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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 2017

FINANCIAL HIGHLIGHTS

	Change in %	2017 RMB'000	2016 RMB'000
Revenue	170.6%	**4,080,514**	1,507,971
Profit before income tax	984.5%	**1,038,504**	95,757
Profit for the year	534.6%	**547,272**	86,239
Profit for the year attributable to owners of the Company	492.4%	**550,460**	92,918
Earnings per share – Basic and diluted	452.6%	**RMB0.21**	RMB0.038
Total assets	16.8%	**16,252,454**	13,920,633

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 2017, together with comparative figures for the corresponding year of 2016. 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 2017

	Notes	**2017** ***RMB'000***	2016 *RMB'000*
Revenue	5	**4,080,514**	1,507,971
Cost of sales and services		**(3,197,387)**	(1,196,640)
Gross profit		**883,127**	311,331
Other income and gains, net		**34,100**	4,048
Sales and marketing expenses		**(152,913)**	(106,971)
Administrative and other expenses		**(219,828)**	(163,597)
Unrealised exchange gains/(losses)		**111,909**	(97,231)
Fair value changes in investment properties		**35,701**	10,051
Gain on properties valuation		**353,351**	–
Fair value changes in derivative financial asset/liabilities		**13,080**	11,121
Loss on early repayment of term loans		**(23,418)**	–
Gain on disposal of subsidiaries		**–**	97,285
Finance costs	6	**(33,088)**	(3,051)
Finance income	6	**36,483**	32,771
Profit before income tax	7	**1,038,504**	95,757
Income tax expenses	8	**(491,232)**	(9,518)
PROFIT FOR THE YEAR		**547,272**	86,239
Other comprehensive income, items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on foreign operations		**2,827**	(138)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**550,099**	86,101
Profit for the year attributable to:			
– Owners of the Company		**550,460**	92,918
– Non-controlling interests		**(3,188)**	(6,679)
		547,272	86,239
Total comprehensive income for the year attributable to:			
– Owners of the Company		**553,287**	92,780
– Non-controlling interests		**(3,188)**	(6,679)
		550,099	86,101
Earnings per share	9		
– Basic		**RMB0.21**	RMB0.038
– Diluted		**RMB0.21**	RMB0.038

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 *RMB'000*	2016 *RMB'000*
Non-current assets			
Property, plant and equipment		**239,497**	251,390
Investment properties		**1,094,400**	588,370
Goodwill		**13,554**	13,554
Available-for-sale investment		**10,000**	10,000
Loan to a non-controlling shareholder of a subsidiary		**52,900**	–
Derivative financial assets		**46,144**	9,022
Deferred tax assets		**18,142**	57,353
		1,474,637	929,689
Current assets			
Properties held for development		**488,072**	161,160
Properties under development		**3,552,378**	7,971,027
Properties held for sale		**3,754,243**	177,228
Considerations receivable		**–**	277,401
Loan to a non-controlling shareholder of a subsidiary		**–**	52,900
Trade and other receivables	11	**1,200,792**	862,037
Prepayment/deposits for proposed projects		**1,385,269**	614,093
Short-term investments		**100,000**	–
Prepaid income tax		**–**	93,368
Restricted and pledged deposits		**1,313,264**	987,290
Cash and cash equivalents		**2,983,799**	1,794,440
		14,777,817	12,990,944
Current liabilities			
Trade and other payables	12	**1,374,346**	1,190,525
Properties pre-sale deposits		**7,821,274**	7,290,196
Bank and other borrowings – current portion		**1,171,198**	1,067,634
Derivative financial liabilities – current portion		**–**	11,177
Income tax payable		**137,192**	–
		10,504,010	9,559,532
Net current assets		**4,273,807**	3,431,412
Total assets less current liabilities		**5,748,444**	4,361,101

	2017	2016
	RMB'000	*RMB'000*
Non-current liabilities		
Bank and other borrowings		
– non-current portion	**3,104,096**	2,388,429
Derivative financial liabilities		
– non-current portion	**12,333**	2,182
Deferred tax liabilities	**253,388**	170,522
	3,369,817	2,561,133
Net assets	**2,378,627**	1,799,968
Capital and reserves		
Share capital	**24,469**	24,456
Reserves	**2,301,560**	1,740,653
Equity attributable to owners of the Company	**2,326,029**	1,765,109
Non-controlling interests	**52,598**	34,859
Total equity	**2,378,627**	1,799,968

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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. Other than the operations in our youth community developments which currently do not bear operating results, assets or liabilities of significance to the Group, 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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKAS 40	Transfers of Investment Property
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

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.

The adoption of the amendments has led to the additional disclosure presented in the notes to the cash flow statement.

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.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Amendments to HKAS 40 – Transfers of Investment Property

The new standard will be effective for annual periods beginning on or after 1 January 2018. The Group has early applied the new standard that has been issued but not yet effective.

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred. The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

Annual Improvements to HKFRSs 2014-2016 Cycle - Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

(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. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 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.

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.

During the year ended 31 December 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and summarised as follows:

(i) Classification and measurement
The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets.

(ii) Impairment
HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade or other receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has expected that the provision for impairment will increase upon the initial adoption of the standard.

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 Group principal activities consisted of property development, investment and management. During the year ended 31 December 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 15. The Group does not expect the adoption of HKFRS 15 will have a significant impact on the Group's financial performance and financial position.

However, the presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and may significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of most of these disclosure requirements will not be significant.

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.

HK(IFRIC)-Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

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 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

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

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, available-for-sale investment 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. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements.

