北大资源
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)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "Board") of Peking University Resources (Holdings) Company Limited (the "Company") is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019 (the "Unaudited Annual Results") together with the comparative figures. For the reasons explained in the paragraph headed "Review of Unaudited Annual Results" in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2019 has not been completed.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
REVENUE	4	**24,131,590**	24,911,870
Cost of sales		**(22,029,951)**	(21,694,519)
Gross profit		**2,101,639**	3,217,351
Other income and gains	4	**173,230**	193,922
Selling and distribution expenses		**(483,688)**	(438,201)
Administrative expenses		**(621,412)**	(530,012)
Impairment losses on financial assets, net		**(71,670)**	(78,962)
Other expenses and losses, net		**(4,464)**	(128,203)
Finance costs	5	**(824,349)**	(160,687)
Share of losses of associates		**(2,017)**	(3,522)
PROFIT BEFORE TAX	6	**267,269**	2,071,686
Income tax expense	7	**(1,960,595)**	(1,275,040)
PROFIT/(LOSS) FOR THE YEAR		**(1,693,326)**	796,646
Attributable to:			
Owners of the parent		**(2,421,877)**	716,310
Non-controlling interests		**728,551**	80,336
		(1,693,326)	796,646
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		**RMB(37.75) cents**	RMB11.16 cents
Diluted		**RMB(37.75) cents**	RMB11.16 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
PROFIT/(LOSS) FOR THE YEAR	**(1,693,326)**	796,646
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of non-Mainland China entities' investments	**(46,670)**	(127,209)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(46,670)**	(127,209)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**40,082**	103,942
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**40,082**	103,942
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(6,588)**	(23,267)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(1,699,914)**	773,379
Attributable to:		
Owners of the parent	**(2,428,783)**	692,258
Non-controlling interests	**728,869**	81,121
	(1,699,914)	773,379

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**94,470**	89,907
Investment properties		**757,166**	750,851
Right-of-use assets		**28,248**	–
Prepaid land lease payments		**–**	11,217
Goodwill		**–**	–
Other intangible assets		**6,508**	7,849
Investments in associates		**4,662**	6,648
Deferred tax assets		**213,941**	231,574
Other non-current assets		**50,000**	50,000
Total non-current assets		**1,154,995**	1,148,046
CURRENT ASSETS			
Properties under development		**20,094,925**	23,278,793
Properties held for sale		**9,997,264**	7,960,058
Inventories		**651,171**	532,635
Trade and bills receivables	10	**1,276,186**	1,193,440
Prepayments, other receivables and other assets		**1,942,541**	2,269,555
Prepaid tax		**594,591**	487,085
Other current assets		**315,227**	314,450
Restricted cash		**850,629**	1,574,545
Cash and cash equivalents		**1,663,884**	3,902,631
Total current assets		**37,386,418**	41,513,192
CURRENT LIABILITIES			
Trade and bills payables	11	**5,462,358**	4,294,818
Other payables and accruals		**16,678,769**	18,500,596
Interest-bearing bank and other borrowings		**12,672,955**	10,140,002
Lease liabilities		**9,596**	–
Tax payable		**2,384,772**	1,375,860
Provision		**104,320**	116,308
Total current liabilities		**37,312,770**	34,427,584
NET CURRENT ASSETS		**73,648**	7,085,608

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2019

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,228,643**	8,233,654
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**–**	5,091,990
Lease liabilities	**8,480**	–
Deferred tax liabilities	**116,523**	136,974
Total non-current liabilities	**125,003**	5,228,964
Net assets	**1,103,640**	3,004,690
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**545,335**	545,335
Reserves	**(404,540)**	2,123,171
	140,795	2,668,506
Non-controlling interests	**962,845**	336,184
Total equity	**1,103,640**	3,004,690

NOTES TO FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE AND GROUP 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 year, 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 31 December 2019, the Company was owned as to approximately 60.01% by Founder Information (Hong Kong) Limited ("Founder Information"), which was in turn owned effectively as to approximately 81.64% by 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"). In the opinion of the directors, the ultimate holding company is 北大資產經營有限公司 (Peking University Asset Management Company Limited*), which is established in the People's Republic of China (the "PRC").

2.1 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, 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 which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 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 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various buildings and land use rights. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., copy machine); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application when applying HKFRS 16 at 1 January 2019.

