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北大資源
PKU RESOURCES

Peking University Resources (Holdings) Company Limited

北大資源(控股)有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00618)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

The Board of Directors (the “Board”) of Peking University Resources (Holdings) Company Limited (the “Company”) is pleased to announce the consolidated results and financial position of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2016 together with the comparative figures.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
REVENUE	4	15,394,302	7,804,286
Cost of sales		(14,366,870)	(7,662,887)
Gross profit		1,027,432	141,399
Other income and gains	4	57,017	774,078
Selling and distribution expenses		(463,915)	(450,889)
Administrative expenses		(335,046)	(321,382)
Other expenses and losses		(47,826)	(79,044)
Finance costs	5	(126,806)	(67,526)
Share of loss of an associate		(5,072)	(3,275)
PROFIT/(LOSS) BEFORE TAX	6	105,784	(6,639)
Income tax expense	7	(558,504)	(265,722)
LOSS FOR THE YEAR		(452,720)	(272,361)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)*Year ended 31 December 2016*

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
Attributable to:			
Owners of the parent		(278,387)	(237,695)
Non-controlling interests		(174,333)	(34,666)
		<u>(452,720)</u>	<u>(272,361)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		<u>HK4.65 cents</u>	<u>HK3.98 cents</u>
Diluted		<u>HK4.65 cents</u>	<u>HK3.98 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(452,720)</u>	<u>(272,361)</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(158,154)</u>	<u>(134,182)</u>
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	<u>(158,154)</u>	<u>(134,182)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(158,154)</u>	<u>(134,182)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(610,874)</u>	<u>(406,543)</u>
Attributable to:		
Owners of the parent	(413,106)	(337,969)
Non-controlling interests	<u>(197,768)</u>	<u>(68,574)</u>
	<u>(610,874)</u>	<u>(406,543)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		123,482	97,407
Investment properties		474,787	360,807
Prepaid land lease payments		13,633	14,621
Goodwill		–	–
Other intangible assets		1,246	1,014
Investment in an associate		11,632	19,488
		<hr/>	<hr/>
Total non-current assets		624,780	493,337
CURRENT ASSETS			
Properties under development		36,012,924	33,443,212
Properties held for sale		4,504,614	3,680,178
Inventories		397,797	323,585
Trade and bills receivables	9	1,039,063	826,856
Prepayments, deposits and other receivables		1,616,502	1,673,955
Prepaid tax		555,614	360,951
Restricted cash		2,081,276	1,210,154
Cash and cash equivalents		2,380,113	1,838,246
		<hr/>	<hr/>
Total current assets		48,587,903	43,357,137
CURRENT LIABILITIES			
Trade and bills payables	10	4,790,420	3,902,537
Other payables and accruals		16,749,635	14,283,672
Interest-bearing bank and other borrowings		10,215,000	3,762,308
Tax payable		473,540	158,038
		<hr/>	<hr/>
Total current liabilities		32,228,595	22,106,555
NET CURRENT ASSETS			
		<hr/>	<hr/>
		16,359,308	21,250,582
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		16,984,088	21,743,919

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*31 December 2016*

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	14,950,762	18,859,146
Long term payable	–	177,699
Deferred tax liabilities	144,913	242,344
	<hr/>	<hr/>
Total non-current liabilities	15,095,675	19,279,189
	<hr/>	<hr/>
Net assets	1,888,413	2,464,730
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	598,825	598,825
Reserves	1,227,501	1,640,607
	<hr/>	<hr/>
	1,826,326	2,239,432
	<hr/>	<hr/>
Non-controlling interests	62,087	225,298
	<hr/>	<hr/>
Total equity	1,888,413	2,464,730
	<hr/>	<hr/>

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2016

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements.

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

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group’s financial statements, the nature and the impact of the amendments are described below:

- (a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
- (i) the materiality requirements in HKAS 1;
 - (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
 - (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
 - (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group’s financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.
- (c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:
- *HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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.