(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, other than the operations in the youth community developments which currently do not bear operating results, assets or liabilities of significance to the Group, the Group is operating in three principal 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	–	Provision of 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 2017				
Segment revenue				
Reportable segment revenue	**4,042,763**	**25,504**	**42,146**	**4,110,413**
Elimination of intra-segment revenue	**–**	**(7,895)**	**(22,004)**	**(29,899)**
Consolidated revenue from external customers	**4,042,763**	**17,609**	**20,142**	**4,080,514**
Segment results	**655,580**	**6,767**	**(23,332)**	**639,015**
Reconciliation:				
Unallocated other revenue				**17,380**
				656,395
Fair value changes in investment properties	**–**	**35,701**	**–**	**35,701**
Gain on properties valuation	**–**	**353,351**	**–**	**353,351**
Loss on early repayment of term loans				**(23,418)**
Fair value changes in derivative financial asset/liabilities				**13,080**
Finance costs				**(33,088)**
Finance income				**36,483**
Consolidated profit before income tax				**1,038,504**
Other segment information:				
Depreciation and amortisation	**(1,786)**	**(768)**	**(1,777)**	**(4,331)**
Additions to properties held for/ under development	**2,505,692**	**–**	**–**	**2,505,692**
Capital expenditure	**3,476**	**–**	**340**	**3,816**

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Total RMB'000
As at 31 December 2017				
Assets and liabilities				
Assets				
Reportable segment assets	**10,427,908**	**1,850,264**	**40,556**	**12,318,728**
Reconciliation:				
Derivative financial assets				**46,144**
Available-for-sale investment				**10,000**
Short-term investments				**100,000**
Deferred tax assets				**18,142**
Cash and cash equivalents				**2,983,799**
Unallocated restricted and pledged deposits				**456,511**
Unallocated corporate assets				
– Leasehold land and building				**190,409**
– Other corporate assets				**128,721**
Consolidated total assets				**16,252,454**
Liabilities				
Reportable segment liabilities	**10,913,563**	**64,145**	**19,434**	**10,997,142**
Reconciliation:				
Income tax payable				**137,192**
Deferred tax liabilities				**253,388**
Derivative financial liabilities				**12,333**
Unallocated bank and other borrowings				**2,463,795**
Unallocated corporate liabilities				**9,977**
Consolidated total liabilities				**13,873,827**

	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 other revenue				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
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 *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *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 assets				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

Information about major customers

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

	2017 *RMB'000*	2016 *RMB'000*
HNA Hotel *(Note)*	–	1,115,557

Note: Revenue from sale of properties in Tianhe Project

None of the customers of the Group contributed more than 10% of the Group's revenue for the year ended 31 December 2017.

5. REVENUE

Revenue represents the amounts arising on sales of properties, rental income from the operating leases of investment properties and provision of property management services. The amounts of each significant category of revenue recognised during the year are as follows:

	2017	2016
	RMB'000	*RMB'000*
Sale of properties	**4,042,763**	1,471,268
Rental income	**17,609**	16,576
Property management services	**20,142**	20,127
	4,080,514	1,507,971

6. FINANCE COSTS AND INCOME

	2017	2016
	RMB'000	*RMB'000*
Finance costs:		
Interest on bank and other borrowings	**314,888**	203,207
Less: Amount capitalised as properties under development		
Interest on bank and other borrowings	**(281,822)**	(200,169)
	33,066	3,038
Other borrowing costs	**17,725**	14,041
Less: Amount capitalised as properties under development	**(17,703)**	(14,028)
	22	13
Finance costs charged to profit or loss	**33,088**	3,051
Finance income:		
Bank interest income	**24,953**	24,876
Interest income on short-term investments	**8,884**	6,325
Interest income on loan to a non-controlling shareholder of a subsidiary	**2,646**	1,570
Finance income credited to profit or loss	**36,483**	32,771

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 8.4% (2016: 9.0%), 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 BEFORE INCOME TAX

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

	2017	2016
	RMB'000	*RMB'000*
Cost of properties sold	**3,054,029**	1,186,772
Write-down of properties under development/properties held for sale	**131,299**	–
Cost of inventories recognised in profit or loss	**3,185,328**	1,186,772
Staff costs, including directors' emoluments	**132,701**	102,344
Auditor's remuneration		
– current year	**1,360**	1,382
– non-audit services	**–**	548
Depreciation of property, plant and equipment	**13,460**	13,731
Less: Amount capitalised as properties under development	**(127)**	(139)
Depreciation charged to profit or loss	**13,333**	13,592
Amortisation of leasehold land	**3,407**	3,407
Depreciation and amortisation charged to profit or loss	**16,740**	16,999
Minimum lease payments under operating lease in respect of:		
– rented other premises	**1,136**	320
Unrealised exchange (gain)/loss	**(111,909)**	97,231
Impairment loss on trade and other receivables	**–**	167
Direct operating expenses arising from investment properties that generated rental income	**2,630**	2,475
Direct operating expenses arising from investment properties that did not generate rental income	**48**	234

8. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of comprehensive income represents:

	2017	2016
	RMB'000	*RMB'000*
Current tax		
Hong Kong profits tax	**–**	–
PRC corporate tax		
– current year	**198,341**	60,228
PRC LAT		
– current year	**170,815**	4,902
	369,156	65,130
Deferred tax		
PRC corporate tax		
– current year	**122,076**	(55,612)
Total income tax expenses	**491,232**	9,518

No provision for Hong Kong profits tax has been made for the year ended 31 December 2017 (2016: 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% (2016: 16.5%) for the year.

Enterprise income tax arising from other regions of the PRC is calculated at 25% (2016: 25%) of the estimated assessable profits and withholding tax on dividend declared by a PRC subsidiary.

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 PER SHARE

The calculation of basic earnings per share amounts for the years ended 31 December 2017 and 2016 is based on the profit for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue and participating equity instruments during the years.

The calculation of the diluted earnings per share amounts for the years ended 31 December 2017 and 2016 is based on the profit for the year attributable to equity holders of the Company and the weighted average number of ordinary shares after adjustment for the effect if deemed exercise of all dilutive potential ordinary shares at no consideration at the beginning of the periods.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share option (2015 Scheme) as the exercise price of those options is higher than the average market price for shares for the year ended 31 December 2017.

The effect of the outstanding convertible bonds was not included in the computation of diluted earnings per share for the years ended 31 December 2017 and 2016 as it was anti-dilutive.

	2017	2016
	RMB'000	*RMB'000*
Profit for the purposes of basic and diluted earnings per share	**550,460**	92,918
	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,616,535**	2,444,947
Effect of dilutive potential ordinary shares from share options (2005 Scheme)	**5,247**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,621,782**	2,444,947
Basic	**RMB0.210**	RMB0.038
Diluted	**RMB0.210**	RMB0.038

10. DIVIDENDS

	2017	2016
	RMB	*RMB*
Final dividend proposed after the end of the year of HK$0.04 (approximately RMB0.03) per ordinary share (2016: Nil)	**78,542,915**	–

At the meeting held on 26 March 2018, the directors proposed a final dividend of HK$0.04 (approximately RMB0.03) (2016: Nil) per ordinary share of the Company for the year ended 31 December 2017. This proposed final dividend, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting, is not reflected as a dividend payable in the consolidated financial statements for the year ended 31 December 2017, but will be reflected as an appropriation for the year ending 31 December 2018.

