天譽置業（控股）有限公司
SKYFAME REALTY (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)
(Stock Code: 00059)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

	2016	2015
	RMB'000	*RMB'000*
Revenue	**1,507,971**	306,321
Profit/(loss) before income tax	**95,757**	(208,483)
Profit/(loss) for the year	**86,239**	(232,264)
Profit/(loss) for the year attributable to owners of the Company	**92,918**	(211,769)
Earnings/(loss) per share – Basic and diluted	**RMB0.038**	(RMB0.096)
Total assets	**13,920,633**	10,357,027

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Skyfame Realty (Holdings) Limited (the "**Company**") announces the consolidated final results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2016, together with comparative figures for the corresponding year of 2015. The consolidated final results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	5	**1,507,971**	306,321
Cost of sales and services		**(1,196,640)**	(272,393)
Gross profit		**311,331**	33,928
Other income and gains, net		**4,048**	1,402
Sales and marketing expenses		**(106,971)**	(46,000)
Administrative and other expenses		**(163,597)**	(137,516)
Unrealised exchange losses		**(97,231)**	(69,026)
Fair value changes in investment properties		**10,051**	6,736
Write-down of properties under development/ properties held for sale		**–**	(20,024)
Fair value changes in derivative financial asset/ liabilities		**11,121**	2,632
Gain on disposal of subsidiaries		**97,285**	–
Finance costs	6	**(3,051)**	(1,813)
Finance income	6	**32,771**	21,198
Profit/(loss) before income tax	7	**95,757**	(208,483)
Income tax expenses	8	**(9,518)**	(23,781)
PROFIT/(LOSS) FOR THE YEAR		**86,239**	(232,264)
Other comprehensive income, items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on foreign operations		**(138)**	(891)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**86,101**	(233,155)
Profit/(loss) for the year attributable to:			
– Owners of the Company		**92,918**	(211,769)
– Non-controlling interests		**(6,679)**	(20,495)
		86,239	(232,264)
Total comprehensive income for the year attributable to:			
– Owners of the Company		**92,780**	(212,660)
– Non-controlling interests		**(6,679)**	(20,495)
		86,101	(233,155)
Earnings/(loss) per share – Basic and diluted	9	**RMB0.038**	(RMB0.096)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**251,390**	262,725
Investment properties		**588,370**	570,058
Goodwill		**13,554**	13,554
Available-for-sale investment		**10,000**	–
Derivative financial asset		**9,022**	37
Deferred tax assets		**57,353**	–
		929,689	846,374
Current assets			
Properties held for development		**161,160**	–
Properties under development		**7,971,027**	6,159,277
Properties under Tianhe Project		**–**	786,168
Properties held for sale		**177,228**	177,850
Considerations receivable		**277,401**	105,000
Loan to a non-controlling shareholder of a subsidiary		**52,900**	20,400
Trade and other receivables	11	**1,476,130**	495,974
Short-term investments		**–**	460,000
Prepaid income tax		**93,368**	–
Restricted and pledged deposits		**987,290**	922,729
Cash and cash equivalents		**1,794,440**	383,255
		12,990,944	9,510,653
Current liabilities			
Trade and other payables	12	**1,190,525**	1,200,733
Properties pre-sale deposits		**7,290,196**	3,710,375
Bank and other borrowings – current portion		**1,067,634**	2,013,166
Derivative financial liabilities – current portion		**11,177**	–
Consideration from disposal of Tianhe Project		**–**	990,360
Income tax payable		**–**	5,378
		9,559,532	7,920,012
Net current assets		**3,431,412**	1,590,641
Total assets less current liabilities		**4,361,101**	2,437,015

	2016	2015
	RMB'000	*RMB'000*
Non-current liabilities		
Bank and other borrowings		
– non-current portion	**2,388,429**	746,656
Derivative financial liabilities		
– non-current portion	**2,182**	12,573
Deferred tax liabilities	**170,522**	168,781
	2,561,133	928,010
Net assets	**1,799,968**	1,509,005
Capital and reserves		
Share capital	**24,456**	21,068
Reserves	**1,740,653**	1,482,872
Equity attributable to owners of the Company	**1,765,109**	1,503,940
Non-controlling interests	**34,859**	5,065
Total equity	**1,799,968**	1,509,005

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited.

The principal activity of the Company continues to be investment holding. The principal activities of its subsidiaries are property development, property investment and property management.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2016

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

Except as explained below, the adoption of these amendments has no material impact on the Group's financial statements.

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no impact on these financial statements.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Company is neither an intermediate parent entity nor an investment entity.

Amendments to HKFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply the relevant principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties. The amendment are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not acquired or formed a joint operation.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements have been issued but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

Amendments to HKAS 7 – Disclosure Initiative
The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses
The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions
The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Amendments to HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal view agent; licenses of intellectual property; and transaction requirements.

Amendments to HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except that the investment properties and financial derivative asset/liabilities are stated at their fair values.

(c) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(d) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is same as the functional currency of the Company and its principal subsidiaries.

4. SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment, the Group is currently organised into three operating divisions, i.e. property development, property investment and property management services. As management of the Group considers that nearly all consolidated revenue are attributable to the markets in the People's Republic of China (the "**PRC**") and consolidated non-current/current assets are substantially located in the PRC, no geographical information is presented. The Group's reportable segments are as follows:

Property development	–	Property development and sale of properties
Property investment	–	Property leasing
Property management	–	Property management services

The Group's senior executive management monitors the results attributable to each reportable segment on the basis that revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses directly incurred by those segments. In addition to the segment performance in terms of segment results, management also provides other segment information concerning depreciation and amortisation, fair value changes in investment properties, gain from bargin purchase and write-down of properties under development/held for sale.

Segment assets/liabilities include all assets/liabilities attributable to those segments with the exception of short-term investments, cash and bank balances, unallocated bank and other borrowings, derivative financial assets/liabilities and taxes. Investment properties are included in segment assets but the related fair value changes in investment properties are excluded from segment results because the Group's senior executive management considers that they are not generated from operating activities.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-maker for assessment of segment performance.