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2016

	Distribution of information products <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Sales to external customers	5,757,283	9,622,965	14,054	15,394,302
Other revenue	4,367	23,707	4,593	32,667
	<u>5,761,650</u>	<u>9,646,672</u>	<u>18,647</u>	<u>15,426,969</u>
Segment results	43,379	258,643	15,661	317,683
<i>Reconciliation:</i>				
Interest income				24,350
Corporate and unallocated expenses				(109,443)
Finance costs				(126,806)
Profit before tax				<u>105,784</u>
Segment assets	2,651,489	43,671,880	1,022,373	47,345,742
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(3,150,062)
Corporate and other unallocated assets				5,017,003
Total assets				<u>49,212,683</u>
Segment liabilities	1,566,398	22,261,086	862,633	24,690,117
<i>Reconciliation:</i>				
Elimination of intersegment payables				(3,150,062)
Corporate and other unallocated liabilities				25,784,215
Total liabilities				<u>47,324,270</u>
Other segment information:				
Share of loss of an associate	(5,072)	–	–	(5,072)
Investment in an associate	11,632	–	–	11,632
Fair value gains on investment properties, net	–	–	4,501	4,501
Reversal of impairment of trade receivables	9,470	–	–	9,470
Reversal of provision against inventories	4,346	–	–	4,346
Provision against properties under development	–	(23,914)	–	(23,914)
Provision against properties held for sale	–	(340,455)	–	(340,455)
Depreciation and amortisation	(2,032)	(28,159)	(300)	(30,491)
Capital expenditure*	(3,494)	(13,261)	–	(16,755)

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2015

	Distribution of information products <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Sales to external customers	4,486,784	3,284,048	33,454	7,804,286
Other revenue	195	741,562	6,572	748,329
	<u>4,486,979</u>	<u>4,025,610</u>	<u>40,026</u>	<u>8,552,615</u>
Segment results	27,853	82,967	2,024	112,844
<i>Reconciliation:</i>				
Interest income				25,749
Corporate and unallocated expenses				(77,706)
Finance costs				<u>(67,526)</u>
Loss before tax				<u>(6,639)</u>
Segment assets	2,989,909	37,470,560	4,233,443	44,693,912
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(4,252,790)
Corporate and other unallocated assets				<u>3,409,352</u>
Total assets				<u>43,850,474</u>
Segment liabilities	1,309,003	19,676,506	1,453,490	22,438,999
<i>Reconciliation:</i>				
Elimination of intersegment payables				(4,252,790)
Corporate and other unallocated liabilities				<u>23,199,535</u>
Total liabilities				<u>41,385,744</u>
Other segment information:				
Share of loss of an associate	(3,275)	–	–	(3,275)
Investment in an associate	19,488	–	–	19,488
Fair value losses on investment properties, net	–	(2,213)	(2,509)	(4,722)
Impairment of trade receivables	(16,476)	–	–	(16,476)
Reversal of provision against inventories	220	–	–	220
Provision against properties under development	–	(167,371)	–	(167,371)
Provision against properties held for sale	–	(42,767)	–	(42,767)
Depreciation and amortisation	(1,489)	(22,296)	(555)	(24,340)
Capital expenditure*	(7,285)	(10,522)	(699)	(18,506)

* Capital expenditure consists of additions to property, plant and equipment, other intangible assets, prepaid land lease payments and investment properties.

3. OPERATING SEGMENT INFORMATION (continued)

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 year, there was no revenue from sales to an external customer which accounted for 10% or more of the Group's total revenue (2015: Nil).

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods and properties sold, after allowances for returns and trade discounts; and the gross rental income received and receivable from investment properties and subleasing fee income, net of business tax, during the year.

An analysis of revenue, other income and gains is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue		
Sale of goods	5,757,283	4,486,784
Sales of properties	9,622,965	3,284,048
Gross rental income	14,054	33,454
	<u>15,394,302</u>	<u>7,804,286</u>
Other income		
Bank interest income	24,350	21,800
Other interest income	–	3,949
Government grants	–	483
Others	28,166	8,808
	<u>52,516</u>	<u>35,040</u>
Gains		
Fair value gains on investment properties, net	4,501	–
Gain on disposal of subsidiaries	–	738,971
Gain on disposal of items of property, plant and equipment, net	–	67
	<u>4,501</u>	<u>739,038</u>
	<u>57,017</u>	<u>774,078</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on bank loans and other loans	1,894,130	1,259,964
Interest on loans from a subsidiary of Peking University Founder Group Company Limited (“Peking Founder”)	17,914	8,996
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	650,427	990,765
Interest on loans from non-controlling shareholders	19,848	32,135
Interest on discounted bills	13,196	24,904
	<hr/>	<hr/>
Total interest expense	2,595,515	2,316,764
Less: Interest capitalised	(2,468,709)	(2,249,238)
	<hr/>	<hr/>
	126,806	67,526
	<hr/>	<hr/>