11. TRADE AND OTHER RECEIVABLES

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.

	2017	2016
	RMB'000	*RMB'000*
Current or less than 1 month	**1,370**	588
1 to 3 months	**380**	1,741
More than 3 months but less than 12 months	**542**	629
More than 1 year	**539**	387
Trade receivables from tenants and property occupants, net of impairment	**2,831**	3,345
Refundable earnest money or payments made in project acquisitions	**–**	12,270
Receviable from district government for resettlement housing in a project	**52,272**	52,272
Sale proceeds kept by a monitoring governmental body	**195,910**	–
Unpaid up capital to be contributed by a non-controlling shareholder of a subsidiary	**38,689**	13,800
Refundable construction costs	**60,697**	57,730
Tender deposit in development project	**20,800**	20,800
Prepaid construction costs	**204,571**	240,032
Prepaid finance costs	**7,638**	9,750
Prepaid business taxes and surcharges	**315,918**	280,866
Maintenance funds paid on behalf of properties owners	**46,616**	45,943
Interest receivable on bank deposits/short-term investments	**–**	8,706
Other deposits, prepayments and other receivables	**254,850**	116,523
	1,200,792	862,037

12. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Current or less than 1 month	**–**	–
1 to 3 months	**628**	1,012
More than 3 months but less than 12 months	**736**	5
More than 12 months	**4**	2
Total trade payables	**1,368**	1,019
Construction costs payable	**1,081,148**	875,480
Tender receivable from the suppliers	**36,387**	49,287
Receipts in advance, rental and other deposits from buyers, customers and/or tenants	**27,140**	16,745
Receipts in advance from government on a project clearance	**–**	68,297
Resettlement payable	**15,726**	26,250
Accrued business taxes and surcharges	**47,696**	62,840
Other accrued expenses and other payables	**164,881**	90,607
	1,374,346	1,190,525

13. COMMITMENTS

	2017	2016
	RMB'000	*RMB'000*
Expenditure contracted but not provided for in respect of		
– Property construction and development costs	**2,318,950**	2,246,094

14. SUBSEQUENT EVENT

1. On 13 March 2018, 廣州創富置業有限公司 (Guangzhou Chuangfu Realty Company Limited*) ("**GZ Chuangfu**"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with the vendor for the acquisition of 79% of equity interest in 重慶核盛房地產開發有限公司 (Chongqing Hesheng Real Estate Development Company Limited*) ("**CQ Hesheng**"), a company incorporated in the PRC ("**Acquisition 1**"). CQ Hesheng is currently engaged in the development of two parcels of land under six land use right certificates covering an aggregate GFA of 1,204,000 sq.m situate in a central district in the city of Chongqing (the "**Chongqing Project**"). The detailed terms of the acquisition are set out in a framework agreement, dated 25 January 2018, entered into with the vendor and others which are to be completed in two phrases (the "**Framework Agreement**"). The total consideration in Acquisition 1 amounted to RMB4,677,338,900, being RMB434,500,000 for the acquisition of 79% equity interest in CQ Hesheng and settlement of a shareholder's loan due to the vendor by GZ Chuangfu at a principal value of RMB4,074,760,000 and outstanding interests of RMB168,078,900 accrued up to 20 December 2017 (subject to an adjustment to accrue additional interests up to the date of full repayment of the shareholder's loan), payable in cash by five tranches, the last one taking place on 180 days after the completion of Acquisition. The completion of the Framework Agreement is subject to the fulfillment of certain conditions, whereupon GZ Chuangfu will commence the process of a step-up acquisition for the remaining 1% equity interest in CQ Hesheng at a consideration of RMB5,500,000. On the date of this announcement, a payment of RMB434,500,000 was paid to the vendor as the consideration for the 79% equity interest.

   Retrospectively on 7 January 2018, GZ Chuangfu also entered into agreement with another vendor to acquire 20% equity interest in CQ Hesheng at a total consideration of RMB160,000,000. The acquisition transaction is to be completed and consideration payable by three phases. The first phase of acquisition of 1% equity is payable at a consideration of RMB5,500,000, the second phase for 11% equity at RMB60,500,000 and the last phase for 8% at RMB94,000,000. On the date of this announcement, a total amount of RMB66,000,000 has been paid by GZ Chuangfu of which RMB5,500,000 was paid for the 1% equity interest and the related transaction has been completed on 29 January 2018. The other RMB60,500,000 has been paid into a bank account co-managed by the vendor and GZ Chuangfu, and the 11% equity interest of CQ Hesheng are pledged in favour of GZ Chuangfu. The fund will be released as consideration for the 11% equity interest transfer upon the completion of Acquisition 1. The last payment of RMB94,000,000 is due 300 days after the completion of Acquisition 1. When all the acquisitions are completed, the total consideration of the acquisitions for the entire equity interest in CQ Hesheng and shareholder's loan totaling RMB4,842,838,900, subject to an adjustment of additional interest on the shareholder's loan. We expect the acquisition of the entire interest in CQ Hesheng and the shareholder's loan will be completed in the 2nd quarter of 2019.

   Details of the status of the development of Chongqing Project are set out in the "Property Portfolio" in the Management, Discussion and Analysis section of this announcement.

* *English name is for identification purpose only.*

2. Further to the placing agreement entered into by the Company and a financial institution acting as an arranger for the issue of medium-term bonds that are in issue, on 8 January 2018, the Company agreed with the arranger to extend the size of the medium-term bond programme from HK$1,500,000,000 to HK$2,500,000,000.

15. COMPARATIVE FIGURES

Prepayments/deposits for proposed projects were previously included in trade and other receivables in the consolidated statement of financial position. To conform to current year's presentation, the above amount as at 31 December 2016 have been separated in the consolidated statement of financial position to facilitate a better presentation.

A. Business review

The year 2017 was another record-breaking year of the Group. During the year, the Group put four projects on sale, namely Zhoutouzui Project in Guangzhou, Nanning Skyfame Garden Project, Skyfame Nanning ASEAN Maker Town Project and Xuzhou Skyfame Time City Project. Contracted sales of RMB5.8 billion in total were achieved, a 38.6% rise from the contracted sales of 2016 and 26.2% exceeding our target of RMB4.6 billion.