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance in the consolidated financial statements is set out below:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Total RMB'000
Year ended 31 December 2016				
Segment revenue				
Reportable segment revenue	**1,471,330**	**24,549**	**32,863**	**1,528,742**
Elimination of intra-segment revenue	**–**	**(8,035)**	**(12,736)**	**(20,771)**
Consolidated revenue from external customers	**1,471,330**	**16,514**	**20,127**	**1,507,971**
Segment results	**(214,367)**	**7,800**	**(12,809)**	**(219,376)**
Reconciliation:				
Unallocated corporate net expenses				**166,956**
				(52,420)
Fair value changes in investment properties	**–**	**10,051**	**–**	**10,051**
Gain on disposal of subsidiaries	**97,285**	**–**	**–**	**97,285**
Fair value changes in derivative financial asset/liabilities				**11,121**
Finance costs				**(3,051)**
Finance income				**32,771**
Consolidated profit before income tax				**95,757**
Other segment information:				
Depreciation and amortisation	**(1,592)**	**(805)**	**(1,747)**	**(4,144)**
Impairment loss on trade and other receivables	**–**	**(11)**	**(156)**	**(167)**
Additions to properties under Tianhe project	**37,495**	**–**	**–**	**37,495**
Additions to properties held for/ under development	**2,298,694**	**–**	**–**	**2,298,694**
Capital expenditure	**1,708**	**–**	**153**	**1,861**

	Property development	Property investment	Property management	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2016				
Assets and liabilities				
Assets				
Reportable segment assets	**9,927,387**	**1,283,999**	**41,697**	**11,253,083**
Reconciliation:				
Derivative financial asset				**9,022**
Available-for-sale investment				**10,000**
Prepaid income tax				**93,368**
Deferred tax assets				**57,353**
Cash and cash equivalents				**1,794,440**
Unallocated restricted and pledged deposits				**375,382**
Unallocated corporate assets				
– Leasehold land and building				**205,778**
– Other corporate assets				**122,207**
Consolidated total assets				**13,920,633**
Liabilities				
Reportable segment liabilities	**9,670,023**	**12,733**	**12,273**	**9,695,029**
Reconciliation:				
Deferred tax liabilities				**170,522**
Derivative financial liabilities				**13,359**
Unallocated bank and other borrowings				**2,232,665**
Unallocated corporate liabilities				**9,090**
Consolidated total liabilities				**12,120,665**

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Year ended 31 December 2015				
Segment revenue				
Reportable segment revenue	269,427	26,410	29,123	324,960
Elimination of intra-segment revenue	–	(8,166)	(10,473)	(18,639)
Consolidated revenue from external customers	269,427	18,244	18,650	306,321
Segment results	(118,184)	12,827	(14,156)	(119,513)
Reconciliation:				
Unallocated corporate net expenses				(97,699)
				(217,212)
Fair value changes in investment properties	–	6,736	–	6,736
Write-down of properties under development/properties held for sale	(20,024)	–	–	(20,024)
Fair value changes in derivative financial asset/liabilities				2,632
Finance costs				(1,813)
Finance income				21,198
Consolidated loss before income tax				(208,483)
Other segment information:				
Depreciation and amortisation	(1,366)	(896)	(1,733)	(3,995)
Impairment loss on trade and other receivables	–	75	(285)	(210)
Additions to properties under Tianhe project	9,077	–	–	9,077
Additions to properties under development	2,395,868	–	–	2,395,868
Capital expenditure	1,869	–	161	2,030

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
As at 31 December 2015				
Assets and liabilities				
Assets				
Reportable segment assets	8,009,651	577,828	42,170	8,629,649
Reconciliation:				
Derivative financial asset				37
Short-term investments				460,000
Cash and cash equivalents				383,255
Unallocated restricted and pledged deposits				652,010
Unallocated corporate assets				
– Leasehold land and building				212,638
– Other corporate assets				19,438
Consolidated total assets				10,357,027
Liabilities				
Reportable segment liabilities	6,293,360	6,980	510,846	6,811,186
Reconciliation:				
Income tax payable				5,378
Deferred tax liabilities				168,781
Derivative financial liabilities				12,573
Unallocated bank and other borrowings				1,839,183
Unallocated corporate liabilities				10,921
Consolidated total liabilities				8,848,022

Information about major customers

Revenue from customers contributing over 10% of total revenue of the Group is as follows:

	2016 ***RMB'000***	2015 *RMB'000*
HNA Hotel *(Note)*	**1,115,557**	–

Note: Revenue from sale of properties.

None of the customers of the Group contributed more than 10% of the Group's revenue for the year ended 31 December 2015.

5. REVENUE

Revenue includes the net invoiced value of goods sold, contract revenue and rental income earned by the Group, and net of sales related taxes. The amounts of each significant category of revenue recognised during the year are as follows:

	2016	2015
	RMB'000	*RMB'000*
Sale of properties	**1,471,268**	269,288
Rental income	**16,576**	18,383
Property management services	**20,127**	18,650
	1,507,971	306,321

6. FINANCE COSTS AND INCOME

	2016	2015
	RMB'000	*RMB'000*
Finance costs:		
Interest on bank and other borrowings	**203,207**	245,730
Less: Amount capitalised as properties under development		
Interest on bank and other borrowings	**(200,169)**	(243,917)
	3,038	1,813
Other borrowing costs	**14,041**	26,569
Less: Amount capitalised as properties under development	**(14,028)**	(26,569)
	13	–
Finance costs charged to profit or loss	**3,051**	1,813
Finance income:		
Bank interest income	**24,876**	9,072
Interest income on short-term investments	**6,325**	11,814
Interest income on loan to a non-controlling shareholder of a subsidiary	**1,570**	312
Finance income credited to profit or loss	**32,771**	21,198

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 9.0% (2015: 10.8%), which is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

7. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax for the year has been arrived at after charging/(crediting):

