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北大资源
PKU RESOURCES

Peking University Resources (Holdings) Company Limited
北大资源(控股)有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00618)

UPDATE ON ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of Peking University Resources (Holdings) Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 March 2020 in relation to, among other things, the Unaudited Annual Results of the Group for the year ended 31 December 2019 (the “**Unaudited Results Announcement**”) and the subsequent announcements of the Company dated 28 April 2020, 11 May 2020 and 5 June 2020 (collectively, the “**Previous Announcements**”) for or in connection with the publication of the audited consolidated financial statements of the Group for the year ended 31 December 2019. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Previous Announcements.

AUDITOR’S AGREEMENT ON THE 2019 ANNUAL RESULTS

As stated in the Unaudited Results Announcement, the annual results of the Group for the year ended 31 December 2019 (the “**2019 Annual Results**”) contained therein had not then been agreed with the Company’s auditor.

The Company is pleased to announce that on 23 June 2020, the Company has obtained the agreement from the Company’s auditor, Ernst & Young, on the 2019 Annual Results (including the figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019) as set out in the Unaudited Results Announcement in accordance with the requirements of Rule 13.49(2) of the Listing Rules.

The figures in the audited 2019 Annual Results remain the same as those in the Unaudited Results Announcement, except for reclassification of (i) properties under development to properties held for sale as certain property development project will be held for sale; (ii) restricted cash to cash and cash equivalents in the current assets as certain of the Group's bank deposits were restricted as deposits for the construction of the relevant properties; (iii) interest-bearing bank and other borrowings from current liabilities to non-current liabilities as certain of the Group's bank borrowings were repayable over one year; and (iv) other payables to interest-bearing bank and other borrowings as certain other payables were classified as other loans.

(a) Reclassification on consolidated statement of financial position:

Items as at 31 December 2019	Disclosure in this announcement (RMB'000)	Disclosure in the Unaudited Results Announcement (RMB'000)	Difference (RMB'000)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
CURRENT ASSETS			
Properties under development	17,626,739	20,094,925	(2,468,186)
Properties held for sale	12,465,450	9,997,264	2,468,186
Restricted cash	957,536	850,629	106,907
Cash and cash equivalents	1,556,977	1,663,884	(106,907)
CURRENT LIABILITIES			
Other payables and accruals	16,438,769	16,678,769	(240,000)
Interest-bearing bank and other borrowings	12,654,876	12,672,955	(18,079)
Total current liabilities	37,054,691	37,312,770	(258,079)
NET CURRENT ASSETS	331,727	73,648	258,079
TOTAL ASSETS LESS CURRENT LIABILITIES	1,486,722	1,228,643	258,079
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	258,079	–	258,079
Total non-current liabilities	383,082	125,003	258,079

(b) Supplemental information on basis of preparation:

The Company would like to add the following supplemental information to Note 2.1 – “Basis of preparation” on page 6 of “Notes to Financial Statements” of the Unaudited Results Announcement:

Going concern basis

The Group incurred a net loss of RMB1,693,326,000, including net impairment of properties under development and properties held for sale with an aggregate amount of RMB3,268,639,000, for the year ended 31 December 2019, and had net current assets of RMB331,727,000 which included properties under development with an aggregate amount of RMB10,791,048,000 expected to be completed within normal operating cycle and recovered after one year as at 31 December 2019.

In 2019, Peking Founder defaulted on its bond redemption of RMB2,000,000,000 and the Group also defaulted its loan repayments of RMB1,211,770,000, resulting in borrowings of RMB11,147,071,000 becoming repayable on demand as at 31 December 2019 because these defaults caused breaches of loan covenants of the Group’s borrowings. Of the borrowings repayable on demand of RMB11,147,071,000, there were borrowings of RMB2,307,917,000 reclassified from non-current liabilities to current liabilities as at 31 December 2019. In February 2020, Bank of Beijing applied to The First Intermediate People’s Court of Beijing for the initiation of reorganisation procedures against Peking Founder, details which are included in the Company’s announcement dated 18 February 2020.

In November and December 2019, the Group received (1) a pre-litigation property attachment, which aimed to freeze the bank account balances or impound or seize other equivalent assets of the borrower with the equivalent amount of the borrowings in concern, issued by Xining City Intermediate People’s Court of Qinghai Province in relation to borrowings of RMB2,320,000,000, (2) legal proceedings in Dongguan City Third People’s Court of Guangdong Province requiring the repayment of principal, interest and default penalty of a loan amounting to RMB1,061,770,000 which was subsequently changed to RMB773,656,000, and (3) an application for arbitration of a securities conflict case requiring the payment of principal involved in relevant securities and the expected revenue amounting to RMB496,991,000. Based on the latest information available to the Group, the plaintiff applying for the pre-litigation property attachment did not initiate further legal proceedings against the Group and Dongguan City Third People’s Court of Guangdong Province has terminated the trial because reorganisation procedure against Peking Founder is in process, while only the application for arbitration of a securities conflict case is ongoing as of the date of approval of these financial statements.