* For identification purposes only

6. PROFIT/(LOSS) BEFORE TAX

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	5,564,602	4,326,130
Cost of properties sold	8,442,245	3,126,839
Reversal of provision against inventories	(4,346)	(220)
Provision against properties under development	23,914	167,371
Provision against properties held for sale	340,455	42,767
	<hr/>	<hr/>
Cost of sales	14,366,870	7,662,887
Auditor's remuneration	3,000	2,805
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	–	1,146
Depreciation	29,516	23,411
Less: Depreciation capitalised in properties under development	(6,812)	(9,670)
	<hr/>	<hr/>
	22,704	13,741
Amortisation of prepaid land lease payments	653	538
Amortisation of intangible assets	322	391
Impairment/(reversal of impairment) of trade receivables*	(9,470)	16,476
Write-back of trade and other payables	(3,885)	–
Operating lease rentals in respect of land and buildings	32,753	41,416
Foreign exchange losses, net*	57,129	57,846
Fair value losses/(gains) on investment properties, net*	(4,501)	4,722
Loss/(gain) on disposal of items of property, plant and equipment, net	167	(67)
Employee benefit expense (including directors' remuneration):		
Wages and salaries	282,006	210,612
Pension scheme contributions**	9,772	4,995
Equity-settled share option expense	–	6,005
	<hr/>	<hr/>
	291,778	221,612
	<hr/>	<hr/>

* Impairment/(reversal of impairment) of trade receivables, net fair value gains and losses on investment properties and net foreign exchange losses are included in "Other expenses and losses" in the consolidated statement of profit or loss.

** At 31 December 2016, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2015: Nil).

7. INCOME TAX

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	415	2
Overprovision in prior years	(1)	(19)
Current — Mainland China		
Charge for the year	357,957	251,859
Underprovision in prior years	45	–
PRC land appreciation tax	285,870	29,278
	<u>644,286</u>	<u>281,120</u>
Deferred	<u>(85,782)</u>	<u>(15,398)</u>
Total tax charge for the year	<u>558,504</u>	<u>265,722</u>

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

PRC corporate income tax

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

PRC land appreciation tax (“LAT”)

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

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of HK\$278,387,000 (2015: HK\$237,695,000), and the weighted average number of ordinary shares of 5,988,248,671 (2015: 5,978,527,514) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2016.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2015 in respect of a dilution because the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

9. TRADE AND BILLS RECEIVABLES

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

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 6 months	1,017,435	807,005
7 to 12 months	17,917	19,009
13 to 24 months	3,711	842
	<u>1,039,063</u>	<u>826,856</u>

10. TRADE AND BILLS PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	4,414,445	3,386,178
Bills payable	375,975	516,359
	<u>4,790,420</u>	<u>3,902,537</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 6 months	4,751,844	3,898,582
Over 6 months	38,576	3,955
	<u>4,790,420</u>	<u>3,902,537</u>

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

At 31 December 2016, certain of the Group's bills payable amounting to HK\$70,930,000 (2015: HK\$89,208,000) were secured by the pledge of the Group's bills receivable amounting to HK\$58,249,000 (2015: HK\$53,404,000).

Included in the Group's trade and bills payables are amounts due to fellow subsidiaries of approximately HK\$23,143,000 (2015: HK\$52,695,000), which are repayable on credit terms similar to those offered by other similar suppliers of the Group.

11. DISPOSAL OF SUBSIDIARIES

In April 2015, the Group disposed of its entire equity interest in Qingdao Bolai Property Co., Limited, an indirect 70%-owned subsidiary of the Company, to a third party, for a cash consideration of approximately HK\$766,325,000.

