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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

		Six months ended 30 June	
		2018	2017
	Change in %	***RMB'000***	*RMB'000*
Revenue	52.7%	**4,072,628**	2,667,385
Profit before income tax	14.2%	**798,502**	699,366
Profit for the period	26.4%	**485,577**	384,066
Profit for the period attributable to owners of the Company	6.0%	**424,365**	400,357
Earnings per share			
– Basic	5.9%	**RMB0.162**	RMB0.153
– Diluted	3.3%	**RMB0.158**	RMB0.153
		At 30 June 2018	At 31 December 2017
Total assets	24.2%	**20,183,395**	16,252,454

UNAUDITED INTERIM RESULTS

The board of directors (the "**Board**") of Skyfame Realty (Holdings) Limited (the "**Company**") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2018, together with comparative figures for the corresponding period of 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**4,072,628**	2,667,385
Cost of sales and services		**(3,243,796)**	(1,876,504)
Gross profit		**828,832**	790,881
Other income and gains, net		**3,151**	1,725
Sales and marketing expenses		**(198,779)**	(50,109)
Administrative and other expenses		**(128,686)**	(87,902)
Unrealised exchange (losses)/gains		**(8,870)**	49,665
Fair value changes in investment properties		**14,024**	–
Gain on properties valuation		**199,583**	–
Write-down of value of properties under development		**–**	(46,504)
Gain from bargain purchase		**92,565**	–
Fair value changes in derivative financial asset/liabilities		**10,505**	37,734
Loss on early repayment of a term loan		**–**	(8,544)
Finance costs	*5*	**(26,207)**	(1,731)
Finance income	*5*	**12,384**	14,151
Profit before income tax	*6*	**798,502**	699,366
Income tax expenses	*7*	**(312,925)**	(315,300)
PROFIT FOR THE PERIOD		**485,577**	384,066
Other comprehensive income, items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on foreign operations		**(2,388)**	1,756
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**483,189**	385,822

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
– Owners of the Company	*8*	**424,365**	400,357
– Non-controlling interests		**61,212**	(16,291)
		485,577	384,066
Total comprehensive income for the period attributable to:			
– Owners of the Company		**421,977**	402,113
– Non-controlling interests		**61,212**	(16,291)
		483,189	385,822
Earnings per share	*8*		
– Basic		**RMB0.162**	RMB0.153
– Diluted		**RMB0.158**	RMB0.153

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2018**	31 December 2017
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		**291,610**	239,497
Investment properties		**2,801,600**	1,094,400
Goodwill		**13,554**	13,554
Available-for-sale investment		**–**	10,000
Financial assets at fair value through profit or loss		**10,000**	–
Loan to a non-controlling shareholder of a subsidiary		**52,900**	52,900
Derivative financial asset		**69,623**	46,144
Deferred tax assets		**22,870**	18,142
		3,262,157	1,474,637
Current assets			
Properties held for development		**–**	488,072
Properties under development		**9,730,485**	3,552,378
Properties held for sale		**2,184,954**	3,754,243
Trade and other receivables	*10*	**1,659,016**	1,200,792
Prepayments/deposits for proposed projects		**967,522**	1,385,269
Short-term investments		**–**	100,000
Prepaid income tax		**213,641**	–
Restricted and pledged deposits		**824,954**	1,313,264
Cash and cash equivalents		**1,340,666**	2,983,799
		16,921,238	14,777,817

	Notes	**30 June 2018** *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Current liabilities			
Trade and other payables	*11*	**2,400,579**	1,374,346
Properties pre-sale deposits		**–**	7,821,274
Contract liabilities		**7,038,897**	–
Bank and other borrowings – current portion		**1,145,783**	1,171,198
Considerations payable on project acquired		**99,500**	–
Dividend payable		**86,087**	–
Income tax payable		**–**	137,192
		10,770,846	10,504,010
Net current assets		**6,150,392**	4,273,807
Total assets less current liabilities		**9,412,549**	5,748,444
Non-current liabilities			
Bank and other borrowings – non-current portion		**5,986,130**	3,104,096
Derivative financial liabilities – non-current portion		**12,351**	12,333
Deferred tax liabilities		**623,934**	253,388
		6,622,415	3,369,817
Net assets		**2,790,134**	2,378,627
Capital and reserves			
Share capital		**24,589**	24,469
Reserves		**2,651,724**	2,301,560
Equity attributable to owners of the Company		**2,676,313**	2,326,029
Non-controlling interests		**113,821**	52,598
Total equity		**2,790,134**	2,378,627

