

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



北大資源
PKU RESOURCES

Peking University Resources (Holdings) Company Limited

北大資源(控股)有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00618)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

	<i>Notes</i>	For the six months ended	
		2014	2013
		(Unaudited)	(Unaudited)
		HK\$'000	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

		For the six months ended	
		30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Attributable to:			
Owners of the parent		(67,351)	72,353
Non-controlling interests		(17,221)	(10,022)
		<u>(84,572)</u>	<u>62,331</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO			
ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	7	<u>HK(2.81) cents</u>	<u>HK4.44 cents</u>
Diluted		<u>HK(2.81) cents</u>	<u>HK2.88 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	For the six months ended	
	30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	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	<u>(38,609)</u>	<u>14,672</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>(38,609)</u>	<u>14,672</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u><u>(123,181)</u></u>	<u><u>77,003</u></u>
Attributable to:		
Owners of the parent	(95,717)	82,010
Non-controlling interests	<u>(27,464)</u>	<u>(5,007)</u>
	<u><u>(123,181)</u></u>	<u><u>77,003</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

		30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
	<i>Notes</i>		
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
		<hr/>	<hr/>
Total non-current assets		255,306	262,883
		<hr/>	<hr/>
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	8	774,500	695,473
Prepayments, deposits and other receivables		260,273	122,575
Taxes recoverable		17,545	19,374
Restricted cash		191,941	194,642
Cash and cash equivalents		496,676	817,391
		<hr/>	<hr/>
Total current assets		6,505,336	5,530,128
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and bills payables	9	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
		<hr/>	<hr/>
Total current liabilities		3,508,073	3,398,151
		<hr/>	<hr/>
NET CURRENT ASSETS		2,997,263	2,131,977
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,252,569	2,394,860
		<hr/>	<hr/>

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

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.

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							<u>(84,288)</u>	<u>65,546</u>

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).

3. OTHER INCOME AND GAINS

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

4. FINANCE COSTS

	For the six months ended	
	30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	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
	<u>126,318</u>	<u>36,932</u>
Total interest expenses	126,318	36,932
Less: Interest capitalised	(81,590)	(10,676)
	<u>44,728</u>	<u>26,256</u>

* For identification purpose only

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)	(Unaudited)
	HK\$'000	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
	<u>2,265</u>	<u>17,381</u>

6. INCOME TAX

	For the six months ended	
	30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	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	–
	<u>7,976</u>	<u>2,348</u>
Deferred	(7,692)	867
	<u>284</u>	<u>3,215</u>

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%.

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 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) <i>HK\$'000</i>
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u><u>72,353</u></u>

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	<u>865,116,279</u>
	<u><u>2,515,597,759</u></u>

8. 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
	<u>774,500</u>	<u>695,473</u>

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.

9. 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
	<u>785,088</u>	<u>968,181</u>

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
	<u>785,088</u>	<u>968,181</u>

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.

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).

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. The Directors are of the view that it is likely that there are more positive catalysts than negative factors for the property market in the second half of the year. The Director 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.

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 of China. 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.

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.

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, Kedacom, 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.

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.

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 Founder, 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.

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 United States Dollars ("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.

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.

CORPORATE GOVERNANCE

The Company has complied with all code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 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 "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 statements for the six months ended 30 June 2014, including the accounting principles adopted by the Group, with the Company's management.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The 2014 interim report of the Company containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on The Hong Kong Exchanges and Clearing Limited's website (www.hkexnews.hk) and the Company's website (www.pku-resources.com) in due course.

By Order of the Board
Peking University Resources (Holdings) Company Limited
Yu Li
Chairwoman

Hong Kong
27 August 2014

As at the date of this announcement, the board of directors of the Company comprises executive directors of Ms Yu Li (Chairwoman), Mr Fang Hao (President), Mr Zhou Bo Qin, Mr Zhang Zhao Dong, Mr Xie Ke Hai and Mr Zheng Fu Shuang, and the independent non-executive directors of Mr Li Fat Chung, Ms Wong Lam Kit Yee and Ms Cao Qian.