In May 2015, the Group disposed of its entire equity interest in Hong Kong Tianranju Holding Limited, a direct wholly-owned subsidiary of the Company, to a third party, for a cash consideration of approximately HK\$31,056,000.

	2015 HK\$'000
Net assets disposed of:	
Property, plant and equipment	250
Intangible assets	66
Properties under development	1,540,974
Prepayments, deposits and other receivables	903,938
Cash and cash equivalents	27,188
Trade and bills payables	(269)
Accruals and other payables	(1,582,403)
Interest-bearing bank and other borrowings	(831,334)
	<u>58,410</u>
Gain on disposal of subsidiaries	<u>738,971</u>
	<u>797,381</u>
Satisfied by:	
Cash	<u>797,381</u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2015 HK\$'000
Cash consideration	797,381
Cash and bank balances disposed of	(27,188)
	<u>770,193</u>

DIVIDEND

No interim dividend was paid during the year and previous year. The Board does not recommend the payment of any final dividend for the year (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The national policies on real estate market has changed from overall easing to local tightening in 2016. The regulatory policies implemented at the beginning of the year focused on implementing policies according to specific local conditions and destocking. However, the regulatory policies have been through rapid adjustment in the fourth quarter following the surge in housing prices among highlighted cities, resulting in tightened credit approval for real estate development enterprises and various measures regarding purchase restrictions and credit tightening launched among highlighted cities. With the impact from easing policies implemented at the beginning of the year, the demand of various types of housing purchasers continued to release, resulting in a high level of real estate transactions, whereas the trading volume recorded a significant decline in the fourth quarter due to the issuance of various regulatory policies concerning highlighted cities around the National Day.

In general, there is still development potential for the real estate industry with the guidance of various strategies, including regional integration and new type of urbanisation.

In 2016, Peking University Resources (Holdings) Company Limited (hereinafter referred to as the “Group”) has arranged a new five-year strategic planning in respect of business and capital, which has developed practicable directions and goals for future development.

OVERALL PERFORMANCE

The Group reported a loss attributable to owners of the Company for the year ended 31 December 2016 of approximately HK\$278.4 million (year ended 31 December 2015: HK\$237.7 million). The Group’s revenue for the current financial year has increased significantly by 97.3% to approximately HK\$15,394.3 million (year ended 31 December 2015: HK\$7,804.3 million) mainly as a result of expansion of property development business. The Group’s gross profit has increased by HK\$886.0 million to approximately HK\$1,027.4 million (year ended 31 December 2015: HK\$141.4 million) mainly due to increase in proportion of sales of property development business with higher gross profit margin. Total selling and distribution expenses, administrative expenses and other expenses and losses for the current financial year have decreased slightly by 0.5% to approximately HK\$846.8 million (year ended 31 December 2015: HK\$851.3 million) due to strict control of expenses imposed by the management.

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

- a. one-off gain on disposal of subsidiaries engaged in property development business of approximately HK\$739.0 million for the year ended 31 December 2015;

- b. an increase in finance cost by 87.9% to approximately HK\$126.8 million (year ended 31 December 2015: HK\$67.5 million) attributable to increase in bank borrowings; and
- c. an increase in income tax expenses by HK\$292.8 million to approximately HK\$558.5 million (year ended 31 December 2015: HK\$265.7 million) as a results of increase in profit of certain subsidiaries for the year.

Basic and diluted loss per share attributable to equity holders of the Company for the year ended 31 December 2016 were HK4.65 cents (year ended 31 December 2015: HK3.98 cents).

OPERATING REVIEW

Real Estate Business

Property Development

The turnover of the property development business of the Group (the “Property Development Business”) for the current financial year was approximately HK\$9,623.0 million (year ended 31 December 2015: HK\$3,284.0 million). The segment results recorded a profit of approximately HK\$258.6 million (year ended 31 December 2015: HK\$83.0 million). The improvement in segment results was due to net effect of increase in revenue, provision against properties under development and provision against properties held for sale during the current financial year, and gain on disposal of subsidiaries of approximately HK\$739.0 million for the prior financial year.

