplus	Merger reserve	Non-controlling interests reserve	Exchange fluctuation reserve	General reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2016	598,825	2,600,001	44,962	520,156	(304,322)	(172,945)	(79,080)	61,913	132,108	(1,162,186)	2,239,432	225,298	2,464,730
Profit for the period	-	-	-	-	-	-	-	-	-	138,502	138,502	32,900	171,402
Other comprehensive loss for the period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(45,951)	-	-	-	(45,951)	(9,340)	(55,291)
Total comprehensive income for the period	-	-	-	-	-	-	(45,951)	-	-	138,502	92,551	23,560	116,111
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	17,096	17,096
At 30 June 2016	598,825	2,600,001	44,962	520,156	(304,322)	(172,945)	(125,031)	61,913	132,108	(1,023,684)	2,331,983	265,954	2,597,937

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		180,728	566,236
Adjustments for:			
Finance costs	5	32,225	19,018
Share of loss of an associate		1,230	1,370
Interest income	4	(7,540)	(10,347)
Depreciation		11,767	11,283
Loss on disposal of items of property, plant and equipment	6	13	202
Amortisation of other intangible assets		221	311
Amortisation of prepaid land lease payments		227	559
Impairment/(reversal of impairment) of trade receivables	6	6,045	(2,096)
Impairment of prepayments, deposits and other receivables	6	717	751
Reversal of write-back of trade payables	6	–	2,948
Provision for obsolete inventories	6	5,186	9,530
Reversal of impairment of properties under development	6	(21,310)	–
Reversal of impairment of properties held for sale	6	(43,813)	–
		165,696	599,765
Increase in inventories		(88,521)	(148,328)
Decrease in properties under development		1,041,886	855,224
Decrease/(increase) in properties held for sale		(1,681,767)	158,003
Decrease/(increase) in trade and bills receivables		(393,896)	6,807
Increase in prepayments, deposits and other receivables		(782,729)	(287,599)
Decrease in trade and bills payables		(730,495)	(385,582)
Increase in other payables and accruals		2,816,424	1,152,297
Decrease in the long term payable		–	(177,699)
Effect of foreign exchange rate changes, net		(292,307)	(13,235)
Cash from operations		54,291	1,759,653
Interest received		7,540	10,347
Interest paid		(1,160,470)	(996,196)
Mainland China corporate income tax paid		(303,302)	(172,986)
Mainland China land appreciation tax paid		(178,274)	(39,155)
Net cash flows from/(used in) operating activities		(1,580,215)	561,663

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Net cash flows from/(used in) operating activities	(1,580,215)	561,663
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(6,552)	(13,137)
Purchases of intangible assets	(215)	(153)
Proceeds from disposal of items of property, plant and equipment	455	2,744
Decrease/(increase) in restricted cash	(115,271)	42,003
Net cash flows from/(used in) investing activities	(121,583)	31,457
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	5,336,400	5,485,745
Repayment of bank and other borrowings	(4,245,826)	(5,107,193)
Net cash flows from financing activities	1,090,574	378,552
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(611,224)	971,672
Cash and cash equivalents at beginning of period	2,380,113	1,838,246
Effect of foreign exchange rate changes, net	101,012	(46,970)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,869,901	2,762,948
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,869,901	2,762,948
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and condensed consolidated statement of cash flows	1,869,901	2,762,948

Notes to the Condensed Consolidated Interim Financial Information

30 June 2017

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 2017, the Company was owned as to approximately 57.15% by Founder Information (Hong Kong) Limited ("Founder Information") which was in turn owned as to approximately 97.36% by 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"). In the opinion of the directors, the ultimate holding company is 北大資產經營有限公司 (Peking University Asset Management Company Limited*) ("PKU Asset Management"), which is established in the People's Republic of China (the "PRC").

* For identification purposes only

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 June 2017 is prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 *Interim Financial Reporting*.

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are the same as these used in the annual financial statements for the year ended 31 December 2016, except in relation to the following revised Hong Kong Financial Reporting Standards ("HKFRSs") that affect the Group and are adopted for the first time for the current period's financial information:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
<i>Annual Improvements</i> 2014–2016 Cycle	Amendments to a number of HKFRSs

The adoption of the above revised HKFRSs had no significant impact on the Group's condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

30 June 2017

3. OPERATING SEGMENT INFORMATION

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit before tax. The adjusted profit/(loss) 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 and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

For the six months ended 30 June

	Distribution of information products		Property development		Property investment		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	(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	3,636,154	2,195,654	2,220,715	4,793,093	7,988	5,924	5,864,857	6,994,671
Segment results	53,941	5,174	173,488	583,071	3,311	4,819	230,740	593,064
Reconciliation:								
Interest income							7,540	10,347
Corporate and unallocated expenses							(25,327)	(18,157)
Finance costs							(32,225)	(19,018)
Profit before tax							180,728	566,236

Geographic information

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

Information about a major customer

During the period, there was no revenue from sales to an external customer which accounted for 10% or more of the Group's total revenue (six months ended 30 June 2016: Nil).