	2016	2015
	RMB'000	*RMB'000*
Cost of properties sold	**1,186,772**	263,105
Write-down of properties under development/ properties held for sale	**–**	20,024
Cost of inventories recognised in profit or loss	**1,186,772**	283,129
Staff costs, including directors' emoluments	**102,344**	73,854
Auditor's remuneration		
– current year	**1,382**	793
– non-audit services	**548**	478
Depreciation of property, plant and equipment	**13,731**	13,178
Less: Amount capitalised as properties under development	**(139)**	(92)
Depreciation charged to profit or loss	**13,592**	13,086
Amortisation of leasehold land	**3,407**	3,407
Depreciation and amortisation charged to profit or loss	**16,999**	16,493
Minimum lease payments under operating lease in respect of:		
– rented office premises	**–**	574
– rented other premises	**320**	499
Unrealised exchange loss	**97,231**	69,026
Impairment loss on trade and other receivables	**167**	292
Bad debts recovered	**–**	(82)
Direct operating expenses arising from investment properties that generated rental income	**2,475**	2,821
Direct operating expenses arising from investment properties that did not generate rental income	**234**	192

8. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current tax		
Hong Kong profits tax	**–**	–
PRC corporate tax		
– current year	**60,228**	233
– write-off of provisional corporate income taxes	**–**	7,576
PRC land appreciation taxes ("**LAT**")		
– current year	**4,902**	9,471
– write-off of provisional LAT	**–**	6,768
	65,130	24,048
Deferred tax		
– current year	**(55,612)**	(267)
Total income tax expenses	**9,518**	23,781

No provision for Hong Kong profits tax has been made for the year ended 31 December 2016 (2015: Nil) as the Group has no estimated assessable profits in respect of operation in Hong Kong. The applicable Hong Kong profits tax rate is 16.5% (2015: 16.5%) for the year.

Enterprise income tax arising from other regions of the PRC is calculated at 25% (2015: 25%) of the estimated assessable profits.

The provision of PRC LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided, as appropriate, at ranges of progressive rates from 30% to 60% on the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditure.

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share is based on the profit/(loss) attributable to ordinary shareholders of the Company and the following data:

	2016	2015
	RMB'000	*RMB'000*
Profit/(loss) for the purposes of basic and diluted earnings/(loss) per share	**92,918**	(211,769)
	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	**2,444,946**	2,216,531
Basic	**RMB0.038**	(RMB0.096)
Diluted	**RMB0.038**	(RMB0.096)

The weighted average number of ordinary shares in issue during the year was adjusted to reflect the effect of issuing and allotment of placing shares on 6 June 2016.

For the year ended 31 December 2016 and 2015, basic earnings/(loss) per share is the same as diluted earnings/(loss) per share as any effect arising from the exercise of Company's options and convertible bonds is no dilutive.

10. DIVIDENDS

The Company does not have distributable reserve available for payment of dividend for the year ended 31 December 2016 (2015: Nil).

11. TRADE AND OTHER RECEIVABLES

	Notes	2016 RMB'000	2015 RMB'000
Current or less than 1 month		**588**	881
1 to 3 months		**1,741**	462
More than 3 months but less than 12 months		**629**	589
More than 1 year		**387**	114
Trade receivables from tenants and property occupants, net of impairment		**3,345**	2,046
Refundable earnest money or payments made in project acquisitions		**156,463**	–
Progress payments made on acquisition of projects		**454,900**	–
Receivable from district government for resettlement housing in a project		**52,272**	–
Unpaid up capital to be contributed by a non-controlling shareholder of a subsidiary		**13,800**	–
Refundable construction costs		**57,730**	19,159
Tender deposit in development project		**30,800**	30,800
Prepaid construction costs		**240,032**	110,636
Prepaid finance costs		**9,750**	141
Prepaid business taxes and surcharges		**280,866**	200,305
Maintenance funds paid on behalf of properties owners		**45,943**	41,161
Interest receivable on bank deposits/short-term investments		**8,706**	4,941
Other deposits, prepayments and other receivables		**121,523**	86,785
		1,476,130	495,974

The Group has a policy of allowing an average credit period of 8 to 30 days to its trade customers. The Group's formal credit policy in place is to monitor the Group's exposure to credit risk through regular reviews of receivables and follow-up actions taken on overdue accounts. Credit evaluations are performed on all customers requiring credit over a certain amount.

12. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Current or less than 1 month	**–**	1,485
1 to 3 months	**1,012**	477
More than 3 months but less than 12 months	**5**	5
More than 12 months	**2**	198
Total trade payables	**1,019**	2,165
Construction costs payable	**875,480**	648,437
Tender receivable from the suppliers	**49,287**	49,397
Land cost payable	**–**	352,511
Receipts in advance, rental and other deposits from buyers, customers and/or tenants	**16,745**	16,404
Receipts in advance from government on a project clearance	**68,297**	54,630
Compensation payable	**26,250**	11,250
Accrued business taxes and surcharges	**62,840**	19,685
Interest payable on bank and other borrowings	**3,542**	6,472
Other accrued expenses and other payables	**87,065**	39,782
	1,190,525	1,200,733

13. COMMITMENTS

	2016	2015
	RMB'000	*RMB'000*
Expenditure contracted but not provided for in respect of		
– Property construction and development costs	**2,246,094**	1,970,841

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2016

A. BUSINESS REVIEW

China's economy is going into a new normal slower GDP growth. The central government's mission is to keep the country embracing a sustainable economic growth by imposing policies to stimulate domestic consumption and investments in some selected sectors requiring governmental supports. In midst of the slowing economy, the property market experienced a rally year, and in line with this trend, the business of the Group in the past year experienced turbulence where sales were low in the first half of the year but accelerated in the second half. Stimulated by high liquidity in lending, property markets in the first-tier cities were red hot in 2016. In consequence, austerity measures to cool down the sentiment were imposed by many local governments in later months of the year.

Nonetheless, the property markets that the Group has concentrated have not been adversely affected by the uprising regulations as our projects in Nanning are not the targets of austerity, and sales in our Guangzhou project remains stable under the ever prevalent regulated property market in Guangzhou.