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 June 2018 (the "**Interim Financial Statements**") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The Interim Financial Statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations as of 1 January 2018 noted below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In the current interim period, the Group has applied, for the first time, the following new or revised HKFRSs.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)

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 fair value through other comprehensive income ("**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 fair value through profit or loss ("**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 period ended, 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, 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 period ended 30 June 2018, 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.

Impact on the financial statements

The Group applied the modified retrospective approach to adopt HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications arising from the new accounting policies are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognized in the opening financial position on 1 January 2018.

Impact on the statement of financial position (increase/(decrease)) as at 31 December 2017:

	RMB'000
Assets	
Financial assets at fair value through profit or loss	10,000
Available-for-sale investment	(10,000)
Impact on financial position	–
Liabilities	
Contract liabilities	7,821,274
Properties pre-sale deposits *(Note)*	(7,821,274)
Impact on financial position	–

Note:

The Group assess the implication and adoption of HKFRS 15 in its contracts with customers for which properties are pre-sold and deposits received as at 31 December 2017, by using the full retrospective method of adoption.

3. 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 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 bargain 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 asset/liabilities and taxes. Investment properties are included in segment assets and the related fair value changes in investment properties are included in segment results.

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.

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Total RMB'000
Six months ended 30 June 2018 (Unaudited)				
Segment revenue				
Reportable segment revenue	4,045,779	15,159	23,897	4,084,835
Elimination of intra-segment revenue	–	(4,240)	(7,967)	(12,207)
Consolidated revenue from external customers	4,045,779	10,919	15,930	4,072,628
Segment results	526,849	2,268	(6,925)	522,192
Reconciliation:				
Unallocated corporate net expenses				(26,544)
				495,648
Fair value changes in investment properties	–	14,024	–	14,024
Gain on properties valuation	–	199,583	–	199,583
Fair value changes in derivative financial asset/liabilities				10,505
Gain from bargain purchase				92,565
Finance costs				(26,207)
Finance income				12,384
Consolidated profit before income tax				798,502
Other segment information:				
Depreciation and amortisation	(991)	(760)	(907)	(2,658)
Additions to properties under development	2,367,362	–	–	2,367,362
Capital expenditure	153	–	174	327

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
As at 30 June 2018 (Unaudited)				
Assets and liabilities				
Assets				
Reportable segment assets	**14,409,157**	**3,678,669**	**41,011**	**18,128,837**
Reconciliation:				
Derivative financial asset				**69,623**
Prepaid income tax				**213,641**
Deferred tax assets				**22,870**
Financial assets at fair value through profit or loss				**10,000**
Cash and cash equivalents				**1,340,666**
Unallocated restricted and pledged deposits				**45,000**
Unallocated corporate assets				
– Leasehold land and building				**225,820**
– Other corporate assets				**126,938**
Consolidated total assets				**20,183,395**
Liabilities				
Reportable segment liabilities	**14,194,543**	**48,186**	**18,375**	**14,261,104**
Reconciliation:				
Consideration payable				**99,500**
Dividend payable				**86,087**
Deferred tax liabilities				**623,934**
Derivative financial liabilities				**12,351**
Unallocated bank and other borrowings				**2,302,972**
Unallocated corporate liabilities				**7,313**
Consolidated total liabilities				**17,393,261**