Notes to the Condensed Consolidated Interim Financial Information

30 June 2017

4. REVENUE, OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue		
Sales of goods	3,636,154	2,195,654
Sales of properties	2,220,715	4,793,093
Gross rental income	7,988	5,924
	5,864,857	6,994,671
Other income		
Interest income	7,540	10,347
Management and consultancy service fee income	20,835	6,905
Government grants*	17,163	–
Others	2,811	909
	48,349	18,161
Gains		
Reversal of write-back of trade payables	–	2,948
Foreign exchange differences, net	9,190	1,166
	9,190	4,114
	57,539	22,275

* Government grants were granted to support the Company's subsidiaries in certain provinces in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

Notes to the Condensed Consolidated Interim Financial Information

30 June 2017

5. FINANCE COSTS

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on bank loans	96,286	341,981
Interest on other loans	751,466	537,203
Interest on loans from a subsidiary of Peking Founder	17,079	7,272
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	311,177	227,462
Interest on discounted bills	4,029	7,035
Total interest expenses	1,180,037	1,120,953
Less: Interest capitalised	(1,147,812)	(1,101,935)
	32,225	19,018

* For identification purposes only

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Depreciation and amortisation	12,215	12,153
Impairment/(reversal of impairment) of trade receivables	6,045	(2,096)
Impairment of prepayments, deposits and other receivables	717	751
Provision for obsolete inventories	5,186	9,530
Reversal of impairment of properties under development	(21,310)	–
Reversal of impairment of properties held for sale	(43,813)	–
Reversal of write-back of trade payables	–	2,948
Loss on disposal of items of property, plant and equipment	13	202

Notes to the Condensed Consolidated Interim Financial Information

30 June 2017

7. INCOME TAX

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current		
PRC corporate income tax	59,468	185,506
PRC land appreciation tax	32,651	228,807
Deferred	92,119 (9,398)	414,313 (19,479)
Total tax charge for the period	82,721	394,834

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2016: Nil).

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2016: 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.

8. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

Notes to the Condensed Consolidated Interim Financial Information

30 June 2017

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of HK\$71,729,000 (six months ended 30 June 2016: HK\$138,502,000), and the weighted average number of ordinary shares of 5,988,248,671 (six months ended 30 June 2016: 5,988,248,671) in issue during the period.

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

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

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	71,729	138,502
	Number of shares For the six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	5,988,248,671	5,988,248,671
Effect of dilution – weighted average number of ordinary shares: Convertible bonds classified as equity	427,906,976	538,324,279
	6,416,155,647	6,526,572,950

Notes to the Condensed Consolidated Interim Financial Information

30 June 2017

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment at a total cost of HK\$6,552,000 (six months ended 30 June 2016: HK\$13,137,000), and disposed of items of property, plant and equipment with a total net carrying amount of HK\$468,000 (six months ended 30 June 2016: HK\$2,837,000).

During the six months ended 30 June 2017, there was no transferred items of property, plant and equipment from properties under development (six months ended 30 June 2016: HK\$59,587,000).

11. TRADE AND BILLS RECEIVABLES

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Trade receivables	1,296,783	946,530
Bills receivable	151,312	107,263
	1,448,095	1,053,793
Impairment	(21,181)	(14,730)
	1,426,914	1,039,063

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.

Notes to the Condensed Consolidated Interim Financial Information

30 June 2017

11. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within 6 months	1,392,636	1,017,435
7 to 12 months	34,218	17,917
13 to 24 months	60	3,711
	1,426,914	1,039,063

As at 30 June 2017, certain of the Group's bills receivable with an aggregate carrying amount of approximately HK\$70,349,000 (31 December 2016: HK\$58,249,000) were pledged to banks to secure certain of the Group's bills payable.

As at 30 June 2017, included in the Group's trade and bills receivables are amounts due from fellow subsidiaries of approximately HK\$38,766,000 (31 December 2016: HK\$26,646,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

12. 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 is deposited with creditworthy banks with no recent history of default. The carrying amount of the restricted cash approximates to its fair value.