Financial impact at 1 January 2019

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	23,564
Decrease in prepaid land lease payments	(11,217)
Decrease in prepayments, other receivables and other assets	(392)
Increase in total assets	11,955
Liabilities	
Increase in lease liabilities	11,955
Increase in total liabilities	11,955

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Financial impact at 1 January 2019 (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	20,028
Less: Commitments relating to short-term leases and those leases with remaining lease term ending on or before 31 December 2019	(6,997)
	13,031
Weighted average incremental borrowing rate as at 1 January 2019	9.54%
Discounted operating lease commitments and lease liabilities as at 1 January 2019	11,955

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group assessed the tax positions and concluded the interpretation did not have any significant impact on the financial position or performance of the Group.

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, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, non-lease-related finance costs as well as head office and corporate expenses are excluded from such measurement.

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

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

Year ended 31 December 2019

	Distribution of information products *RMB'000* **(Unaudited)**	**Property development** *RMB'000* **(Unaudited)**	**Property investment** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Segment revenue, other income and gains *(note 4)*				
Revenue from external customers	**8,880,025**	**15,216,685**	**34,880**	**24,131,590**
Other income and gains	**343**	**126,752**	**–**	**127,095**
	8,880,368	**15,343,437**	**34,880**	**24,258,685**
Segment results	**(15,705)**	**1,182,839**	**30,791**	**1,197,925**
Reconciliation:				
Interest income				**46,135**
Corporate and unallocated expenses				**(154,897)**
Finance costs (other than interest on lease liabilities)				**(821,894)**
Profit before tax				**267,269**

3. OPERATING SEGMENT INFORMATION (continued)

	Distribution of information products *RMB'000* (Unaudited)	Property development *RMB'000* (Unaudited)	Property investment *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment assets	**5,015,514**	**31,170,911**	**685,959**	**36,872,384**
Reconciliation:				
Elimination of intersegment receivables				**(1,654,016)**
Corporate and other unallocated assets				**3,323,045**
Total assets				**38,541,413**
Segment liabilities	**1,604,536**	**22,031,464**	**281,539**	**23,917,539**
Reconciliation:				
Elimination of intersegment payables				**(1,654,016)**
Corporate and other unallocated liabilities				**15,174,250**
Total liabilities				**37,437,773**
Other segment information				
Share of losses of associates	**2,017**	**–**	**–**	**2,017**
Investments in associates	**1,662**	**3,000**	**–**	**4,662**
Fair value losses on investment properties, net	**–**	**–**	**560**	**560**
Impairment of trade receivables, net	**9,843**	**–**	**–**	**9,843**
Impairment of prepayments, other receivables and other assets, net	**33,466**	**28,361**	**–**	**61,827**
Provision against inventories	**21,682**	**–**	**–**	**21,682**
Impairment of properties under development, net	**–**	**2,824,810**	**–**	**2,824,810**
Impairment of properties held for sale, net	**–**	**443,829**	**–**	**443,829**
Depreciation and amortisation	**5,974**	**21,138**	**433**	**27,545**
Capital expenditure*	**2,227**	**19,824**	**–**	**22,051**
Claim provision, net	**–**	**3,810**	**–**	**3,810**

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

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2018

	Distribution of information products *RMB'000* (Audited)	Property development *RMB'000* (Audited)	Property investment *RMB'000* (Audited)	Total *RMB'000* (Audited)
Segment revenue, other income and gains *(note 4)*				
Revenue from external customers	7,751,741	17,129,887	30,242	24,911,870
Other income and gains	4,644	138,670	24,310	167,624
	7,756,385	17,268,557	54,552	25,079,494
Segment results	55,803	2,205,101	50,521	2,311,425
Reconciliation:				
Interest income				26,298
Corporate and unallocated expenses				(105,350)
Finance costs				(160,687)
Profit before tax				2,071,686
Segment assets	3,949,062	33,871,442	618,450	38,438,954
Reconciliation:				
Elimination of intersegment receivables				(1,973,551)
Corporate and other unallocated assets				6,195,835
Total assets				42,661,238
Segment liabilities	1,849,377	22,765,097	270,799	24,885,273
Reconciliation:				
Elimination of intersegment payables				(1,973,551)
Corporate and other unallocated liabilities				16,744,826
Total liabilities				39,656,548
Other segment information:				
Share of losses of an associate	3,522	–	–	3,522
Investment in an associate	3,648	3,000	–	6,648
Fair value gains on investment properties	–	–	24,310	24,310
Impairment of trade receivables, net	6,394	46,645	–	53,039
Impairment of prepayments, other receivables and other assets	1,609	24,314	–	25,923
Reversal of provision against inventories	(1,389)	–	–	(1,389)
Impairment of properties under development, net	–	315,352	–	315,352
Impairment of properties held for sale, net	–	557,888	–	557,888
Depreciation and amortisation	2,748	15,950	350	19,048
Capital expenditure*	2,412	8,261	–	10,673
Claim provision	–	116,308	–	116,308