The Group's contracted sales and recognized sales of properties by projects for 2017 are summarised below:

	Contracted Sales		**Sold and Delivered**	
Project	Gross Amount *RMB'million*	Saleable GFA *sq.m.*	Gross Amount *RMB'million*	Saleable GFA *sq.m.*
Zhoutouzui Project	1,121	17,388	3,466	84,866
Nanning Skyfame Garden Project	153	11,637	811	132,313
Skyfame Nanning ASEAN Maker Town Project	3,516	318,819	–	–
Xuzhou Skyfame Time City Project	1,013	160,904	–	–
Total in year 2017	5,803	508,748	4,277	217,179
Total in year 2016	4,188	407,377	1,492	189,502

The high-end residential properties of Zhoutouzui Project in Guangzhou were substantially completed during the year for which sale contracts of RMB1.12 billion had been made and RMB3.47 billion were recognised as revenue, gross of direct tax, for the year upon delivery of properties in 2017. Likewise, Nanning Skyfame Garden Project had contracted sales of RMB0.15 billion and RMB0.81 billion have been recognised as revenue, gross of direct tax, for the year. Both the GFA and average selling price of properties delivered were on the rise, i.e. GFA delivered grew from approximately 190,000 sq.m. in 2016 to approximately 217,000 sq.m. for the year and average selling price per GFA grew from approximately RMB7,900 per sq.m. to approximately RMB19,700 per sq.m.. The increase in volume of floor areas delivered led to a 174.8% leap in revenue, net of direct tax, for the year to RMB4.04 billion. The higher average selling price of properties sold explains the marked improvement in profitability from 19.3% for 2016 to 21.2% for the year.

In midst of the continuing stringent austerity policies implemented by local governments in the first and second-tier cities that have generally frustrated demand for properties, contracted sale performance of our Group is yet still above our expectation. Our projects in low second-tier cities, such as Nanning and Xuzhou where property prices are supported by solid demand from first-time buyers or upgraders, have not been adversely affected by the regulatory measures.

B. Property Portfolio

As at 31 December 2017, the Group has six projects under development for which four projects are on sale. For land reserve, we hold three projects for future development which construction has not been commenced as at 31 December 2017, pending the obtaining of land use right certificates on fulfillments of certain conditions. In addition, to prepare for increasing land reserve in a longer time horizon, we have entered into agreements with relevant parties in some projects in Guangzhou and Shenzhen in which we actively participate in the renovation of land plots which are included in the urban renewal programs of the district governments, though it may take some time before we are given the official permits to commence the construction works of the new districts.

1. Projects under development

1.1. Projects under development as at 31 December 2017

As at 31 December 2017, the Group engaged in a total of 4 property projects under development. The Group's project portfolio renders a total GFA of approximately 3,374,000 sq.m. (total saleable GFA of approximately 2,703,000 sq.m.), out of which saleable GFA of approximately 85,000 sq.m. in Zhoutouzui Project and 183,000 sq.m. in Nanning Skyfame Garden Project have been delivered.

The table below sets out details of our property projects under development in mainland China on hand.

Project	Location	Property type	Estimated total GFA (sq.m.)	Estimated total saleable GFA (Note) (sq.m.)	Accumulated saleable GFA contracted (sq.m.)	Accumulated saleable GFA delivered (sq.m.)	Estimated completion year	The Group's interest
Zhoutouzui Project	Guangzhou	Residential & commercial	320,000	152,000	98,000	85,000	2017 to 2018	100%
Nanning Skyfame Garden Project	Nanning	Residential & ancillary commercial	1,212,000	945,000	578,000	183,000	2016 to 2018	80%
Skyfame Nanning ASEAN Maker Town Project	Nanning	Composite development	1,405,000	1,204,000	397,000	–	2018 to 2022	100%
Xuzhou Skyfame Time City Project	Xuzhou	Residential & ancillary commercial	437,000	402,000	161,000	–	2018 to 2019	90%
		Total	3,374,000	2,703,000	1,234,000	268,000		

Note:

Total saleable GFA excludes unsaleable area for municipal facilities, saleable GFA allocated to a cooperative partner and resettlement housing to be provided without compensation in certain projects.

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 GFA of the completed properties. 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 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.

The entire project, other than tower A1 which is under interior decoration works, was completed in June 2017. Saleable GFA of approximately 81,000 sq.m. in tower A4 and A5 and some car parking spaces were handed over to the Port Authority, and saleable GFA of approximately 85,000 sq.m. were handed over to buyers during the year. Contracted sales of RMB810 million made up to 31 December 2017 will be booked as revenue in 2018 when the relevant properties are handed over. As of 31 December 2017, GFA of approximately 23,000 sq.m. representing 57 residential units in tower A2 and A3, GFA of approximately 9,400 sq.m. in tower A1, and about 1,100 car parking spaces are saleable but uncontracted and 800 car parking spaces are retained by the Group for long-term leasing purpose.

Nanning Skyfame Garden Project

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

Nanning Skyfame Garden Project is situated in Wuxiang New District (五象新區), a new zone in Nanning, Guangxi province. The project is developed into a residential district, namely "Nanning Skyfame Garden" ("南寧天譽花園"), with a total GFA of approximately 1,212,000 sq.m., consisting of GFA of approximately 923,000 sq.m. (saleable GFA of approximately 700,000 sq.m.) for residential and retail properties and car parking facilities for sale and GFA of approximately 289,000 sq.m. (saleable GFA of approximately 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.

As of 31 December 2017, 62 out of a total 65 towers have been roof-topped and construction works of 35 residential towers were completed. An aggregated saleable GFA of approximately 578,000 sq.m. (representing 92.7% of area on sale) have been contracted at sale values of approximately RMB3.72 billion. Physical delivery to buyers are scheduled to take place by phases through late 2016 to 2018 for which an aggregated saleable GFA of approximately 183,000 sq.m. have been delivered up till 31 December 2017. In addition to the commodity properties, aggregated saleable GFA of 245,000 sq.m. will be delivered in 2018 to original land occupants for resettlement housing for which sale proceeds approximately RMB1 billion have been received from the district government according to the terms of the land transfer.

Skyfame Nanning ASEAN Maker Town Project
The development covers 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 project is a complex development divided into east and west zone and is developed by phases. Planned total GFA is about 1,405,000 sq.m. (saleable GFA of approximately 1,204,000 sq.m.). The east zone consists of A-class offices, retail properties and an international 5-star hotel to be branded as the Westin Nanning in a skyscraper named as the Skyfame ASEAN Tower ("天譽東盟塔") to be built as well as serviced apartments, retail properties, and ancillary facilities developed for youngsters named as "the World of Mr. Fish" ("魚先生的世界"). The west zone consists of residential and retail properties named as "Skyfame Byland" ("天譽半島"). Construction works of properties in both zones are expected to be completed between the years from 2018 to 2022. The development, when completed, will be surely a landmark in Wuxiang New District.