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Six months ended 30 June 2017 (Unaudited)				
Segment revenue				
Reportable segment revenue	2,646,690	11,874	22,331	2,680,895
Elimination of intra-segment revenue	–	(3,944)	(9,566)	(13,510)
Consolidated revenue from external customers	2,646,690	7,930	12,765	2,667,385
Segment results	700,506	4,105	(3,705)	700,906
Reconciliation:				
Unallocated corporate net expenses				3,354
				704,260
Write-down of value of properties under development	(46,504)	–	–	(46,504)
Fair value changes in derivative financial asset/liabilities				37,734
Loss on derecognition of a term loan due to early repayment				(8,544)
Finance costs				(1,731)
Finance income				14,151
Consolidated profit before income tax				699,366
Other segment information:				
Depreciation and amortisation	(877)	(383)	(885)	(2,145)
Additions to properties under development	1,170,789	–	–	1,170,789
Capital expenditure	2,412	–	138	2,550

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
As at 31 December 2017 (Audited)				
Assets and liabilities				
Assets				
Reportable segment assets	10,427,908	1,850,264	40,556	12,318,728
Reconciliation:				
Derivative financial asset				46,144
Short-term investments				100,000
Available-for-sale investment				10,000
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

Information about major customers

None of the customers of the Group contributed more than 10% of the Group's revenue for the six months ended 30 June 2018 and 2017.

4. 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 period are as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sale of properties	**4,045,779**	2,646,690
Rental income	**10,919**	7,930
Property management services	**15,930**	12,765
	4,072,628	2,667,385

5. FINANCE COSTS AND INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance costs:		
Interest on bank and other borrowings	**222,103**	162,846
Less: Amount capitalised as properties under development Interest on bank and other borrowings	**(195,920)**	(161,128)
	26,183	1,718
Other borrowing costs	**14,065**	6,015
Less: Amount capitalised as properties under development	**(14,041)**	(6,002)
	24	13
Finance costs charged to profit or loss	**26,207**	1,731
Finance income:		
Bank interest income	**7,239**	10,363
Interest income on short-term investments	**3,872**	2,600
Interest income on loan to a non-controlling shareholder of a subsidiary	**1,273**	1,188
Finance income credited to profit or loss	**12,384**	14,151

6. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**3,236,151**	1,870,794
Write-down of properties under development	**–**	46,504
Cost of inventories recognised in profit or loss	**3,236,151**	1,917,298
Staff costs (including directors' emoluments) comprise:		
– Basic salaries and other benefits	**101,213**	69,170
– Equity-settled share-based payment expenses	**3,390**	3,592
– Contributions to defined contribution pension plans	**3,560**	2,888
Total staff costs (including directors' emoluments)	**108,163**	75,650
Less: Amount capitalised as properties under development	**(23,145)**	(24,661)
Staff costs charged to profit or loss	**85,018**	50,989
Auditor's remuneration – current period	**574**	542
Depreciation of property, plant and equipment	**9,253**	6,772
Less: Amount capitalised as properties under development	**(59)**	(69)
Depreciation charged to profit or loss	**9,194**	6,703
Amortisation of leasehold land	**1,703**	1,703
Depreciation and amortisation charged to profit or loss	**10,897**	8,406
Unrealised exchange loss/(gain)	**8,870**	(49,665)

7. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong profits tax	**–**	–
PRC corporate tax		
– current period	**120,122**	171,414
– write-off of provisional corporate income taxes	**(6,948)**	(3,312)
PRC land appreciation tax		
– current period	**165,077**	130,415
	278,251	298,517
Deferred tax		
– current period	**34,674**	16,783
Total income tax expenses	**312,925**	315,300

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2018 (six months ended 30 June 2017: 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% (six months ended 30 June 2017: 16.5%) for the six months ended 2018.

Enterprise income tax arising from other regions of the PRC is calculated at 25% (six months ended 30 June 2017: 25%) of the estimated assessable profits. Corporate income taxes arising on fair value changes in investment properties and gain on properties valuation for the period are deferred.

The provision of PRC land appreciation tax ("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.

8. EARNINGS PER SHARE

The calculation of basic earnings per share amounts for the six months ended 30 June 2018 and 2017 is based on the profit for the period attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue and participating equity instruments during the period.