During the year, the Group underwent five development projects, namely Zhoutouzui Project and Tianhe Project in Guangzhou, Nanning Skyfame Garden Project, Nanning ASEAN Maker Town Project and Yongzhou Project. Other than Nanning Skyfame Garden Project, Tianhe Project and Yongzhou Project which were completed and delivered during the year, Zhoutouzui Project, Nanning Skyfame Garden were on presale and Nanning ASEAN Maker Town Project had its initial launch in November 2016. Presales of Zhoutouzui Project and Nanning Skyfame Garden Project were as promising as in 2015, though sales of the completed project in Yongzhou, a third-tier market, remained weak with slack demand. The Group achieved a record high contracted sales of approximately RMB4.2 billion, representing an increase of 28% over the contracted sales of properties in 2015 and a 116% of the annual target of RMB3.6 billion in the year.

In 2016, the Group delivered completed properties of a total saleable GFA of approximately 189,000 sq.m. to customers, comprising respectively total GFA of 112,000 sq.m. in Guangzhou Tianhe Project, 26,000 sq.m. in Yongzhou Project and 51,000 sq.m. in Nanning Skyfame Garden Project. Property sales of these projects brought to the Group a total revenue after direct tax of approximately RMB1,471.3 million, a growth of 446.4% from 2015.

In addition to the deliveries of completed properties to buyers of these projects, in November 2016, the Company completed a deal with the controlling shareholder of the Company, Mr. Yu Pan, whereas the Group's stake interests in Yongzhou Project was disposed to Mr. Yu, at a consideration of RMB277.2 million. The transaction brought to the Group a gain of disposal of RMB97.3 million.

B. PROPERTY PORTFOLIO

1. Properties under development

As at the date of this report, the Group underwent the development of a total of four real estate development projects on mainland China. The Group's projects on hand renders a total developable GFA of approximately 3,374,000 sq.m. and total saleable GFA of 2,703,000 sq.m.

The details about the Group's projects on hand as at the date of this report are summarised below:

Project	Location	Property type	Estimated project total developable GFA (sq.m.) *(Note a)*	Estimated project total saleable GFA (sq.m.) *(Note a)*	Estimated completion year	The Group's interest
Zhoutouzui Project	Guangzhou	Residential and commercial	320,000	152,000 *(Note b)*	2017	100%
Nanning Skyfame Garden Project	Nanning	Residential, commercial and ancillary facilities	1,212,000	945,000 *(Note c)*	2016 to 2018	80%
Skyfame Nanning ASEAN Maker Town Project	Nanning	Composite development	1,405,000	1,204,000	2018 to 2022	100%
Xuzhou Project *(Note d)*	Xuzhou	Residential, commercial and ancillary facilities	437,000	402,000	2019 to 2020	90%
Total			3,374,000	2,703,000		

Notes:

(a) Project total developable/saleable GFAs presented here represent the total developable/saleable area in the project, including the area sold and delivered in the period and previous years.

(b) Excluded the 28% saleable GFA that are allocated to the cooperative partner of Zhoutouzui Project.

(c) Included saleable GFA of 245,000 sq.m. for resettlement housing in Nanning Skyfame Garden Project. Total saleable GFA of approximately 51,000 sq.m. of the project has been sold and delivered up to 31 December 2016.

(d) The land of Xuzhou Project was acquired in December 2016 through a public auction.

Zhoutouzui Project

The project, named as "Skyfame Byland" ("天譽半島"), is held by a sino-foreign cooperative joint venture enterprise which is jointly controlled by the Company and a third party, Guangzhou Port Group Co., Limited (廣州港集團有限公司, "**Port Authority**"), an original user of the land who is entitled to share 28% in developable GFA of the completed properties pursuant to a joint venture agreement entered into in 2001. The legal title over the remaining 72% of the completed properties rests with the Group.

The site, opposite to the renowned White Swan Hotel, offers a full waterfront view of the Pearl River. The project, situated on a site of 43,609 sq.m., is a mixed-use development with a total developable GFA of approximately 320,000 sq.m., consisting of 7 towers comprising residential apartments, offices, serviced apartments, and municipal and other facilities, underground car parking facilities and supporting commercial facilities.

As of the date of this report, the interior decoration works were being carried out and examinations for final inspection for completion was under process. The management expects that construction works of all towers will be completed and ready for delivery to buyers in 2017 and 2018. Other than a total saleable GFA of approximately 81,000 sq.m. in tower A4 and A5 and some car parking spaces that will be handed over to the Port Authority in 2017, it is planned that all other towers are developed for sales. As at 25 March 2017, residential units in tower A2, A3, A6 and A7 are on presale, for which sales of approximately RMB3.6 billion (total saleable GFA of approximately 87,000 sq.m.) have been contracted.

Nanning Skyfame Garden Project

The project is situated in Wuxiang New District (五象新區), a new zone in Nanning, Guangxi province. Commenced construction since the Group acquired the land use right from a land auction in the first quarter of 2014, the project is being developed into a residential district, namely "Nanning Skyfame Garden" ("南寧天譽花園"), with a total developable GFA of approximately 1,212,000 sq.m., consisting of developable GFA of approximately 927,000 sq.m. (saleable GFA 700,000 sq.m.) for residential and retail properties and other facilities for sale and developable GFA of approximately 285,000 sq.m. (saleable GFA 245,000 sq.m.) of residential and commercial units for compensated housing for the resettlement of the original occupants. The project is divided into five zones, namely Zone 3, 4, 5, 6 and 7. Physical delivery of properties are scheduled to take place by phases through late 2016 to 2018.

As of the date of this report, all the 5 zones are under construction. 56 out of a total 65 towers have been roof-topped and construction of 5 towers of apartments in saleable GFA of approximately 78,000 sq.m. were completed. Physical delivery of properties are scheduled to take place by phases through late 2016 to 2018. Property units in zone 3, 4 and 5 of saleable GFA of approximately 623,000 sq.m. have been put on the market for presale. By 25 March 2017, pre-sales totaling approximately RMB3.6 billion million (total saleable GFA of approximately 567,000 sq.m., representing 95.4% of the available GFA for sale of residential units) have been contracted. An aggregated saleable GFA of approximately 51,000 sq.m. were delivered to buyers in 2016. In addition, aggregated saleable GFA of 245,000 sq.m. will be delivered to original land occupants for resettlement housing for which sale proceeds totaling RMB993.2 million have been received from the government.