In 2016, the Group started construction of 6 new projects and pre-sale of 7 projects with 23 projects under construction in aggregate and a total of 22 projects on sale. As at 31 December 2016, the Group’s total construction area has reached 6,589,255 sq.m., of which 1,545,388 sq.m. was newly constructed in 2016.

Contracted Sales

In 2016, the number of the Group’s real estate projects which generate income has been seen a significant increase as compared with last year. As a result, both the amount and the area of contracted sales increased as compared with last year. In 2016, the Group realised an accumulated contracted sales of approximately RMB11,374 million and sold an accumulated area of approximately 1,148,163 sq.m., with average selling price being RMB9,906 per sq.m.. The amount of contracted sales is mainly from projects such as Yuecheng in Tianjin, Shanshuinianhua in Wuhan and Yihe Emerald Mansion in Chengdu.

Land Bank

Confronted with the ever-changing market condition, the Group has acquired new land resources in a scientific and prudent manner according to its strategic arrangement in 2016. As at 31 December 2016, the Group had 28 property development projects and 1 hold-type property project in 15 cities across China, with a land bank of 4,848,433 sq.m.

In 2016, the Group has obtained the land use rights of 4 projects in Chengdu, Wuhan and Dongguan etc. through public transfer procedures.

List of New Land Parcels

Project	Location	Planned use	Total site area (sq.m.)	Planned total GFA (sq.m.)	Interests held by listed companies
Zhangmutou Project	Dongguan	Commercial/ Office	9,571	30,685	100%
Zhongbei Road Project	Wuhan	Residential/ Commercial/ Office	19,712	138,000	100%
Xinchuan Project	Chengdu	Residential/ Commercial	23,191	219,039	51%
Huang Jiang Project	Dongguan	Residential/ Commercial	61,711	188,586	100%

Property Investment

The property investment business of the Group (the “Property Investment Business”) recorded a turnover of approximately HK\$14.1 million (year ended 31 December 2015: HK\$33.5 million) and segment profit of approximately HK\$15.7 million (year ended 31 December 2015: HK\$2.0 million) during the current financial year. The decline in segment revenue was due to decline in rental income of Founder International Building. As a result of the adjustment of business strategy of the Group, on 27 August 2015, the Company and the owner of Founder International Building entered into termination agreement to terminate the right granted to the Group to manage Founder International Building from 1 September 2015 onwards. The decline in segment results was due to net effect of decline in segment revenue and increase in fair value gains on investment properties.

The Group has a property investment project 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. For the year 2016, Wuhan International Building realised an accumulated rental income of approximately RMB8.87 million, with an occupancy rate of approximately 97.79%. The rental income increased by 16.3% over last year and represented a sustainable and stable source of the Group’s cash income.

Distribution Business

Distribution of information products

The distribution business of the Group (the “Distribution Business”) recorded a turnover of approximately HK\$5,757.3 million representing an increase of 28.3% as compared to last financial year (year ended 31 December 2015: HK\$4,486.8 million). The segment results recorded a profit of HK\$43.4 million (year ended 31 December 2015: HK\$27.9 million). The improvement in segment results was in line with increase in revenue.

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

As the business environment in China 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

Real Estate Business

Amid the complex and ever-changing condition of the China’s real estate market, the Group will focus on its own development by developing the strategies in a prudent manner and maintaining its competitiveness as a leading enterprise in the industry. Besides, it will refine its products, provide its customers with quality services and explore its own strengths and potential, striving to create a development path with the characteristics of “Peking University Resources”. The Group will also improve customer experience through “Quality plus Service” and enhance customer’s loyalty with “Products plus Services”.

In 2017, the Group will focus on exploring quasi first-tier and key second-tier cities whilst increasing land bank and project experience with a more open and flexible approach. Meanwhile, the Group will endeavor to tentatively adopt a development model, for which real estate development will be integrated with business operation and all-rounded services for community life, respectively.

The Group will continue to devote itself to optimising the corporate governance and organisation structure, completing talent’s incentive mechanism and enhancing cohesion of the team, with an aim to gradually implement the strategic planning and deliver outstanding performance that benefits our shareholders as soon as possible.