The calculation of the diluted earnings per share amounts for the six months ended 30 June 2018 and 2017 is based on the profit for the period 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.

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the purposes of basic and diluted earnings per share	**424,365**	400,357

	Number of shares	
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purposes of calculation of basic earnings per share	**2,624,828**	2,616,531
Effect of dilutive potential ordinary shares from share options (2005 Scheme)	**10,180**	5,247
Effect of dilutive potential ordinary shares from share options (2015 Scheme)	**44,630**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,679,638**	2,621,778
Basic	**RMB0.162**	RMB0.153
Diluted	**RMB0.158**	RMB0.153

9. DIVIDENDS

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

The final dividend in respect of 2017 of HK$0.04 (equivalent to RMB0.03) per share, totaling RMB86,087,000 which has taken into account, has been approved in the annual general meeting of the Company on 31 May 2018 and paid in cash in July 2018.

10. TRADE AND OTHER RECEIVABLES

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current or less than 1 month	**180,290**	1,370
1 to 3 months	**317**	380
More than 3 months but less than 12 months	**504**	542
More than 1 year	**211,311**	539
Trade receivables from tenants and property occupants, net of impairment	**392,422**	2,831
Receivable from district government for resettlement housing in a project	**52,272**	52,272
Sale proceeds kept by a monitoring government body	**228,100**	195,910
Unpaid up capital to be contributed by non-controlling shareholders of subsidaries	**38,700**	38,689
Refundable construction costs	**32,902**	60,697
Tender deposit in development project	**20,800**	20,800
Prepaid construction costs	**191,667**	204,571
Prepaid finance costs	**5,277**	7,638
Prepaid business taxes and surcharges	**434,075**	315,918
Maintenance funds paid on behalf of properties owners	**59,421**	46,616
Other deposits, prepayments and other receivables	**203,380**	254,850
	1,659,016	1,200,792

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.

11. TRADE AND OTHER PAYABLES

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Current or less than 1 month	**–**	–
1 to 3 months	**1,680**	628
More than 3 months but less than 12 months	**1,476**	736
More than 12 months	**4**	4
Total trade payables	**3,160**	1,368
Construction costs payable	**1,943,101**	1,081,148
Tender receivable from the suppliers	**58,429**	36,387
Receipts in advance, rental and other deposits from buyers, customers and/or tenants	**60,250**	27,140
Resettlement costs payable	**20,893**	15,726
Accrued business taxes and surcharges	**173,811**	47,696
Other accrued expenses and other payables	**140,935**	164,881
	2,400,579	1,374,346

12. COMMITMENTS

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Expenditure contracted but not provided for in respect of		
– Property construction and development costs	**1,818,741**	2,318,950

13. SUBSEQUENT EVENT

1. On 31 May 2018, the Group has contracted with a medical service operator (the "**Vendor**") to acquire, at a consideration of approximately RMB200 million, 70% equity in a corporation which is engaged in the operation of a hospital that is being built in the Wuxiang New District, Nanning. The purchase consideration, covering the costs of land and construction works in progress, is payable by instalments, of which RMB102.0 million has been paid and the balance due to be paid by instalments by 31 December 2018. The hospital, planned to be built up in 2020, is intended to serve the population in the district and also a back-up base to cater for the expansion in the medical services in the Group's future community projects. The Vendor is a wholly-owned subsidiary of 綠景控股股份有限公司(Lvjing Holding Co., Limited), a company with shares listed in the Shenzhen Stock Exchange which shareholding of 22.65% is indirectly held by the controlling shareholder of the Company, Mr Yu Pan. The Directors believe the hospital and the collaboration with Lvjing Holding Co., Limited add value to the operation of the existing youth community projects in Nanning and the other community projects developed by the Group.