Skyfame Nanning ASEAN Maker Town Project

In February 2015, the Group acquired through public auction for the land use rights of three land plots of site area of 194,221 sq.m. (equivalent to 291.33 mu) located at the north of Wuxiang Da Road, Wuxiang New Zone (五象新區), Liangqing District, Nanning, Guangxi, the People's Republic of China (the "**PRC**").

The development is planned to be a complex project which will become a landmark in Wuxiang New District. Total planned total developable GFA of approximately 1,405,000 sq.m.. The project is divided into east and west zone and will be developed in phases. The east zone consists of A-class offices, retail properties and an international 5-star hotel proposed to be branded as the Westin Nanning in a skyscraper named as the Skyfame ASEAN Tower ("天譽東盟塔") with a planned height of approximately 530 meter, serviced apartments, retail properties, and ancillary facilities for youngsters named as "the World of Mr. Fish" ("魚先生的世界") while the west zone consists of residential and retail properties named as "Skyfame Byland" ("天譽半島"). Construction works of properties in all zones are expected to be completed between the years from 2018 to 2022.

Nanning ASEAN Maker Town Project and Nanning Skyfame Garden Project are collectively branded as "Nanning Skyfame City ("南寧天譽城").

Up to 25 March 2017, residential and commercial units of saleable GFA of approximately 92,000 sq.m. are on presale, for which sales of approximately RMB677.0 million (total saleable GFA of approximately 83,000 sq.m.) have been contracted.

Xuzhou Project

Newly acquired through a public auction in December 2016, the land is situated in Times Avenue South and Xufeng Highway West, in the Xuzhou Quanshan economic development zone (徐州泉山經濟開發區), Jiangsu province, the PRC.

Xuzhou Project is planned to become an eco-residential and commercial development on a site of 173,000 sq.m. (equivalent to 259 mu). Plot ratio is 1.8 to 2.2. Total developable GFA is about 437,000 sq.m., inclusive of an underground area of about 57,000 sq.m.. Construction works are expected to be completed in three phases by end of 2019. Preliminary development works commenced in December 2016.

2. Projects completed and disposed of during 2016

Tianhe Project

The project, consisting of a developable GFA of approximately 112,000 sq.m. in twin towers, is a mixed-use development that comprises an international 4-star hotel branded as Aloft Guangzhou Tianhe Hotel, serviced apartments and A-class offices situated in Tianhe District, a commercial business hub in central Guangzhou.

The equity interest in the project company that was engaged in the development of the project was disposed pursuant to an agreement in 2010 for a gross consideration of RMB1.11 billion.

The properties were completed and handed over to the buyer in April 2016. Aloft Hotel has commenced operations since mid-May 2016. The transaction of the disposal of equity interest in the project company is recorded as property sales and the resulting profits booked in the consolidated financial statement of the Group for the year.

Yongzhou Project

The Project, named "Tianyu-huafu" ("天譽•華府"), features a residential development of villas, apartments and retail shops with a total saleable GFA of approximately 186,000 sq.m. on a 106-mu site in Lingling District, Yongzhou of Hunan Province and has been under development since 2012. The remaining 2 towers of high-rise apartments of saleable GFA of approximately 25,400 sq.m. were completed in May 2016.

On 16 November 2016, the Group disposed its 70% equity interests in the project company of Yongzhou Project and the shareholder's loan due by the project company to the Group at an aggregate consideration of approximately RMB277.2 million to 廣州市天譽房地產開發有限公司, a company controlled by Mr. YU Pan (an executive director, the chairman and controlling shareholder of the Company). The project carried a total GFA of approximately 42,000 sq.m. of commercial properties and 491 carparks unsold. The resulting gain from the disposal was credited in the consolidated statement of profit or loss for the year.

3. Potential land bank reserve

In addition to the seeking of lands or projects which are ready for real estate development, the Group has also been participating in undertaking development works to redevelop industrial districts in first and second tier cities as strategic actions to expand its land reserves. In late second half of 2016, the Group had entered two contracts to acquire equity interest in two companies owning some parcels of industrial land in Guangdong province which can be redeveloped into commercial and residential properties with a total developable GFA of 264,000 sq.m.. The obtaining of the land use rights for the anticipated development are subject to the completion of certain milestones that are expected to materialize during 2017 whereupon construction works of the projects will commence.

The details of the potential land bank reserves are as follows:

Project	Location	Property type	Estimated project total developable GFA (sq.m.)	Pending milestone for development	The Group's interest
Luogang Project	Luogang, Guangzhou	Serviced apartments, commercial and ancillary facilities	122,000	Government approval for the conversion of the land use from industrial to commercial	100%
Shenzhen Project	Guangming New Zone, Shenzhen (深圳光明新區)	Soho offices, serviced apartments and ancillary facilities	142,000	Government's granting of development plan for the remodelling zone; and the project company's obtaining of the right to remodel the zone	100%
Total			264,000		

The management team is closely involved in the negotiations with the governmental authorities and the related land occupants for vacation of the land and application of the development rights.

Apart from the two aforesaid projects, the Group is also targeting to enhance its land reserves by entering into several preliminary agreements with third parties in relation to the Group's participation in the redevelopment of some old districts that are the subject matters of the urban redevelopment polices being implemented by the city governments in Guangzhou and Nanning. The timelines of the redevelopment plans are yet to be ascertained pending the progress of the execution of the redevelopment policies by the governments.

C. INVESTMENT PROPERTIES

The Group also holds two investment properties for regular leasing income with details as follows:

A 17,300 sq.m. commercial podium at Tianyu Garden Phase II in Tianhe District, Guangzhou was revalued at an open market value totaling RMB456 million as at 31 December, 2016. The properties were 72.1% occupied, other than an area of 4,700 sq.m. which is being renovated to some contemporary co-working places and serviced offices for start-up enterprises and small tenants with expected soft-opening in April 2017.

A 8,700 sq.ft. office premise at AXA Centre in Wanchai, Hong Kong was fully occupied and was revalued at an open market value of approximately RMB132.4 million (approximately HK$148.0 million) as at 31 December 2016.