* 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

(a) Revenue from external customers

	Distribution of information products *RMB'000* (Unaudited)	Property development *RMB'000* (Unaudited)	Property investment *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
For the year ended 31 December 2019				
Mainland China	8,836,069	15,216,685	32,411	24,085,165
Hong Kong	43,956	–	2,469	46,425
	8,880,025	15,216,685	34,880	24,131,590
For the year ended 31 December 2018				
Mainland China	7,653,400	17,129,887	28,233	24,811,520
Hong Kong	98,341	–	2,009	100,350
	7,751,741	17,129,887	30,242	24,911,870

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2019 *RMB'000* **(Unaudited)**	2018 *RMB'000* (Audited)
Mainland China	**889,392**	862,824
Hong Kong	**1,662**	3,648
	891,054	866,472

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

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 (2018: Nil).

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue from contracts with customers, other income and gains is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue from contracts with customers		
Sale of properties	**15,216,685**	17,129,887
Sale of goods	**8,880,025**	7,751,741
	24,096,710	24,881,628
Revenue from other sources		
Gross rental income	**34,880**	30,242
	24,131,590	24,911,870

Information about the Group's performance obligations in relation to revenue from contracts with customers is summarised below:

Sale of properties

The performance obligation is satisfied when the construction of the relevant property has been completed and the property has been delivered to the customer pursuant to the sales agreements. Certain payment in advance from customers is normally required and the remaining balance is settled no later than the delivery date of the property or in some circumstances, settled within an agreed period upon the delivery of the property as determined on a case-by-case basis.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**11,384,061**	13,170,705
In the second year	**2,568,143**	4,418,639
In the third year	**709,852**	25,373
	14,662,056	17,614,717

The remaining performance obligations expected to be recognised in more than one year relate to sale of properties that are to be satisfied within three years. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

Sale of goods

The performance obligation is satisfied upon delivery of goods and payment is generally due in three to six months from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return which give rise to variable consideration subject to constraint.

4. REVENUE, OTHER INCOME AND GAINS (continued)

An analysis of other income and gains is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other income		
Bank interest income	**24,919**	24,129
Management and consultancy service fee income	**89,923**	91,218
Other interest income	**21,216**	2,169
Government grants*	**1,711**	1,243
Others	**27,476**	22,637
	165,245	141,396
Gains		
Fair value gains on investment properties, net	**–**	24,310
Foreign exchange gains, net	**7,985**	–
Gains on disposal of properties under development	**–**	28,216
	7,985	52,526
	173,230	193,922

* Various government grants have been received for investments in certain regions in Mainland China in which the Company's subsidiaries operate. There are no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest on bank loans and other loans	**1,393,783**	1,528,134
Interest on loans from related companies#	**902,578**	211,381
Interest expense arising from revenue contracts	**764,308**	1,071,865
Interest on discounted bills	**6,711**	12,906
Interest expense arising from lease contracts	**2,455**	–
Total interest expense	**3,069,835**	2,824,286
Less: Interest capitalised	**(2,245,486)**	(2,663,599)
	824,349	160,687

\# The related companies included Peking Founder and certain of its subsidiaries and associates, namely PKU Founder Group Finance Co., Ltd., 方正國際商業保理有限公司 (Founder International Factoring Co., Ltd.*) and 北大資源集團有限公司 (Peking University Resources Group Co., Ltd.*) ("PKU Resources"), a fellow subsidiary of Peking Founder, as well as a non-controlling shareholder, namely 成都香城盈創實業有限公司 (Chengdu Xiangcheng Yingchuang Industrial Co., Ltd.*) ("Chengdu Xiangcheng").