2. On 16 July 2018, an agreement in relation to the acquisition by China Cinda Asset Management Holdings Company Limited, Chonqing Branch (中國信達資產管理股份有限公司【重慶市】分公司) ("China Cinda") of a debt in the principal amount of RMB2.3 billion (the "Debt") owed by CQ Hesheng Property Development Company Limited (重慶核盛房地產開發有限公) ("CQ Hesheng"), the project company of Chongqing Project to Zhonghe Property Development Company Limited(中核房地產開發有限公司)（" Zhonghe"). Pursuant to the agreement, the debt to be assigned by Zhonghe to China Cinda at the principal amount of the debts bearing a payment charged at an annual rate of 12% on the Debt for a period of 24 months, payable by CQ Hesheng in five instalments. The obligations of CQ Hesheng and Guangzhou Chuangfu Realty Company Limited (廣州創富置業有限公司) ("GZ Chuangfu"), the holding company of CQ Hesheng and as the co-borrower of the Debt, are indemnified by the Company. The assignment of debts are secured by mortgages over the lands held by CQ Hesheng and construction works-in-progress on the lands and share charges over the shares of CQ Hesheng and GZ Chuangfu.

A. Business review

Due to the increase in properties delivered in Nanning Skyfame Garden, Guangzhou Skyfame Byland and the newly acquired Chongqing Project during the first six months in 2018 the Group achieved another peak in its recognized sales. The Group had property sales (net of direct taxes) of RMB4.05 billion for the first six months ended 30 June 2018, a 52.9% increase in revenue from the last corresponding period.

As of 30 June 2018, the Group had three developments on sale that are ready for delivery. They are, namely, Nanning Skyfame Garden, Guangzhou Skyfame Byland and phase one of Chongqing Project. Besides these developments, during the period, the Group is also in presales of Skyfame Nanning ASEAN Maker Town and Xuzhou Skyfame Time City which are also scheduled to be delivered to buyers by phases starting from late 2018. Up to 25 August 2018, contracted sales in aggregate of approximately RMB3.49 billion have been made, representing 115.0% of the accumulated month-to-date target sales, and 43.7% of the annual budget of forecasted contracted sales of RMB8.0 billion and 11.3% increment to that in first half of 2017. Contracted sales made during the period and the coming months of the year will be subject to delivery to buyers according to the construction timelines of the relevant projects spreading from 2018 till 2021.

The Group's contracted sales and recognized sales on properties delivered in sale amounts and GFA by projects for both periods are as follows:

	Contracted Sales		**Recognized Sales**	
Project	**Gross Amount**	**Saleable GFA**	**Gross Amount**	**Saleable GFA**
	RMB'million	*sq.m.*	*RMB'million*	*sq.m.*
Guangzhou Skyfame Byland	447	6,156	833	12,620
Nanning Skyfame Garden	170	19,499	2,789	410,614
Skyfame Nanning ASEAN Maker Town	1,095	93,973	–	–
Xuzhou Skyfame Time City	346	52,323	–	–
Chongqing Project	11	503	657	70,361
Total in first half of 2018	2,069	172,454	4,279	493,595
Total in first half of 2017	1,861	118,968	2,807	71,218

The gross floor area on the contracted sale is on the rise. GFA of the contracted sales during the period increased to 172,000 sq.m. at overall gross average selling price ("**ASP**") of RMB12,000 per sq.m., whereas in the last period, GFA and ASP are 119,000 sq.m.. and RMB15,600 sq.m. respectively. The rise in GFA in the current period leads to improvement in overall gross profit for the period, but the drop in ASP reflects variations in prices of properties contracted in different regions in the two periods.

B. Property Portfolio

1. Properties under development

As at 30 June 2018, the subsidiaries and joint venture of the Group engaged in a total of eight property projects under development. The Group's project portfolio renders total GFA of approximately 5,185,000 sq.m. (total saleable GFA of approximately 4,091,000 sq.m.), out of which total saleable GFA of approximately 828,000 sq.m. in three projects have been delivered. Excluding the GFAs delivered, there are aggregated saleable GFA of 2,544,000 sq.m. available for sale or investment holding purposes upon completion of the projects.

The table below sets out details of property projects being developed by subsidiaries or entities jointly controlled by the Company in mainland China.