Distribution Business

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

EMPLOYEE

The Group has developed its human resources policies and procedures based on performance and merits. The Group ensures that the pay level of its employees are competitive and employees are rewarded on a performance 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 financial year.

The Group has approximately 1,367 employees as at 31 December 2016 (31 December 2015: 1,410).

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

During the current financial year, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and Mainland China. As at 31 December 2016, the Group had approximately HK\$25,165.8 million interest-bearing bank and other borrowings (31 December 2015: HK\$22,621.5 million), of which approximately HK\$390.6 million (31 December 2015: HK\$1,140.8 million) were floating interest bearing and HK\$24,775.2 million (31 December 2015: HK\$21,480.7 million) were fixed interest bearing. The borrowings, which were subject to little seasonality, consisted of mainly bank loans, trust receipt loans, loans from PKU Resources and a subsidiary of Peking Founder, amounts due to non-controlling shareholders and borrowings from financial institutions. Peking Founder and PKU Resources are the substantial shareholders of the Company.

Interest-bearing bank and other borrowings are denominated in Renminbi (“RMB”) of which HK\$10,215.0 million (31 December 2015: HK\$3,762.3 million) were repayable within one year and HK\$14,950.8 million (31 December 2015: HK\$18,859.1 million) were repayable within two to third 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 and properties held for sale. The increase in bank and other borrowings was mainly attributed to the addition of bank loans for property development business during the current financial year.

As at 31 December 2016, the Group recorded total assets of approximately HK\$49,212.7 million (31 December 2015: HK\$43,850.5 million) which were financed by liabilities of approximately HK\$47,324.3 million (31 December 2015: HK\$41,385.7 million), non-controlling interests of approximately HK\$62.1 million (31 December 2015: HK\$225.3 million) and equity attributable to owners of the parent of approximately HK\$1,826.3 million (31 December 2015: HK\$2,239.4 million). The decrease in equity was attributable to loss for the current financial year.

The Group’s net asset value per share as at 31 December 2016 was HK\$0.32 (31 December 2015: HK\$0.41). The decrease in net asset value per share was attributable to the loss for the current financial year.

The Group had total cash and cash equivalents and restricted cash of approximately HK\$4,461.4 million as at 31 December 2016 (31 December 2015: HK\$3,048.4 million). As at 31 December 2016, the Group’s gearing ratio, measured on the basis of total borrowings as a percentage of total equity, was 13.3 (31 December 2015: 9.18) while the Group’s current ratio was 1.51 (31 December 2015: 1.96). As at 31 December 2016, the capital commitments for contracted, but not provided for, properties under development were approximately HK\$7,327.9 million (31 December 2015: HK\$6,129.4 million).

Treasury policies

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

Exposure to fluctuations in exchange rates and related hedges

The Group operates mainly in Hong Kong and Mainland China. For the operations in Hong Kong, most of the transactions are denominated in HKD and U.S. dollars. The exchange rate of U.S. dollars against HKD is relatively stable and the related currency exchange risk is considered minimal. For the operations in Mainland China, most of the transactions are denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the Chinese government. The Group has minimal exposure to exchange rate fluctuation. No financial instrument was used for hedging purposes. During the current financial year, the exchange rate of RMB has devalued and 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 year ended 31 December 2016.

Charges on assets

As at 31 December 2016, properties under development of approximately HK\$27,755.7 million, properties held for sale of approximately HK\$389.4 million, bills receivable of approximately HK\$58.2 million and bank deposits of approximately HK\$2,081.3 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 31 December 2016, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately HK\$3,606.7 million (31 December 2015: HK\$4,090.4 million). This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers and the Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which are generally available within one to two years after the 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 interest and penalties and therefore no provision has been made for the guarantees in the consolidated financial statements as at 31 December 2016.

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the accounting policies, accounting standards and practices adopted by the Group and the consolidated financial statements and results of the Group for the year ended 31 December 2016.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has fully complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) , as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 December 2016, except for the following deviations:

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as the Company’s code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2016.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year.

SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2016 have been agreed by the Group’s auditors, Ernst & Young, to the amount set out in the Group’s consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

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

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

Hong Kong, 24 March 2017

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