* *For identification purposes only*

6. PROFIT BEFORE TAX

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cost of inventories sold	**8,629,000**	7,538,782
Cost of properties sold	**10,110,630**	13,283,886
Provision/(reversal of provision) against inventories	**21,682**	(1,389)
Impairment of properties under development, net	**2,824,810**	315,352
Impairment of properties held for sale, net	**443,829**	557,888
Cost of sales	**22,029,951**	21,694,519
Auditor's remuneration	**3,580**	3,500
Depreciation	**14,724**	16,271
Less: Depreciation capitalised in properties under development	**(1,329)**	(812)
	13,395	15,459
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	**9,284**	392
Amortisation of other intangible assets	**3,537**	2,385
Loss on disposal of property, plant and equipment*	**94**	42
Changes in fair value of investment properties*	**560**	(24,310)
Impairment of financial assets, net:		
Impairment of trade receivables, net	**9,843**	53,039
Impairment of financial assets included in prepayments, other receivables and other assets	**61,827**	25,923
	71,670	78,962
Claim provision, net*	**3,810**	116,308
Minimum lease payments under operating leases	**–**	40,343
Lease payments not included in the measurement of lease liabilities	**14,804**	–
Foreign exchange differences, net	**(7,985)**	11,853
Employee benefit expense (including the directors' remuneration):		
Wages and salaries	**393,414**	322,346
Pension scheme contributions**	**18,860**	17,696
	412,274	340,042

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

** At 31 December 2019, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2018: Nil).

7. INCOME TAX

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current – Hong Kong		
Charge for the year	**482**	551
Current – Mainland China		
Charge for the year	**1,108,693**	848,498
PRC LAT	**854,497**	683,312
Deferred	**(3,077)**	(257,321)
Total tax charge for the year	**1,960,595**	1,275,040

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for the first HK$2,000,000 of assessable profits for an indirect wholly-owned subsidiary of the Company, which is assessed at the rate of 8.25% as it elects the two-tiered profits tax rates in 2019.

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2018: 25%) on the taxable profits of the Group's PRC subsidiaries.

PRC 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. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Proposed final – Nil (2018: HK1.75 cents) per ordinary share	**–**	112,283

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

The calculation of the basic earnings/(loss) per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of RMB2,421,877,000 (2018: profit of RMB716,310,000), and the weighted average number of ordinary shares of 6,416,155,647 (2018: 6,416,155,647) in issue during the year.

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

The calculation of the diluted earnings/(loss) per share amount is based on the loss for the year 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 year, 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 Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2019 (2018: Nil).

10. TRADE AND BILLS RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**1,235,603**	1,158,581
Bills receivable	**121,164**	105,597
	1,356,767	1,264,178
Impairment	**(80,581)**	(70,738)
	1,276,186	1,193,440

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 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. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables, based on the invoice date and/or bills receipt date and net of loss allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**1,229,984**	1,117,683
7 to 12 months	**25,871**	19,920
13 to 24 months	**8,462**	38,394
Over 24 months	**11,869**	17,443
	1,276,186	1,193,440

10. TRADE AND BILLS RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At beginning of year	**70,738**	17,699
Impairment losses, net	**9,843**	53,039
At end of year	**80,581**	70,738

The increase in the loss allowance in 2019 and 2018 was as a result of the increase in trade receivables which are past due over 2 years.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

		Past due			
	Current (Unaudited)	Less than 1 year (Unaudited)	1 to 2 years (Unaudited)	Over 2 years (Unaudited)	Total (Unaudited)
Expected credit loss rate	**0.31%**	**2.54%**	**14.60%**	**87.31%**	**6.52%**
Gross carrying amount *(RMB'000)*	**1,001,488**	**143,636**	**7,157**	**83,322**	**1,235,603**
Expected credit losses *(RMB'000)*	**3,132**	**3,655**	**1,045**	**72,749**	**80,581**

As at 31 December 2018

		Past due			
	Current (Audited)	Less than 1 year (Audited)	1 to 2 years (Audited)	Over 2 years (Audited)	Total (Audited)
Expected credit loss rate	0.33%	2.80%	15.10%	87.49%	6.11%
Gross carrying amount *(RMB'000)*	973,354	68,226	50,699	66,302	1,158,581
Expected credit losses *(RMB'000)*	3,166	1,913	7,654	58,005	70,738

Included in the Group's trade and bills receivables are amounts due from fellow subsidiaries of approximately RMB6,858,000 (2018: RMB60,997,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

10. TRADE AND BILLS RECEIVABLES (continued)

Transferred Financial assets that are not derecognised in their entirety

At 31 December 2019, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB35,650,000 (2018: RMB16,133,000) to certain of its suppliers in order to settle the trade payables due to these suppliers (the "Endorsement"). In the opinion of the directors of the Company, the Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group does not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers had recourse was RMB35,650,000 as at 31 December 2019 (2018: RMB16,133,000).