D. BUSINESS OUTLOOK

Despite the city-specific policies imposed by many local governments in the first-tier and second cities with objective to foster a solid business environment for stable and steady improvement in the industry in the long term, a downward adjustment in the general housing market has not been seen. While we foresee that property sales in the general market in 2017 will be cooled off as a result, we believe sale performance in the two cities that the Group has been concentrating continues to be steady in the coming years remain stable. Based on the presales result up to 25 March 2017, our Zhoutouzui Project and Nanning Skyfame Garden Project will turn contracted sales accumulated to a total of RMB7.5 billion into recognized sales in 2017 and 2018, depending on the timing of handing-over.

The satisfactory presales result to improved liquidity in 2016, a situation which our management expect to continue in 2017. The strengthened financial ability paves the ground for the Group to ride on a stronger organic cash inflow for building up new land reserves in cities with sizable population and affordable economic stance to support solid demand for housing. As the tightening monetary policies may impact the funding channels available to the developers, the Group has been cautious and selective in seeking acquisition opportunities in the first-tier and strong second-tier cities to expand its land bank at reasonable costs, with an objective to keep its sale momentum in the future years, and at the same time, to balance the expansion with a healthy leverage position, aiming to avoid excessive risk in liquidity.

In the coming year of 2017, our Zhoutouzui Project and Nanning ASEAN Maker Town Project will play the lead in sales for which the management has set an annual sale target of RMB4.6 billion, representing a 10% increment to the contracted sales in 2016 which will represent a new record high in the Group's revenue.

The Group has built up a more sizeable property portfolio ready for sales in the years to come. In the coming year, the Group's projects offer an aggregated saleable GFA of approximately 2,652,000 sq.m. for sales mainly in its Nanning ASEAN Maker Town Project, Nanning Skyfame Garden Project, Zhoutouzui Project and the recently acquired Xuzhou Project. These sales will no doubt improve further the Group's free cash, allowing a stronger funding base or easier credit facilities from lenders so as to equip the Group in land acquisitions and future expansion.

E. FINANCIAL REVIEW

Sales Turnover and Margins

Property sales is the main income stream of the Group, constituting 97.6% of total revenue for the year. During the year, the completed twin towers in Tianhe Project, consisting of a hotel branded as Aloft Guangzhou Tianhe Hotel, serviced apartments and offices, delivered a total GFA of approximately 112,000 sq.m. to the buyer, residential properties of apartments in Nanning Skyfame Garden delivered a total GFA of approximately 51,000 sq.m. and residential properties of apartments, villas and commercial units in "Tianyu-huafu" development in Yongzhou, Hunan province delivered a total GFA of approximately 26,000 sq.m. to customers.

The equity interest in the project company engaged in the development of the Tianhe Project was disposed pursuant to an agreement in 2010 for a gross consideration of RMB1.11 billion, excluding the construction costs borne by the buyer. The transaction turned into property sales and the resulting profits booked in the accounts of the Group for the current year.

Overall gross margin on property sales is 19.3% (2015: 2.3%), The improvement is driven by the profit margin of 25.8% achieved in Tianhe Project which compensates the loss made in Yongzhou Project. The low-priced properties sold in Yongzhou Project is a result of the weak market in the region where demand is slack and inventories remain at high level.

The leasing of properties at the commercial podium at Tianyu Garden Phase II in Guangzhou and offices at AXA Centre in Wanchai, Hong Kong is the Group's secondary line of business, contributed a relatively stable revenue of RMB16.6 million this year, representing a drop of revenue by 9.8% from last year due to the decline in average occupancy. As at 31 December 2016, the occupancy rate of the commercial podium at Tianyu Garden Phase II is maintained steadily at 75.6%, whilst that of AXA Centre recovered to 100% after temporary vacancy of a property unit during the year. The gross margin of this income stream is 90.0% (2015: 89.0%).

The property management company provides a stable income of RMB20.1 million for the year (2015: RMB18.7 million). The operation enjoys a margin of 59.2% (2015: 61.1%).

Due to the higher proportion of property sales in revenue mix and having a higher profitability, overall gross margin of the Group for the year improved to 20.6% (2015: 11.1%).

Operating Expenses

As a result of the launching of pre-sale marketing activities in particular for the youth community residential units in Nanning Skyfame Garden Project and in Zhoutouzui Project, sales and marketing expenses, consisting of mainly advertising, promotions and commission, surged 132.6% to RMB107.0 million, of which sale commission increased by 1.8 times to RMB42.3 million that is in line with the rise in incentive commission given to agents to boost presales. Administrative and other operating expenses, amounting to RMB163.6 million, increased 19.0% from last year. Staff costs, being the biggest expense item constituting 58.1% of total operating expenses, amounted to RMB157.1 million (2015: RMB108.3 million), representing a 45.1% rise from last year. The rise in staff costs was due to the increased incentive bonuses awarded to employees which is commensurate with merits. Total staff costs RMB54.8 million (2015: RMB34.4 million) were capitalized as development costs of properties under development.

Finance Costs

Due to the decline in the Group's indebtedness during the year, finance costs dropped. Finance costs, including arrangement fees, incurred during the year decreased to RMB217.2 million, representing a drop of 20.2%. Most finance costs incurred were capitalized as costs of projects under development whilst only RMB3.1 million was charged against the operating results for the year. The Group's annualized blended borrowing cost for the year is 9.0% per annum, lower than the 10.8% for 2015. The drop in borrowing cost explains the strengthened capacity commanded by the Group in the debt capital market.

Non-operating Items

The disposal of the 70% stake interest in Yongzhou Project to the controlling shareholder of the Company at a sale consideration of RMB277.2 million in November 2016 brought a gain of RMB97.3 million to the Company.

The exchange rate of RMB against Hong Kong or US dollars depreciated by 6.8% during the year up to 31 December 2016. This converted into unrealised exchange losses of RMB97.2 million arising from the conversion of foreign denominated offshore debts into RMB at the exchange rates at year-end date.