As further explained in note 29 to the financial statements, as at 31 December 2019 and up to the date of approval of these financial statements, the Group’s borrowings with aggregate amounts of RMB1,177,076,000 and RMB3,476,319,000, respectively, were overdue.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt regarding the Group's ability to continue as a going concern.

In view of such circumstances, the board of directors of the Company has given careful consideration to the future liquidity of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Subsequent to the balance sheet date, the Group extended the maturity dates of three loans with an aggregate amount of RMB877,000,000 as at 31 December 2019 from 2020 to 2021. In addition, the Group has submitted written loan extension applications to two lenders for an aggregate loan amount of RMB1,902,786,000, as well as has been in active verbal negotiation with ten lenders to explore the possibility of loan extension with an aggregate amount of RMB2,994,519,000. The board of directors of the Company is also of the view that the Group will carry on its operation and deliver its properties to customers as usual, and therefore the advances received with an aggregate amount of RMB9,654,247,000 as of 31 December 2019 will not result in direct cash outflow (i.e., refunds) notwithstanding that the reorganisation procedure against Peking Founder is yet to be finalised.

The board of directors of the Company has reviewed the Group's cash flow forecast prepared by the management of the Group which covered the period up to 31 December 2020. The board of directors of the Company is of the opinion that, taking into account of the loan extension, the current operation of the Group as well as the possible outcome of the reorganisation procedure against Peking Founder, the Group will have sufficient financial resources to continue as a going concern.

Should the Group fail to achieve the aforementioned matters, it might not be able to continue as a going concern assumption, and adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than what they are currently recorded in the consolidated statement of financial position as at 31 December 2019. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

(c) Reclassification on Operating Segment Information:

Items as at 31 December 2019	Disclosure in this announcement (RMB'000)	Disclosure in the Unaudited Results Announcement (RMB'000)	Difference (RMB'000)
Segment liabilities –			
Property development	21,791,464	22,031,464	(240,000)
Segment liabilities – Total	23,677,539	23,917,539	(240,000)
Corporate and unallocated liabilities	15,414,250	15,174,250	240,000

(d) Management discussion and analysis:

As a result of the above reclassifications, the Board would like to clarify that in the section headed “Management Discussion and Analysis” in the Unaudited Results Announcement (with amendments underlined):

The first paragraph in the sub-section headed “Liquidity, financial resources and capital commitments” on page 26 of the Unaudited Results Announcement shall be read as follows:

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 RMB12,913.0 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 RMB12,433.0 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 RMB12,654.9 million (31 December 2018: RMB10,140.0 million) were repayable within one year and RMB258.1 million (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 11.1% to RMB16,438.8 million (31 December 2018: RMB18,500.6 million) was due to decrease in contract liabilities arising from sale of properties.

The first paragraph in the sub-section headed “Charges on assets” on page 28 of the Unaudited Results Announcement shall be read as follows:

As at 31 December 2019, properties under development of approximately RMB10,299.9 million (31 December 2018: RMB7,214.0 million), properties held for sale of approximately RMB6,081.9 million (31 December 2018: RMB1,430.7 million), property, plant and equipment of approximately RMB24.8 million (31 December 2018: Nil), investment properties of approximately RMB179.6 million (31 December 2018: Nil), 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.

The first sentence of the first paragraph in the sub-section headed “Contingent liabilities” on page 28 of the Unaudited Results Announcement shall be read as follows:

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 RMB6,254.0 million (31 December 2018: RMB5,369.4 million).

Save as disclosed in this announcement and the corresponding adjustments in totals, percentages, ratios and comparative figures related to the above reclassification, all other information contained in the Unaudited Results Announcement remain unchanged.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group incurred a net loss of RMB1,693,326,000 for the year ended 31 December 2019, and had net current assets of RMB331,727,000 which included properties under development with an aggregate amount of RMB10,791,048,000 expected to be completed within normal operating cycle and recovered after one year as at 31 December 2019. Peking University

Founder Group Company Limited (“**Peking Founder**”) owns 81.64% effective interest of the immediate holding company of the Company and has provided corporate guarantees to certain of the Group’s borrowings. In 2019, Peking Founder defaulted on its bond redemption of RMB2,000,000,000 and the Group also defaulted its loan repayments of RMB1,211,770,000. These defaults caused breaches of loan covenants of the Group’s borrowings, resulting in borrowings of RMB11,147,071,000 becoming repayable on demand as at 31 December 2019. These conditions, together with other matters as set forth in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the accounting policies, accounting standards and practices adopted by the Group and the audited consolidated financial statements and results of the Group for the year ended 31 December 2019.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the Unaudited Results Announcement or this announcement, as applicable, have been agreed by the Company’s auditor, 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 HKICPA and consequently no assurance has been expressed by Ernst & Young on the Unaudited Results Announcement or this announcement.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2019 will be published on or before 30 June 2020.

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

Hong Kong, 23 June 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. Chan Chung Kik, Lewis, Mr. Lau Ka Wing and Mr. Lai Nga Ming, Edmund.