Transferred financial assets that are derecognised in their entirety

At 31 December 2019, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB146,824,000 (2018: RMB126,491,000). The Derecognised Bills had a maturity within six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2019, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

11. TRADE AND BILLS PAYABLES

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
Trade payables	**5,396,987**	4,091,999
Bills payable	**65,371**	202,819
	5,462,358	4,294,818

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

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
Within 6 months	**5,371,556**	4,171,701
Over 6 months	**90,802**	123,117
	5,462,358	4,294,818

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

Included in the Group's trade and bills payables are amounts due to fellow subsidiaries of approximately RMB9,830,000 (2018: RMB7,378,000), which are repayable on credit terms similar to those offered by other similar suppliers of the Group.

DIVIDEND

No interim dividend is paid during the year and previous year. The Board does not recommend the payment of any final dividend for the year (2018: HK1.75 cents per share).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2019, the global economy has slowed down with increased uncertainties. Against the backdrop of complex overseas and domestic environment, the Chinese economy focused on the supply-side structural reform, promoted high-quality development, continued to carry out work in relation to the "six steady growth", thereby maintaining continuous sound economic development and achieving significant progress in the three critical battles, which marked a major step in its journey of reform and opening-up with year-on-year GDP growth of 6.1%.

On the whole, the policy environment of China's real estate market was tightening in general. Real estate enterprises were under intense funding pressure and there was great pressure of destocking of products despite the proactive efforts made in the launch of new projects to enhance cash inflow. The sentiment of the land market remained low with accelerated restructuring of the industry and higher level of market concentration due to uneven sales performances among enterprises. In 2019, the sales area of commodity housing nationwide amounted to 1,715.58 million square meters, representing a year-on-year decrease of 0.1%, while the sales of commodity housing amounted to RMB15,972.5 billion, representing a year-on-year growth of 6.5%, signifying that the industry has entered into a stage of in-depth adjustment.

OVERALL PERFORMANCE

The Group reported a loss for the year ended 31 December 2019 of approximately RMB1,693.3 million (year ended 31 December 2018: profit of RMB796.6 million). The Group's revenue for the current financial year was maintained at approximately RMB24.1 billion (year ended 31 December 2018: RMB24.9 billion). The Group's gross profit has decreased by 34.7% to approximately RMB2,101.6 million (year ended 31 December 2018: RMB3,217.4 million) mainly due to decrease in gross profit margin of property development business ("Property Development Business") of the Group.

The loss for the year was mainly due to the net results of:

a. an increase in impairment of property under development, net incurred from the realizable net values of certain property development projects based on the assessment of the prevailing market conditions, by RMB2,509.4 million to RMB2,824.8 million (year ended 31 December 2018: RMB315.4 million);

b. a decrease in gross profit margin from last financial year's 12.9% to current financial year's 8.7% attributable to the impairment of properties under development net;

c. a decrease in other income and gains by 10.7% to RMB173.2 million (year ended 31 December 2018: RMB193.9 million) attributable to net decrease in fair value gains on investment properties and gain on disposal of properties under development in prior year;

d. an increase in total selling and distribution expenses and administrative expenses by 14.1% to RMB1,105.1 million (year ended 31 December 2018: RMB968.2 million) attributable to the increase in sales agency fee and commission of Property Development Business;

e. a decrease in impairment losses on financial assets by 9.2% to RMB71.7 million (year ended 31 December 2018: RMB79.0 million) attributable to decrease in impairment of trade and other receivables;

f. a decrease in other expenses and losses by 96.5% to RMB4.5 million (year ended 31 December 2018: RMB128.2 million) attributable to decrease in claim penalty on late delivery of completed properties;

g. an increase in finance cost by RMB663.7 million to approximately RMB824.3 million (year ended 31 December 2018: RMB160.7 million) attributable to increase in interest rate and average bank and other borrowings and decrease in interest capitalised of those subsidiaries with their property development projects completed during the year; and

h. an increase in income tax expenses by 53.8% to approximately RMB1,960.6 million (year ended 31 December 2018: RMB1,275.0 million) as a result 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 2019 were RMB37.75 cents (year ended 31 December 2018: earnings of RMB11.16 cents).