Other non-operating items include net gain of RMB11.1 million on the changes in fair values of the derivative financial asset/liabilities embedded in the rights attached to the Company's bonds issued to some investors, and revaluation surplus of RMB10.1 million in fair market values of investment properties.

Taxation

Provision in taxation included provisions for corporate income taxes and land appreciation tax in the sales of properties during the year.

Profits/(Losses) Attributable to Shareholders

The Company reported a consolidated after-tax profit of RMB86.2 million for the year (2015: loss of RMB232.3 million) of which profits of 92.9 million were attributable to the shareholders of the Company.

Liquidity and Financial Resources

1. *Asset Base*

	Change in%	**2016** *RMB'000*	2015 *RMB'000*
Total assets	19.3%	**13,920,633**	10,357,027
Net assets	34.4%	**1,799,968**	1,509,005

Total assets, in aggregate of RMB13,920.6 million, expanded by 19.3% which was in line with the business growth of the Group in project development. Properties held for/under development, with total carrying costs of RMB8,132.2 million, is the biggest asset category constituting 58.4% of the total assets of the Group. Other major asset category is trade deposits and receivables of RMB1,476.1 million consisting of mainly deposits and progress payments made on new project acquisitions, prepaid taxes on presale contracts and prepaid construction costs. Other assets also include investment properties at fair market values totaling RMB588.4 million, properties held for sale of RMB177.2 million, properties for self-use, plant and equipment of RMB251.4 million, considerations receivable from the disposal of Tianhe Project and Yongzhou Project totaling RMB277.4 million, prepaid income tax of RMB93.4 million, deferred tax assets of 57.4 million, restricted cash and pledged deposits of RMB987.3 million, and cash and cash equivalents of RMB1,794.4 million.

Net assets of the Group rose to RMB1,800.0 million, as a result of mainly the earnings for the year retained and new equity issued of HK$187.2 million (equivalent to RMB158.8 million), net of expenses, raised by a share placing during the year.

2. *Capital structure and liquidity*

The indebtedness of the Group aggregates to RMB3,469.4 million at the year-end date, increased 25.1% from last year-end. Indebtedness, mainly borrowings from commercial banks and financial institutions, and corporate bonds issued to professional investors. Also included are money market loans of RMB375.9 million due to a bank that are secured by letters of credits issued by an onshore bank which are backed up by cash deposits placed with that onshore bank. Excluding these money market loans, the indebtedness of the Group amounted to RMB3,093.5 million. The increased in indebtedness is to reflected by the expansion of business scale of the Group during the year. The details and maturity profile of the indebtedness are illustrated as follows:

	Within one year *RMB'000*	**1 to 2 years** *RMB'000*	**2 to 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total carrying amount** *RMB'000*
Bank and other borrowings					
– Secured bank borrowings	545,970	685,891	1,035,246	142,432	2,409,539
– Other secured borrowings	521,664	–	–	–	521,664
– Unsecured borrowings	–	–	118,662	406,198	524,860
	1,067,634	685,891	1,153,908	548,630	3,456,063
Derivative financial liabilities	11,177	–	–	2,182	13,359
	1,078,811	685,891	1,153,908	550,812	3,469,422

Borrowings that maturate within one year constitute 31.1% (2015: 70.3%) of the total indebtedness. The longer maturity of the indebtedness indicated the Group has a more comfortable indebtedness position where there is lesser pressure to refinance the debts when they fall due.

Despite the increase in indebtedness, the Group had improved liquidity in the year as shown by its marked increase in cash level, resulting that the net gearing ratio, calculated as total indebtedness net of cash and cash equivalents (the "**Net Debt**") divided by the equity attributable to shareholders of the Company plus Net Debt), is reduced to 42.4% at the year-end date (2015: 53.6%). The gearing ratio drops as a result of the combined effect of the reduced Net Debt and new equity raising from a share placing from which the proceeds were used to repay some of the Group's indebtedness.

The management has been carefully monitoring the indebtedness position, aiming to strike a balance between indebtedness and liquidity and ensuring both the obligations of indebtedness and financial needs of the Group are taken care. The management expects that the Group's improving sales generated from projects of bigger scale will further strengthen the liquidity and net assets of the Group and in turn the gearing position in the foreseeable years.

		2016	2015
	Change in %	***RMB'000***	*RMB'000*
Current assets			
Properties held for development	*100.0%*	**161,160**	–
Properties held for or under development	*29.4%*	**7,971,027**	6,159,277
Properties under Tianhe Project	*-100.0%*	**–**	786,168
Properties held for sale	*-0.3%*	**177,228**	177,850
Considerations receivable – current portion	*164.2%*	**277,401**	105,000
Trade and other receivables	*197.6%*	**1,476,130**	495,974
Short-term investments	*-100.0%*	**–**	460,000
Loan to non-controlling shareholder of subsidiary	*159.3%*	**52,900**	20,400
Prepaid income tax	*100.0%*	**93,368**	–
Restricted and pledged deposits	*7.0%*	**987,290**	922,729
Cash and cash equivalents	*368.2%*	**1,794,440**	383,255
Sub-total (A)	*36.6%*	**12,990,944**	9,510,653
Current liabilities			
Trade and other payables	*-0.9%*	**1,190,525**	1,200,733
Properties pre-sale deposits	*96.5%*	**7,290,196**	3,710,375
Bank and other borrowings – current portion	*-47.0%*	**1,067,634**	2,013,166
Derivative financial liabilities – current portion	*100.0%*	**11,177**	–
Consideration from disposal of Tianhe Project – current portion	*-100.0%*	**–**	990,360
Income tax payable	*-100.0%*	**–**	5,378
Sub-total (B)	*20.7%*	**9,559,532**	7,920,012
Net current assets (A-B)	*115.7%*	**3,431,412**	1,590,641
Current ratios (A/B)	*13.2%*	**1.36**	1.20

Current assets, totaling RMB12,990.9 million as at the year-end date, show a 36.6% increase than that on last year-end date. The increase is mainly due to the increased development costs on project under development, trade receivables and cash.

Total current liabilities at the current year-end amounted to RMB9,559.5 million, representing an increase of 20.7% from last year-end date. The increase is mainly due to the increase in pre-sale deposits which was partly offset by the drop in short-term borrowings.