Up to 31 December 2017, residential and commercial units of saleable GFA of approximately 405,000 sq.m. are on presale, for which sales of approximately RMB4.16 billion (saleable GFA of approximately 397,000 sq.m.) have been contracted.

Xuzhou Skyfame Time City Project
The plot of Xuzhou Skyfame Time City ("徐州天譽時代城"), a site of 173,000 sq.m., was acquired through a public auction in December 2016. The land is located at the Xuzhou Quanshan Jiangsu Economic Development Zone (江蘇徐州泉山經濟開發區) of Xuzhou, Jiangsu province. It is situated in Times Avenue South and Xufeng Highway West in Xuzhou and will become an eco-residential and commercial development. Total GFA is about 437,000 sq.m. (saleable GFA of 402,000 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.

Construction works commenced in early 2017, the first phase of pre-sale has been launched in July 2017. Up to 31 December 2017, residential and retail units of saleable GFA of approximately 193,000 sq.m. are on presale, for which sales of approximately RMB1.01 billion (saleable GFA of 161,000 sq.m.) have been contracted.

1.2. *Projects held for development*

As at 31 December 2017, the Group, held through its subsidiary and joint venture arrangement, 2 property projects for which construction is pending the obtaining of land use right certificates on fulfillments of certain procedural conditions. Investments made on these projects are presented as "Prepayments or Deposits for Proposed Projects" on the Consolidated Statement of Financial Position". Adding onto the Chongqing Danzishi Project which was newly acquired in March 2018, the Group's portfolio of project held for development as at the date of this announcement renders a total GFA of approximately 2,031,000 sq.m. (total saleable GFA of approximately 1,463,000 sq.m.).

Zhongshan Project

The project is located in Tsui Chau Road, Rainbow Planning Zone, at the north of West Zone, Zhongshan, Guangdong province.

The project is a residential with ancillary commercial development. Total GFA is about 105,000 sq.m. (total saleable GFA of approximately 88,000 sq.m.), inclusive of an underground area of about 16,000 sq.m.. Construction works are expected to be completed in 2019. The project was acquired in May 2017 which is part and parcel of a land of an existing residential development project. As at 26 March 2018, the management was in the final stage of transferring the land title from the original project company to a subsidiary of the Group. The first phase of pre-sale will be launched in the first half of 2018.

Nanning Yudong Project

The Group participated in a joint venture arrangement with 40% equity interest in a joint venture company formed with two local developers. The land was newly acquired by the joint venture company through public auction in December 2017. The project is located in the core area of Wuxiang New Zone at the north of Yudong Avenue (玉洞大道) in Liangqing District, Nanning.

The site area is about 138,000 sq.m with a planned GFA of approximately 722,000 sq.m. (saleable GFA of 443,000 sq.m.). The project, namely "Impression of Sandalwood House" ("檀府•印象") includes residential and commercial properties for sale, properties for resettlement of original occupants (not less than GFA of 138,000 sq.m.), primary school and municipal facilities. Construction works are expected to be completed in phases by 2021.

Chongqing Danzishi Project

In January and March 2018, the Group entered into agreements with two vendors to acquire the entire interest in the project company of Chongqing Danzishi Project through step-up acquisitions, the final phase of which will be completed in 2019. Total consideration of the acquisitions for entire equity interest of the project company and shareholder's loan is approximately RMB4.84 billion, subject to an adjustment of interest to be accrued on the shareholder's loan.

The project covers the development of two parcels of land under six land use right certificates covering an aggregate GFA of 1,204,000 sq.m that are situated in a central CBD district in the city of Chongqing. The project is developed by phases, for which phase 1 development commenced in 2015 with a total GFA of approximately 313,000 sq.m.. Total saleable area is 309,000 sq.m., of which residential properties and serviced apartments of GFA of approximately 41,000 sq.m. were delivered to buyers in 2017. The other saleable GFA of approximately 99,000 sq.m. were contracted and the remaining saleable area of approximately 169,000 sq.m. are in final stage of development. Phase 2 of Chongqing Danzishi Project consists of a total GFA of 891,000 sq.m. for which construction has not commenced but the surface of the land has been cleared. Under the requirement of one of the land transfer contracts for the development in phase 2, the project company has to retain an aggregate saleable GFA of 248,800 sq.m. for long-term investment purpose and not for sales.

1.3. Summary

The above 7 projects under development render the Group a total GFA of approximately 5,405,000 sq.m. (total saleable GFA of approximately 4,166,000 sq.m.).

2. *Projects for future development*

The Group holds some projects for imminent development in the coming future upon the fulfilment of certain outstanding conditions such as governmental consent to buy properties developed from the projects for resettlement housing, approvals on the conversion of land uses from industrial to commercial, and the grants by governments of development rights of old district in urban area that are to be remodelled. Applications or negotiations with local governments are being undertaken in the meantime, and development will be commenced right after the necessary approvals have been obtained. Investments made on these projects are presented as "Prepayments or Deposits for Proposed Projects" on the Consolidated Statement of Financial Position". These investments are at material values and can render to the Group an aggregate GFA of 448,000 sq.m. in land reserves. Details of these investments are summarized as follows:

Xuzhou Skyfame Maker Town Project

The land of this project was acquired through public auction in June 2017 for development of residential properties with an aggregate GFA of 184,000 sq.m. (total saleable GFA of 159,000 sq.m.), and is located 1 km apart from Xuzhou Skyfame Time City Project.

The management is discussing with the local government about a proposal of supply of resettlement housing for occupants affected by town development plans in Xuzhou out of the properties developed in this project. Construction works will be commenced upon reaching conclusions in 2018.

Shenzhen Dachitdat Project

The land of this project, a subject of an old district remodelling project, is under demolition and the project company is in the final stage of the application of the development right for a development of an aggregate GFA of 142,000 sq.m. (total saleable GFA of 119,000 sq.m.) for innovative industrial and serviced apartment uses. The project located on the southeast of Guangming New Zone, Shenzhen.

Construction can be commenced once the development right is granted and is expected to take place in the later months of 2018.