OPERATING REVIEW

Real Estate Business

Property Development

The turnover of the Property Development Business for the current financial year was approximately RMB15,216.7 million (year ended 31 December 2018: RMB17,129.9 million). The segment results recorded a profit of approximately RMB1,182.8 million (year ended 31 December 2018: RMB2,205.1 million). The decline in segment revenue was due to decrease in average selling price as a result of different city mix and product mix in the delivery portfolio as compared with that of last year. The decline in segment results was due to the increase in impairment of properties under development, net.

In 2019, the Group focused on major regions and attempted to expand into the prime cities adjacent to its targeted cities. During the year, the Group won the bid for certain land parcels with a total site area of approximately 447,421 square meters. On 15 February 2019, Kaifeng Boyuan Property Development Co., Limited* (開封博元房地產開發有限公司) and Kaifeng Boming Property Development Co., Limited* (開封博明房地產開發有限公司), both being indirect wholly-owned subsidiaries of the Company, won the bid for the land use rights to the land offered for sale in Kaifeng with a site area of approximately 190,000 square meters at a total consideration of RMB1,424,056,500 (equivalent to approximately HK$1.653 billion). On 17 May 2019, Peking University Resources Group Investment Company Limited* (北大資源集團投資有限公司), an indirect wholly-owned subsidiary of the Company, won the bid for the land use rights to the state-owned construction land offered for sale in Tianjin with a site area of approximately 40,900 square meters at a total consideration of RMB172.1 million (equivalent to approximately HK$200.2 million). On 21 May 2019, Chongqing Yingfeng Property Co., Ltd.* (重慶盈豐地產有限公司), an indirect wholly-owned subsidiary of the Company, won the bid for the land use rights to three parcels of state-owned construction land offered for sale in Yuxi with a site area of approximately 131,758 square meters at a total consideration of RMB1,188,400,000 (equivalent to approximately HK$1.382 billion). On 25 July 2019, Chengdu Xiangcheng Smart Housing Industry Development Co., Ltd.* (成都香城智慧家居產業發展有限公司), an indirect subsidiary of the Company, participated in the bid for the land use rights to the state-owned construction land offered for sale in Chengdu, Sichuan, the People's Republic of China (the "PRC") and won the bid for the land use rights to one parcel of state-owned construction land (the "Land") offered for sale in Chengdu with a site area of approximately 84,763.35 square meters at a total consideration of RMB457,716,000 (equivalent to approximately HK$519,508,000).

In 2019, the Group started construction of 4 new projects with 29 projects under construction in aggregate and a total of 32 projects on sale. As at 31 December 2019, the area of the Group's properties held for sales, properties under development and areas pending construction were approximately 0.95 million square meters, 5.12 million square meters and 1.41 million square meters, respectively, totaling 7.48 million square meters.

In view of the current changes in the industry and the macro-economy, the Group continued to focus on the property development business in the major regions, adopted a prudent and sound investment strategy, so as to further solidify its operation capability, constantly enhance product competitiveness and enhance the ability of sales proceeds collection.

Contracted Sales

As at 31 December 2019, the Group realised a contracted sales of approximately RMB14.52 billion and sold an accumulated contracted area of approximately 1.3971 million square meters, with an average selling price of approximately RMB10,393 per square meter.

Property Investment

The property investment business of the Group recorded an increase in turnover by 15.3% to approximately RMB34.9 million (year ended 31 December 2018: RMB30.2 million) and segment profit of approximately RMB30.8 million (year ended 31 December 2018: RMB50.5 million) during the current financial year. The increase in segment revenue was mainly attributed to the increase in rentable floor area due to transfer from properties under development during prior year and the increase in average unit value of properties as a result of the improvement on infrastructure during the year. The decrease in segment results was mainly due to decrease in fair value gains on investment properties attributable to lower appreciation rate of those leasable commercial properties during the year.

Distribution Business

Distribution of Information Products

The Distribution Business recorded a turnover of approximately RMB8,880.0 million representing an increase of 14.6% as compared to last financial year (year ended 31 December 2018: RMB7,751.7 million). The segment results recorded a loss of RMB15.7 million (year ended 31 December 2018: profit of RMB55.8 million). The decline in segment results was due to increase in operating cost and impairment of other receivables.