Notes to the Condensed Consolidated Interim Financial Information

30 June 2017

13. TRADE AND BILLS PAYABLES

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Trade payables	4,037,590	4,414,445
Bills payable	22,335	375,975
	4,059,925	4,790,420

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within 6 months	3,904,850	4,751,844
Over 6 months	155,075	38,576
	4,059,925	4,790,420

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

As at 30 June 2017, included in the Group's trade and bills payables are amounts due to fellow subsidiaries of approximately HK\$2,399,000 (31 December 2016: HK\$23,143,000), which are repayable on credit terms similar to those offered by the Group to their major suppliers.

Notes to the Condensed Consolidated Interim Financial Information

30 June 2017

14. RELATED PARTY TRANSACTIONS

Transactions and balances with related parties

- (a) In addition to the related party transactions and balances disclosed elsewhere in this condensed consolidated interim financial information, the Group had the following material transactions and balances with related parties during the period:

	Notes	For the six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Transactions with fellow subsidiaries:			
Sales of goods	(i)	9,232	25,183
Purchases of goods	(i)	7,538	5,562
Service fee income	(i)	18,272	6,905
Rental income	(i)	74	–
Service fee expenses	(i)	13,773	11,142
Interest income	(ii)	41	403
Interest expenses	(iii)	220,986	234,734
Transactions with an intermediate holding company:			
Sales of goods	(i)	102	6

Notes:

- (i) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.
- (ii) Interest income was attributable to the deposits placed with 北大方正集團財務有限公司 (PKU Founder Group Finance Co., Ltd.) ("Founder Finance"), which are unsecured and bear interest at rates ranging from 0.455% to 1.455% per annum.
- (iii) Interest expenses were attributable to the loans from PKU Resources, which are unsecured and bear interest at rates of 8% or 12% per annum.
- (b) Included in the Group's interest-bearing bank and other borrowing are loans from PKU Resources amounting to HK\$4,921,375,000 (31 December 2016: HK\$5,130,584,000), which are unsecured, interest-bearing at rates ranging from 8% to 12%, among which HK\$2,196,791,000 (31 December 2016: Nil) will be repayable within one year.
- (c) Included in the Group's other receivables are amounts due from the immediate holding company, an intermediate holding company and fellow subsidiaries amounting to Nil, HK\$4,000 and HK\$71,523,000 (31 December 2016: HK\$168,881,000, Nil and HK\$42,182,000), respectively, which are unsecured, interest-free and have no fixed terms of repayment.
- (d) Included in the Group's other payables are amounts due to the immediate holding company, an intermediate holding company and fellow subsidiaries amounting to HK\$943,658,000, HK\$759,932,000 and HK\$168,268,000 (31 December 2016: HK\$1,908,761,000, HK\$1,261,296,000 and HK\$364,095,000) respectively, which are unsecured, interest-free and have no fixed terms of repayment.

Notes to the Condensed Consolidated Interim Financial Information

30 June 2017

14. RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Short term employee benefits	189	383
Total compensation paid to key management personnel	189	383

15. CONTINGENT LIABILITIES

As at 30 June 2017, 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\$6,576,859,000 (31 December 2016: HK\$3,606,716,000). 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 interim financial information as at 30 June 2017.

16. PLEDGE OF ASSETS

At the end of the reporting period, the Group had the following assets pledged to its bank and other borrowings:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Properties under development	24,507,107	27,755,701
Properties held for sales	347,706	389,431
	24,854,813	28,145,132

Notes to the Condensed Consolidated Interim Financial Information

30 June 2017

17. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from two to fifteen 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 the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within one year	25,308	20,165
In the second to fifth years, inclusive	63,910	55,509
After five years	13,363	20,859
	102,581	96,533

(b) As lessee

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

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within one year	12,783	13,709
In the second to fifth years, inclusive	2,186	8,290
	14,969	21,999

Notes to the Condensed Consolidated Interim Financial Information

30 June 2017

18. COMMITMENTS

In addition to the operating lease commitments detailed in note 17(b) above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Contracted, but not provided for: Properties under development	5,949,169	7,327,874

19. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial information was approved and authorised for issue by the board of directors on 30 August 2017.

Other Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests and short positions of the directors in the share Capital, Underlying Shares and debentures 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	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation (Note)	Total	
Mr Zheng Fu Shuang	200,019,000	584,984,000	785,003,000	13.11

Note: Mr Zheng Fu Shuang is interested in the 584,984,000 shares of the Company, through Starry Nation Limited, a company which is ultimately beneficially owned by Mr Zheng Fu Shuang.