Project	Location	Property type	Estimated total GFA (sq.m.)	Estimated total saleable GFA (Note a) (sq.m.)	Accumulated saleable GFA contracted (sq.m.)	Accumulated saleable GFA delivered (sq.m.)	Estimated completion year	The Group's interest
Guangzhou Skyfame Byland	Guangzhou	Residential & commercial	320,000	158,000	104,000	97,000	2017 – 18	100%
Nanning Skyfame Garden	Nanning	Residential & ancillary commercial	1,212,000	896,000	597,000	594,000	2016 – 18	80%
Skyfame Nanning ASEAN Maker Town	Nanning	Composite development	1,405,000	1,204,000	491,000	–	2018 – 23	100%
Chongqing Project *(Acquired in 2018)*	Chongqing	Composite development	1,179,000	954,000	142,000	137,000	2017 – 21	100%
Xuzhou Skyfame Time City	Xuzhou	Residential and ancillary commercial	468,000	402,000	213,000	–	2018 – 20	90%
Xuzhou Skyfame Elegance Garden	Xuzhou	Residential and ancillary commercial	190,000	165,000	–	–	2020	92%
Zhongshan Skyfame Rainbow	Zhongshan	Residential & ancillary commercial	105,000	86,000	–	–	2020	51%
		Sub-total	4,879,000	3,865,000	1,547,000	828,000		
Nanning Impression of Sandalwood	Nanning	Residential & ancillary commercial	306,000 *(Note b)*	226,000 *(Note b)*	–	–	2021	40%
		Total	5,185,000	4,091,000	1,547,000	828,000		

Note:

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

(b) For Nanning Impression of Sandalwood, a project developed by a jointly controlled entity, above project profile refers to the GFAs attributable to the Group's equity interests in that project company.

Skyfame Byland in Zhoutouzui, Guangzhou

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.

Other than tower A1 which is heading for final inspection for completion, the project was completed in 2017. Saleable GFA of approximately 81,000 sq.m. were handed over to the Port Authority and saleable GFA of approximately 97,000 sq.m. were handed over to buyers up to 30 June 2018. Contracted sales of RMB0.42 billion up to 30 June 2018 in respect of saleable GFA of 7,000 sq.m. will be booked as revenue in the coming months in line with the handing-over of buyers. As of 30 June 2018, GFA of approximately 20,000 sq.m. covering 54 residential units in tower A2, A3, and about 1,100 car parking spaces are held for sale but uncontracted. Another 800 car parking spaces are retained by the Group for leasing purpose and the intention of holding of tower A1 (GFA of approximately 10,500 sq.m.) is changed to leasing as hotel accommodation.

Nanning Skyfame Garden

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

Nanning Skyfame Garden is situated in Wuxiang New District (五象新區), a new development zone in Nanning, Guangxi province. Commenced construction since the land acquisition in 2014, 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 651,000 sq.m.) for residential, 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 resettlement housing of the original occupants. The project is divided into five zones.

As of 30 June 2018, out of the 65 towers, construction works of 62 towers have been completed. Aggregated saleable GFA of approximately 597,000 sq.m. (representing 96% of area on sale) have been contracted at sale values of approximately RMB3.89 billion. Physical delivery to buyers are scheduled to take place by phases through late 2016 to 2018 for which aggregated saleable GFA of approximately 594,000 sq.m. have been delivered up till 30 June 2018. Sale proceeds of approximately RMB1.00 billion have been received from the district government in respect of the resettlement housing which will be ready for delivery to original occupants.

Skyfame Nanning ASEAN Maker Town

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 development complex divided into east and west zone and is developed by phases. Planned total GFA is approximately 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 branded as the Westin Nanning located in a skyscraper at a height of 346 meters named as the Skyfame ASEAN Tower ("天譽東盟塔"), as well as serviced apartments, retail properties, and ancillary facilities developed for young occupants 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 2023. The development, when completed, will be a landmark in Wuxiang New District.

Up to 30 June 2018, residential and commercial units of saleable GFA of approximately 526,000 sq.m. are on presale, for which sales of approximately RMB5.25 billion (saleable GFA of approximately 491,000 sq.m.) have been contracted.