Guangzhou Luogang Project

Guangzhou Luogang Project is located at the north of Yin Tong Road of Yonghe District in Huangpu, Guangzhou, the PRC. Our Group plans to develop the project into serviced apartments and commercial properties. The project occupies a site of 50,263 sq.m. with a planned aggregate GFA of approximately 122,000 sq.m. (total saleable GFA of 101,000 sq.m).

Commencement of construction is pending the obtaining of government approval for the conversion of the land use from industrial to commercial. Negotiations with the local government have been in progress.

3. Potential land reserves

3.1 Refurbishment of old urban areas

We are participating in certain projects that are the subject of refurbishment of old urban areas in Guangzhou and Shenzhen. The development parameters of these projects are still under plans of the local governments and the commencement of these projects are pending the finalization of development parameters set out by governments. If the development plans are materialized, these projects can render to the Group additional land reserves of an aggregate GFA of 6,594,000 sq.m.. Investments made on these projects are included as “Prepayments or Deposits for Proposed Projects” on the Consolidated Statement of Financial Position.

3.2 Intended bids for lands

We have entered into certain framework agreements with local governments in Nanning, Guilin, Xuzhou and Kunming for land purchases through pending auctions scheduled in 2018 and 2019. If the auctions become materialized, the Group will contract an additional land bank of GFA of 10,616,000 sq.m.

Upon obtaining the governmental approval of development plans of the subject zones of urban area refurbishment and completion of pending land auctions as set out above, the Group is enabled to build up an additional land bank of a total estimated GFA of 17,210,000 sq.m..

4. Overview of project portfolio

Counted in the potential land reserves, all in all, the Group has a total project portfolio of GFA of 23.1 million sq.m. that will provide sufficient resources to the Group to pave the way for its continuing growth in the approaching time horizon.

C. Investment properties

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

Commercial podium at Tianyu Garden Phase II

A 17,300 sq.m. commercial podium at Tianyu Garden Phase II in Tianhe District, Guangzhou was revalued at an open market value totaling RMB469.0 million as at 31 December 2017. An area of 4,700 sq.m. of contemporary co-working places and serviced offices are leased out to start-up enterprises and small tenants. The other 12,600 sq.m. retail and offices units, are also fully occupied.

Office premise at Capital Centre

A 8,700 sq.ft. office premise at Capital Centre (Formerly known as "AXA Centre") in Wanchai, Hong Kong was fully occupied and was revalued at an open market value of approximately RMB146.4 million (approximately HK$175.1 million) as at 31 December 2017.

Car parking spaces, in Guangzhou Skyfame Byland

800 car parking spaces in Zhoutouzui Project were put for long-term leasing during 2017. The project company has outsourced the management of these car parks to a third party at a fixed management fee with certain rent-free period. These car parking spaces were revalued at an open market value totaling RMB479.0 million as at 31 December 2017.

D. Business Outlook

We could not see a high chance of relaxation of the city-specific tightening regulatory policies on real estate development industry on the mainland in regions where sales are robust, but for those non-hot second-tier cities, where our projects in Nanning and Xuzhou situate, we foresee property prices remain to grow in a steady manner thanks to strong demand from end-users and upgraders. The management expects the general property market on the mainland will be gradually stabilized in the wake of the growing economy that has, to an extent, offset the effect of the austerities introduced by regulators in the past years.

On the ground of the Group's year-on-year improving sales in recent years, we remain positive in the sale performance of the Group in the coming months of 2018. Foreseeing that Skyfame Nanning ASEAN Maker Town Project and Xuzhou Time City Project will play the lead in contracted sales in 2018, the management is confident on achieving an annual sale target of RMB8 billion, a rise of 37.9% from the actual contracted sales in 2017. The stepped-up target is mainly driven by the expected contributions from three new projects, namely Zhongshan Project, Nanning Yudong Project and the newly acquired Chongqing Danzishi Project.

To maintain a steady momentum in our ongoing sales, we have well-defined business strategies in land bank building. In acquisition of land reserves, we aim to strike a healthy balance between our growth in land reserves and financial liquidity. Our budget for land acquisitions in the coming years is aligned to a reasonable proportion of cash internally generated from sales and external financing.

We are a developer focusing on the development of projects that specifically cater for the community living of young and first home buyers. To this end, the Group delegates its attention on development of projects that are specifically designed to accommodate the living needs of young home buyers. With detailed analysis on the geographical and demographic information of the sites, we develop projects with standardized designs in layouts of residences and the all-rounded surrounding facilities to be built in these community projects, satisfying not only the basic living needs, but also the demand for entertainment, education, medical care of the occupants and the start-up of entrepreneurs in co-working spaces set up in the community projects. Focusing in youth community developments, the Group will expand into easily accessible and populated regions at the outskirts of key cities and in the frontline of urbanization on mainland China.

We now have a team of 11 staff delegated in putting business plans of youth community projects into reality. The provision of services to support the living needs of residents of and start-up enterprises in co-work spaces established at our youth community developments will generate income to the Group by our collaborating with renowned corporations in the sectors of entertainment, education, medical care and co-work places operations. As well, we assist start-up enterprises set up in our pilot co-work place in Guangzhou by investing in potential business incubated by some enterprises, and this type of investments is expanding when increasing business ideas are nourished in these incubators. Commenced in 2016, operations of the youth community developments have not had material operating profits or losses to the Group yet. This business segment is not only an ancillary business line to our property developments for young buyers, but will also be an income driver to the Group in the near future as and when increasing youth community projects are completed and put into use.

E. Financial Review

Sales Turnover and Margins

Property sales of the Group climbed to a record high level to RMB4,042.8 million for the period, an increase of 174.8% compared with the corresponding year. The surged turnover is due to the increase in floor areas delivered at higher selling prices. During the year, the Group delivered residential units in Zhoutouzui Project and Nanning Skyfame Garden Project an aggregate saleable GFA of 217,000 sq.m. at an overall average selling price of RMB19,700 per sq.m. (2016: RMB7,900 per sq.m.), whilst a total saleable GFA190,000 sq.m. in Nanning Skyfame Garden Project, Tianhe Project and Yongzhou Project were delivered in 2016.

Gross margin on property sales is 21.2% (2016: 19.3%), Costs of properties sold include write-down in carrying values of RMB131.3 million in respect of properties developed or under development in Nanning Skyfame Garden Project to pre-agreed prices as contracted with local government for resettlement housings. Excluding this effect, the gross margin should be 24.5% which is improved by the higher margin in the high-end apartments sold in Zhoutouzui Project whilst properties sold in 2016 attracted smaller margins.