Short positions in ordinary shares of the Company:

Name of director	Number of ordinary shares held, capacity and nature of interest		Percentage of the company's issued share capital
		Through controlled corporation	
Mr Zheng Fu Shuang (Note)		100,000,000	1.67

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

Save as disclosed above, as at 30 June 2017, none of the directors had registered an interest or short position in the shares, underlying shares or debentures 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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, 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	Long positions		Short positions	
			Number of ordinary shares held	Percentage of the Company's issued share capital	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	3,950,134,407	65.96	-	-
北大資源集團有限公司 (Peking University Resources Group Co., Ltd.*) ("PKU Resources Group")	2	Through a controlled corporation	3,950,134,407	65.96	-	-
北大資源集團控股有限公司 (Peking University Resources Group Holdings Co., Ltd.*)	3	Through a controlled corporation	3,950,134,407	65.96	-	-
北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder")	4	Through a controlled corporation	3,950,134,407	65.96	-	-
Founder Information (Hong Kong) Limited ("Founder Information")	5	Directly beneficially owned	3,850,134,407	64.29	-	-
		Through a controlled corporation	100,000,000	1.67	-	-
Mr Zheng Fu Shuang	6	Through a controlled corporation	785,003,000	13.11	100,000,000	1.67
Shine Crest Group Limited	7	Through a controlled corporation	584,984,000	9.77	100,000,000	1.67
Starry Nation Limited		Directly beneficially owned	584,984,000	9.77	100,000,000	1.67
Rongtong Fund Management Co. Ltd.	8	Through a controlled corporation	575,076,000	9.60	-	-
Rongtong Ronghai No. 10 SNIA QDII		Directly beneficially owned	575,076,000	9.60	-	-

* For identification purpose only

Other Information

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Notes:

1. Peking University Asset Management Company Limited is deemed to be interested in the 3,950,134,407 shares of the Company under the SFO by virtue of its interest in PKU Resources Group.
2. PKU Resources Group is deemed to be interested in the 3,950,134,407 shares of the Company under the SFO by virtue of its interest in Peking University Resources Group Holdings Co., Ltd..
3. Peking University Resources Group Holdings Co., Ltd. is deemed to be interested in the 3,950,134,407 shares of the Company under the SFO by virtue of its interest in Founder Information.
4. Peking Founder is deemed to be interested in the 3,950,134,407 shares of the Company under the SFO by virtue of its interest in Founder Information.
5. Founder Information is interested in the 3,950,134,407 shares of the Company, out of which (i) 427,906,976 shares are to be allotted and issued upon exercise of convertible bonds; and (ii) 100,000,000 shares are charged to Fountain Luck Holdings Limited, which is indirectly wholly owned by Founder Information, by Starry Nation Limited.
6. Mr Zheng Fu Shuang is interested in 785,003,000 shares of the Company, out of which 200,019,000 shares are held directly by Mr Zheng Fu Shuang and 584,984,000 shares are held through Starry Nation Limited. The 100,000,000 shares of the Company held by Starry Nation Limited are charged to Fountain Luck Holdings Limited, which is indirectly wholly owned by Founder Information, and are classified as a short position of Starry Nation Limited under the SFO.
7. Shine Crest Group Limited is deemed to be interested in the 584,984,000 shares of the Company under the SFO by virtue of its interest in Starry Nation Limited.
8. Rongtong Fund Management Co. Ltd. is deemed to be interested in 575,076,000 shares of the Company under the SFO by virtue of its interest in Rongtong Ronghai No. 10 SNIA QDII.

Save as disclosed above, as at 30 June 2017, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" 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 2017. 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 2017.

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 2017.

Other Information

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

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

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's condensed consolidated interim financial information for the six months ended 30 June 2017, including the accounting principles adopted by the Group, with the Company's management.

BOARD OF DIRECTORS

As at the date of this report, the board of directors of the Company comprises executive directors of Mr Cheung Shuen Lung (Chairman), Mr Zeng Gang (President), Ms Sun Min, Mr Shi Hua, Ms Liao Hang and Mr Zheng Fu Shuang, and the independent non-executive directors of Mr Li Fat Chung, Ms Wong Lam Kit Yee and Mr Chan Chung Kik, Lewis.

By Order of the Board
PEKING UNIVERSITY RESOURCES (HOLDINGS) COMPANY LIMITED
Cheung Shuen Lung
Chairman

Hong Kong
30 August 2017



北大资源
PKU RESOURCES