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

Looking forward to 2020, the Board believes that with the spread of the impact of Coronavirus Disease 2019 ("COVID-19"), the global economy will continue to slow down. The proactive anti-epidemic measures taken by the Chinese government will have positive impact on the rapid recovery of the economy, and a series of economy stimulus policies will also be promulgated after the epidemic. The long-term trend of steady progress of the Chinese economy will remain unchanged and will continue to be exposed to strategically important opportunities. The year 2020 marks the conclusion of the building of a moderately prosperous society in all respects and the "13th Five-year" plan of China. As an important pillar supporting the national economy, the real estate industry is likely to remain stable. The regulatory policies of the real estate market will focus on the adjustment and optimization of the supply structure with a view to leading back to a rational land market and hence ensuring stable and sound development. The credit environment will remain stable and moderately loosened in general; however, the financing channels will remain tightened with more frequent inter-industry mergers and restructuring. Meanwhile, development opportunities will arise for industry-city integrations and health products with a focus on the big healthcare sector.

The Group will keep abreast with the direction of national policy and market changes to actively cope with the epidemic and carry out its production and operation in an orderly manner in a bid to minimize the impact of the epidemic on the Group's business. Consistently focusing on the development of first- and second-tier cities as well as some of the third-tier cities experiencing strong growth, the Group will promote the light asset operation model and increase the access to and reserve of industry-city integration projects. Under the guidance of the strategy of "One Body, Two Wings and Three Cores" in practice, the Group will push ahead with the establishment of core big healthcare and technology IPs and implement the strategy towards becoming a "technology and innovation services provider".

Distribution Business

The outbreak of COVID-19 had a significant adverse impact on the global economy and consumer confidence. Amid the aforesaid economic uncertainties, the Group will continue to adopt a prudent approach to run its business operations. 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 explore 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 contributions of employees. The Group ensures that the remuneration 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 adopts 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 1,205 employees as at 31 December 2019 (31 December 2018: 1,458).

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 Mainland China. As at 31 December 2019, the Group had approximately RMB12,673.0 million interest-bearing bank and other borrowings (31 December 2018: RMB15,232.0 million), of which approximately RMB480.0 million (31 December 2018: RMB395.0 million) were floating interest bearing and RMB12,193.0 million (31 December 2018: RMB14,837.0 million) were fixed interest bearing. The borrowings, which were subject to little seasonality, consisted of mainly bank loans, trust receipt loans and loans from certain subsidiaries and associates of Peking Founder, and borrowings from financial institutions. Peking Founder is the substantial shareholders of the Company. Interest-bearing bank and other borrowings are denominated in Renminbi ("RMB"), of which RMB12,673.0 million (31 December 2018: RMB10,140.0 million) were repayable within one year and nil (31 December 2018: RMB5,092.0 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 properties under development, properties held for sale, the Group's stakes and assignment of return arising from the Group's certain properties under development and properties held for sale. The decrease in bank and other borrowings was mainly attributed to the repayment of bank loans for Property Development Business during the current financial year. The decrease in other payables and accruals by 9.8% to RMB16.7 million (31 December 2018: RMB18.5 million) was due to decrease in contract liabilities arising from sale of properties.

As at 31 December 2019, the Group recorded total assets of approximately RMB38,541.4 million (31 December 2018: RMB42,661.2 million) which were financed by liabilities of approximately RMB37,437.8 million (31 December 2018: RMB39,656.5 million), non-controlling interests of approximately RMB962.8 million (31 December 2018: RMB336.2 million) and equity attributable to owners of the parent of approximately RMB140.8 million (31 December 2018: RMB2,668.5 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 2019 was RMB0.17 (31 December 2018: RMB0.47). 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 RMB2,514.5 million as at 31 December 2019 (31 December 2018: RMB5,477.2 million). As at 31 December 2019, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total equity, was 11.5 (31 December 2018: 5.1) while the Group's current ratio was 1.00 (31 December 2018: 1.21). As at 31 December 2019, the capital commitments for contracted, but not provided for, properties under development were approximately RMB8,732.9 million (31 December 2018: RMB14,348.8 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 Mainland China and Hong Kong. For the operations in Mainland China, most of its revenues and expense are measured in RMB. For the operations in Hong Kong, most of the transactions are denominated in HKD and U.S. dollars. The values of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of foreign currencies into RMB is subject to the rules and regulations of the foreign exchange controls promulgated by the Chinese government. The Group has minimal exposure to exchange rate fluctuation. No financial instrument was used for hedging purposes.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2019.