The leasing of properties at the commercial podium at Tianyu Garden Phase II in Guangzhou and offices at Capital Centre in Wanchai, Hong Kong, the Group's secondary line of business, contributed a total revenue of RMB17.6 million (2016: RMB16.6 million). The leasing activities bring a stable margin of 89.7% to the Group (2016: 90.0%).

The property management company provides a relative stable income of RMB20.1 million for the year (2016: RMB20.1 million). The operation enjoys a margin of 49.1% (2016: 59.2%).

Due to the higher margin of and bigger revenue contributed by property sales during the year, boosting both revenue and margin, we have achieved gross profit of RMB883.1 million (2016: RMB311.3 million) at an overall gross margin for the year rose to 21.6% (2016: 20.7%).

Operating Expenses

In line with the high contracted sales in Zhoutouzui Project and Skyfame Nanning ASEAN Maker Town Project, sale commission for the period surged 112.6% to RMB89.9 million. Together with other marketing expenses, total selling and marketing expenses amounted to RMB152.9 million (2016: RMB107.0 million), a 43.0% rise year-to-year. Administrative and other operating expenses, amounting to RMB219.8 million, increase 34.4% from RMB163.6 million for 2016. Included in administrative and other operating expenses are staff costs of RMB116.6 million, the biggest expense item. Total staff costs incurred during the year amounted to RMB180.1 million (2016: RMB157.1 million), grew 14.6% from last year, of which RMB47.4 million were capitalised as development costs of properties under development.

Finance Costs

Finance costs, including arrangement fees and interests charged on indebtedness, amounted to RMB332.6 million for the year (2016: RMB217.2 million). The costs increased 53.1% in pace with the increased indebtedness in the second half of the year for financing the expanding business activities. Most of the finance costs incurred were capitalized as costs of projects under development, leaving RMB33.1 million (2016: RMB3.0 million) charged against operating results for the year. Despite the increased finance costs incurred in the current year, thanks to the improved financial positions and operating results of the Group in recent years, its blended borrowing costs was reduced from 9.0% per annum for 2016 to 8.4% for 2017.

Non-operating Items

Non-operating items include the following:

(a) unrealised gain of RMB111.9 million on exchange of offshore loans denominated in HK$ and US$ to RMB as a result of the appreciation of RMB against HK$ and US$ during the year (2016: loss of RMB97.2 million);

(b) gain on investment properties revaluation of RMB35.7 million (2016: RMB10 million) and properties valuation of RMB353.4 million arose when 800 car parking spaces in Zhoutouzui Project were newly completed and put for leasing during the year;

(c) fair value changes of RMB13.1 million (2016: RMB11 million) in respect of derivative financial assets and liabilities that are embedded in the redemption rights attached to the Company's unsecured bonds;

(d) loss of RMB23.4 million on early repayments of two term loans with HK$560 million and US$60 million respectively.

Taxation

Provision in taxation included provision for land appreciation tax on properties sold in Zhoutouzui Project of RMB170.8 million (2016: RMB4.9 million), provision of RMB198.3 million (RMB60.2 million) for corporate income taxes on assessable earnings for the year, and deferred tax liabilities of RMB122.1 million arising on surpluses on revaluation of leased properties (2016: deferred tax asset of RMB55.6 million) and withholding tax estimated at RMB40.0 million on final dividend proposed. Due to the low land cost of Zhoutouzui Project, the project company is subject to a comparatively higher land appreciation tax payable upon the recognition of sales of properties in the project.

Profits Attributable to Shareholders

The Company had a consolidated after-tax profit of RMB547.3 million for the year. Netting the loss of RMB3.2 million shared by non-controlling shareholders of subsidiaries, consolidated profit of RMB550.5 million was attributable to the shareholders of the Company for the year.

Liquidity and Financial Resources

1. *Asset Base*

		2017	2016
	Change in %	***RMB'000***	*RMB'000*
Total assets	*16.8%*	**16,252,454**	13,920,633
Net assets	*32.1%*	**2,378,627**	1,799,968

Upon completion of Zhoutouzui Project in mid-2017, there remains residential units and serviced apartments of GFA49,000 sq.m. and about 1,100 car parking spaces unsold. Together with completed properties of GFA491,000 sq.m. in Nanning Skyfame Garden, mostly consisting of resettlement housings contracted with government and residential units contracted with home buyers that will be delivered in 2018, properties held for sale amounted to RMB3,754.2 million. Properties under development, with total carrying costs of RMB3,552.4 million, is the second asset category. Total assets also include prepayments and deposits paid for proposed projects totaling RMB1,385.3 million, investment properties at fair market values totaling RMB1,094.4 million, investment costs in project held for development in Xuzhou Maker Town Project of RMB488.1 million, leasehold land and building for self-use, plant and equipment totaling RMB239.5 million, restricted cash and pledged deposits of RMB1,313.3 million, cash and cash equivalents of RMB2,983.8 million, and trade and other receivables of RMB1,200.8 million.

2. *Capital structure and liquidity*

The indebtedness of the Group aggregates to RMB4,287.6 million at the year-end date, representing an increase of 23.6% from that on the last year-end date. Indebtedness of the Company includes money market loans of RMB506.8 million which are secured by deposits or guaranteed by letters of credits issued by banks that are backed up by cash deposits of RMB456.5 million and short-term investment in an insurance policy of RMB100.0 million. Excluding these deposit backed-up loans, the indebtedness of the Group amounted to RMB3,780.8 million at the year-end. The increase of indebtedness is in pace with the financing required for new project or land acquisitions. The details and maturity profile of the indebtedness are illustrated as follows:

	Within one year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other borrowings					
– Secured bank borrowings	955,190	1,063,494	87,130	111,554	2,217,368
– Other secured borrowings	216,008	623,164	200,000	–	1,039,172
– Unsecured borrowings	–	120,927	107,706	790,121	1,018,754
	1,171,198	1,807,585	394,836	901,675	4,275,294
Derivative financial liabilities	–	5,791	6,406	136	12,333
	1,171,198	1,813,376	401,242	901,811	4,287,627

Gearing ratio, calculated as total indebtedness net of cash and cash equivalents (including a short-term investment in insurance policy) (the "**Net Debt**") divided by the equity attributable to shareholders of the Company plus Net Debt), drops to 24.3% as at year-end date(2016: 42.4%) as a reflection of the stronger equity base and lower net debt, despite the increased indebtedness. The Net Debt amounted to RMB747.3 million (2016: RMB1,299.6 million) at the year-end date. The maturity of the indebtedness shows that the Group's indebtedness bears a longer duration than the prior years. An aggregate amount of RMB1,171.2 million of the indebtedness, representing 27.3% (2016: 31%) of total indebtedness, are due to be repaid within one year, indicating that the indebtedness generally have a longer duration to maturity.