The current ratio, being 1.4 times at the year-end (2015: 1.2 times), indicates a mild improvement in the liquidity position as a result of the strengthened cash level. Thanks to the stronger liquidity generated from the sale activities in the foreseeable future, the management foresees that the short-term indebtedness can be sufficiently served by the current assets of the Group.

3. *Borrowings and pledge of assets*

In favour of the commercial banks and financial instituions granting financing facilities to the Group, the office units at AXA Centre in Hong Kong, office premises at HNA Tower and certain commercial units at the commercial podium in Tianyu Garden Phase II in Guangzhou are mortgaged and cash deposits are pledged. In addition, shares of subsidiaries holding equity interests in Zhoutouzui Project and Skyfame Nanning ASEAN Maker Town Project, and 1,587,168,407 shares of the Company owned by the Company's controlling shareholder, Yu Pan, and personal guarantee provided by Mr Yu Pan are charged in favour of these financiers as collaterals. As at 31 December 2016, the outstanding balances of these secured indebtedness amounted to RMB2,942.4 million (2015: RMB2,402.5 million) whilst the pledged assets together with the underlying assets secured carried an aggregated realisable value estimated at approximately RMB12,843.1 million measured at open market values as at 31 December 2016 (2015: RMB7,425.3 million). These collaterals, together with the legal charge over the shares beneficially held by Mr Yu Pan and his personal guarantees, provide creditors with sufficient cover on their lending. The directors of the Company consider that the Group is sufficiently supported with assets to secure for its indebtedness, whilst, on the other hand, this also indicates that financiers have lowered their requirement on collaterals provided by the Group.

F. CONTINGENT LIABILITIES

The Group had no other material contingent liabilities as at 31 December 2016.

G. TREASURY MANAGEMENT

The Group is principally engaged in property development activities which are all conducted in the PRC and denominated in RMB, the functional currency of the Company's principal subsidiaries. At the same time, certain financing, property leasing and administrative activities of the Group are carried out and denominated in HK or US dollars. At the year-end date, the Group has foreign currency denominated borrowings and financial derivatives equivalent to RMB1,976.9 million, representing 56.9% of its indebtedness, and a Hong Kong property with carrying value equivalent to RMB132.4 million. The other assets and liabilities are mostly denominated in RMB.

During the year and up till the year-end date, RMB continued to depreciate against HK and US dollars by 6.8%. In consequence, foreign exchange losses of RMB97.2 million were recorded in the profit and loss for the year when liabilities denominated in foreign currencies are converted at RMB in the financial accounts of the Group. Apart from these unrealized exchange losses, exchange differences arising from the consolidation of assets and liabilities of a subsidiary operated in Hong Kong as at 31 December 2016 results to an exchange gain of RMB0.1 million. The gain is included as exchange reserve that forms part of the equity of the Company.

We expect that the volatility of RMB will continue in the foreseeable future. Further depreciation of RMB may happen that brings negative impacts on the profitability of the Group when exchange losses are realized as when foreign currency denominated indebtedness are repaid upon maturities. Unfortunately, no natural hedge against the depreciation in material aspects is available to the Group in the meantime. The management will instead make possible efforts to manage the exposure by reducing the foreign currency debts or taking useful hedging instruments at reasonable costs.

H. RISKS MANAGEMENT

There are lots of risks in the business that our management have to face and cope with. Amongst, in particular under a downward economic cycle where property sales may be dragged and are unpredictable, leading to low profits and illiquidity in cash flows. In addition, as a mainland real estate developer, we have to face uncertainties led by governmental intervention and regulations. Assessing regularly the possible risks and their impacts on the business and operational environment, the management will from time to time develop strategies to alleviate the impacts. In late 2015, the Group set up a risk management committee with an objective to assist the Directors to formulate strategies and drive the management to develop policies to identify risks and develop appropriate policies and implement procedures to counter the risks in priority of significance in impacts.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to enhance its corporate governance standards by emphasizing transparency, independence, accountability, responsibility and fairness. The Company exercises corporate governance through the Board and various committees with designated functions.

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the 2016 financial statements, in compliance with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited except for the following deviations:

Code Provision A.2.1 – Chairman and Chief Executive Officer

The roles of chairman and chief executive officer of the Company is not separated as required but is currently dually performed by Mr. YU Pan, since 2004. The Board considers the current simple but efficient management team serves sufficiently enough the need of the Group. The Board will, nonetheless, continue to review the business growth of the Group and, when considered essential, will set out clearer division of responsibilities at the board level and the management team to ensure a proper segregation of the management of the board of the Company and the management of the Group's business.

Code Provision E.1.2 – Chairman Attending Annual General Meeting

Mr. YU Pan, the Chairman of the Board, was unable to attend the annual general meeting held on 30 June 2016 (the "**AGM**") due to other business engagements. Mr. WEN Xiaobing, the Deputy Chief Executive Officer, acted as chairman of the AGM which was properly convened to ensure effective communication with the shareholders of the Company at the AGM.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted its own Code of Conduct for Securities Transactions by Directors and Relevant Employees of the Company (the "**Code**") on terms no less exact than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules and the Code is updated from time to time in accordance with the Listing Rules requirements. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Code throughout the year under review.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

AUDIT COMMITTEE

The principal duties of the Audit Committee include the review of the Company's financial reporting procedures, internal controls and results of the Group. The 2016 financial statements have been reviewed by the Audit Committee.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the announcement have been agreed by the Company's auditor, BDO Limited ("BDO"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO on this preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.tianyudc.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The annual report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

OTHER

As at the date of this announcement, the Board comprises four executive directors, namely Mr. YU Pan (Chairman), Mr. WEN Xiaobing, Mr. JIANG Jing and Mr. WONG Lok; one non-executive director, namely Mr. ZHONG Guoxing and three independent non-executive directors, namely Mr. CHOY Shu Kwan, Mr. CHENG Wing Keung, Raymond and Ms. CHUNG Lai Fong.

By order of the Board
Skyfame Realty (Holdings) Limited
YU Pan
Chairman

Hong Kong, 31 March 2017