Future Plans for Material Investments or Capital Assets

The Group did not have any concrete future plans for material investments or capital assets as at 31 December 2019 (31 December 2018: Nil). However, the Group always seeks for new investment opportunities in the Real Estate Business and Distribution Business to broaden the revenue and profit potential of the Group and enhance shareholders' value in long term.

Charges on assets

As at 31 December 2019, properties under development of approximately RMB12,768.1 million (31 December 2018: RMB7,214.0 million), properties held for sale of approximately RMB4,886.8 million (31 December 2018: RMB1,430.7 million), bank deposits of approximately RMB25.1 million (31 December 2018: RMB94.8 million), certain equity interests of certain subsidiaries and the assignment of returns arising from certain properties under development and properties held for sale of the Group were pledged to banks to secure general banking facilities granted, as deposits for construction of the relevant properties and as guarantees deposits for certain mortgage loans granted by banks to purchasers of the Group's properties.

Contingent liabilities

As at 31 December 2019, the Group had contingent liabilities relating to guarantees mainly in respect of mortgages granted by certain banks to certain purchasers of the Group's properties amounting to approximately RMB3,665.0 million (31 December 2018: RMB5,369.4 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 to the banks 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 the building 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 penalty and therefore no provision has been made for the guarantees in the consolidated financial statements for the year ended 31 December 2019 (31 December 2018: Nil).

Events after the reporting period

(a) The Assessment of the Impact of the Coronavirus Disease 2019

Since the outbreak of COVID-19 in January 2020, the prevention and control of the COVID-19 has been going on throughout the country. The Group will earnestly implement the requirements of the Notice on Further Strengthening Financial Support for Prevention and Control of COVID-19, which was issued by the People's bank of China, the Ministry of Finance, the CBIRC, China Securities Regulatory Commission and State Administration of Foreign Exchange, and strengthen financial support for the epidemic prevention and control.

The COVID-19 has certain impacts on the business operation of the Group. The degree of the impact depends on the situation of the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies.

The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this announcement, the assessment is still in progress.

(b) The Judicial Restructuring of Peking Founder

In February 2020, Bank of Beijing Co., Ltd. applied to the First Intermediate People's Court of Beijing (the "Court") to initiate judicial restructuring of Peking Founder on the grounds that Peking Founder was unable to repay its debt and obviously lacked the ability of repayment. The Court accepted the application made by Bank of Beijing Co., Ltd. for the initiation of restructuring procedure against Peking Founder, and appointed Peking Founder's liquidation team as the administrator of Peking Founder. Peking Founder's liquidation team consists of, among others, the People's Bank of China, the Ministry of Education of the People's Republic of China, relevant financial regulators and relevant departments of Beijing Municipal Government.

The Company is independent from Peking Founder in respect of business, personnel, assets, institutions and finance, and will endeavour to ensure the stability in its operation and management. The ongoing reorganisation procedure of Peking Founder may have impact on the shareholding structure of the Company.

Save as disclosed above, there are no significant subsequent events after the end of reporting period.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has fully complied with the code provisions set out in the Corporate Governance 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 2019.

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 2019.

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 throughout the year ended 31 December 2019.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the restrictions in force in parts of China to combat the coronavirus epidemic. The Unaudited Annual Results contained herein have not been agreed with the Company's auditors, Ernst & Young, as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The Unaudited Annual Results contained herein have been reviewed by the audit committee of the Company.

FURTHER ANNOUNCEMENT(S) AND ANNUAL REPORT

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the Unaudited Annual Results contained herein; (ii) the proposed date on which the forthcoming annual general meeting will be held; and (iii) the period during which the register of members holding ordinary shares will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company hopefully expects to publish the annual report of the Company for the year ended 31 December 2019 (the "Annual Report") and audited annual results announcement on or before 15 May 2020 in accordance with further guidance on the joint statement issued by The Stock Exchange of Hong Kong Limited and the Secuities and Futures Commission dated 16 March 2020.

PUBLICATION OF THE UNAUDITED ANNUAL RESULTS AND ANNUAL REPORT

This Unaudited Annual Results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the Company (http://www.pku-resources.com). Any further announcement(s) relating to the Company's annual results will be published on the same websites in due course. The Annual Report containing all the information as required by the Listing Rules will be despatched to the shareholders of the Company and made available for review on the same websites in due course.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 30 March 2020

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