	Change in %	2017 RMB'000	2016 RMB'000
Current assets			
Properties held for development	*202.8%*	**488,072**	161,160
Properties under development	*–55.4%*	**3,552,378**	7,971,027
Properties held for sale	*2018.3%*	**3,754,243**	177,228
Consideration receivable – current portion	*–100.0%*	**–**	277,401
Loan to a non-controlling shareholder of a subsidiary	*–100.0%*	**–**	52,900
Trade and other receivables	*39.3%*	**1,200,792**	862,037
Prepayment/deposits for proposed projects	*125.6%*	**1,385,269**	614,093
Short-term investments	–	**100,000**	–
Prepaid income tax	*–100.0%*	**–**	93,368
Restricted and pledged deposits	*33.0%*	**1,313,264**	987,290
Cash and cash equivalents	*66.3%*	**2,983,799**	1,794,440
Sub-total (A)	*13.8%*	**14,777,817**	12,990,944
Current liabilities			
Trade and other payables	*15.4%*	**1,374,346**	1,190,525
Properties pre-sale deposits	*7.3%*	**7,821,274**	7,290,196
Bank and other borrowings – current portion	*9.7%*	**1,171,198**	1,067,634
Derivative financial liabilities – current portion	*–100.0%*	**–**	11,177
Income tax payable	–	**137,192**	–
Sub-total (B)	*9.9%*	**10,504,010**	9,559,532
Net current assets (A-B)	*24.5%*	**4,273,807**	3,431,412
Current ratios (A/B)	*3.5%*	**1.41**	1.36

Current assets were steadily maintained at RMB14,777.8 million as at the year-end. Cash, or its equivalents and restricted deposits, amounting RMB4,297.1 million, constitutes 29.1% (2016: 21.4%) to total current assets, indicating a stronger liquidity position.

Total current liabilities at the year-end amounted to RMB10,504.0 million, representing a mild increase of 9.9% from last year-end date. The increase in current liabilities is mainly caused by the growing presale deposits received from projects on sale during the year.

The current ratio, being 1.41 times at the year-end (2016: 1.36 times) indicates improvements in the Company's strength to liquidate assets to meet with its loan repayment commitments.

3. *Borrowings and pledge of assets*

The office units at Capital Centre in Hong Kong and office premises at HNA Tower in Guangzhou and certain commercial units at the commercial podium in Tianyu Garden Phase II in Guangzhou and project interests under development in Nanning are mortgaged in favour of commercial banks to secure for financing facilities granted to the Group for its general working capital. In addition, cash deposits and a short-term investment in an insurance policy are placed with commercial banks to secure for the Group's repayment performance of the money market loans. Equity interests held in two subsidiaries and 321,860,000 shares of the Company owned by the Company's controlling shareholder are charged as security in favor of two financial institutions for two loans. As at 31 December 2017, the outstanding total balances of these secured indebtedness amounted to RMB3,256.5 million whilst the pledged assets and the underlying assets carried an aggregate estimated realizable value of approximately RMB7.9 billion measured by open market values as at the year-end date. The securities provide the creditors with sufficient cover on their lending. Overall, adequate financial resources are in place to support the Group to serve the repayment of its indebtedness.

F. Contingent Liabilities

The Group had no other material contingent liabilities as at 31 December 2017 (2016: Nil).

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, investment holding 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 RMB2,114.4 million, representing 49.3% of total indebtedness, and a property in Hong Kong at carrying value equivalent to RMB146.4 million. Other material assets and liabilities are denominated in RMB.

In contrast with 2016, RMB strengthened against HK and US dollars in 2017 by around 6.6% and 5.8%, turning around the depreciation pressure experienced in 2016. As a result, net unrealised foreign exchange gains of RMB111.9 million were recorded when liabilities denominated in foreign currencies are converted into RMB in the financial accounts. In addition, exchange differences arising from the consolidation of assets and liabilities of a subsidiary operated in Hong Kong as at 31 December 2017 results to an exchange loss of RMB2.8 million which is charged against the exchange reserve that forms part of the equity of the Company.

We believe the central government's currency policy will be neutral in the coming year and therefore foresee that RMB will turn stable. However, depreciation of RMB may happen, bringing negative impacts on the profitability of the Group when losses are incurred upon conversion of foreign currency denominated indebtedness into RMB on maturities or at reporting dates. Unfortunately, the Group does not have natural hedge against depreciation of RMB. Taking account the costs and possibilities of depreciation of RMB, we do not carry hedging instruments to counter currency exposure, but will monitor actively our exchange exposure so as to manage the risks by feasible approaches such as reducing foreign currency debts or, if at reasonable cost, taking useful hedging instruments at appropriate timing.

H. Risks Management

There are lots of business risks that our management has to face and cope with. Amongst, in particular under the increasingly stringent austerity measures imposed on the property market, property sales may be dragged and becoming unpredictable, leading to illiquidity in cash flows. In addition, the cooled-down capital market on the mainland makes financing for new acquisitions especially uneasy. Assessing regularly the possible risks and their impacts on the business and operational environment, our management reviews the business and financial position of the Group from time to time and develops strategies to alleviate the impacts that may be induced by risks. The board of directors of the Company has set up a risk management committee to assist the directors to formulate strategies and drive the management in the development of policies to identify risks and implement procedures to counter the risks in priority of their significance.

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 2017 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 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 1 June 2017 (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.

DIVIDENDS

The Board proposed to declare a final dividend of HK$0.04 (approximately RMB0.03) per share (2016: Nil), totally approximately RMB78,500,000 (2016: Nil) for the year ended 31 December 2017. The proposed final dividend is subject to approval by the shareholders of the Company at the forthcoming annual general meeting and, if approved, will be paid in HK$.

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 financial statements have been reviewed by the Audit Committee.

SCOPE OF WORK OF THE AUDITORS

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 2017 as set out in this preliminary announcement have been agreed by the Group's independent auditor, BDO Limited ("**BDO**"), to be consistent with the amounts set out in the Group's 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 three executive directors, namely Mr. YU Pan (Chairman), Mr. WEN Xiaobing and Mr. WONG Lok; one non-executive director, namely Mr. LI Weijing 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, 26 March 2018