Chongqing Project

In January and March 2018, the entire equity interests of the Chongqing Project was purchased from two vendors through step-up acquisitions. The project is located in Nanan District of Chongqing and is one of the city's three major CBDs embracing the central government district, core financial zone and scenery on the river shores. The location is currently one of the top ten key development zones in Chongqing. Total GFA of approximately 1.2 million sq.m. will be developed by two phases.

Construction of Phase 1 of the development, named as "Gold Purple" ("紫金一品"), commenced in 2015 and was completed in early 2018. Total planned GFA and saleable GFA are approximately 313,000 sq.m. and 256,000 sq.m. respectively. Up to 30 June 2018, contracted sales of RMB1.22 billion (saleable GFA of 142,000 sq.m.) have been made. Saleable GFA of approximately 137,000 sq.m. have been delivered up to 30 June 2018. The remaining inventories are residential, apartment, office and retail properties of approximately 88,000 sq.m. and approximately 2,000 car parking spaces.

Phase 2 of the development, named as "Chongqing Skyfame • Smart City" ("重慶天譽•智慧城"), is a composite development consisting of residential, loft apartments and retail properties of a total GFA of 866,000 sq.m. (Saleable GFA of 698,000), of which GFA of 248,800 sq.m. will be developed for investment holding and the remaining for sale. Preliminary construction works have commenced. Pre-sale is planned to commence in late 2018.

Xuzhou Skyfame Time City

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. The project is situated in Times Avenue South and Xufeng Highway West in Xuzhou. It will be an eco-residential and commercial development. Total GFA is about 468,000 sq.m. (saleable GFA of 402,000 sq.m.), inclusive of an underground area of about 77,000 sq.m.. Construction works are expected to be completed in three phases by end of 2020.

Commenced construction works in early 2017, the first phase of pre-sale was launched in July 2017. Up to 30 June 2018, residential and retail properties of saleable GFA of approximately 225,000 sq.m. are on presale, for which sales of RMB1.36 billion (saleable GFA of 213,000 sq.m.) have been contracted.

Xuzhou Skyfame Elegance Garden

The plot of Xuzhou Skyfame Elegance Garden ("徐州天譽雅園"), a site of 74,000 sq.m. (equivalent to 110 mu), was acquired in June 2017 and is located at 1 km apart from Xuzhou Skyfame Time City.

It is planned to become a residential and commercial development. Total GFA is about 190,000 sq.m. (saleable GFA of 165,000 sq.m.), inclusive of an underground area of about 40,000 sq.m.. Construction works are expected to be completed in 2020. The first batch of pre-sale will be launched in the fourth quarter of 2018.

Zhongshan Skyfame Rainbow

The project, named as Zhongshan Skyfame Rainbow ("中山天譽虹悦"), located on Tsui Sha Road (翠沙路), Rainbow Planning Zone, at the north of West Zone, Zhongshan, Guangdong province, is a residential with ancillary commercial development. Total GFA is about 105,000 sq.m. (saleable GFA of 86,000 sq.m.), inclusive of an underground area of about 16,000 sq.m.. Construction works are expected to be completed in 2020.

The project company obtained the land use right certificate in May 2018. The first batch of pre-sale will be launched in the third quarter of 2018.

Nanning Impression of Sandalwood

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

The project is named as "Impression of Sandalwood" ("檀府 • 印象") with a planned GFA of approximately 764,000 sq.m. (saleable GFA of 564,000 sq.m.) comprising residential, commercial properties and municipal facilities. Construction works are expected to be completed in phases by 2021. The first pre-sale will be launched in the third quarter of 2018.

2. ***Projects for future development***

The Group holds some projects for imminent development in the near future upon the fulfilment of certain outstanding conditions, i.e. approvals on the conversion of land uses from industrial to commercial properties, and the grants by governments of redevelopment rights of old districts in urban areas 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 of material values and can render to the Group aggregated GFA of 264,000 sq.m. in land reserves. Details of these investments are summarized as follows:

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 is 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 (賢堂路) of Yonghe District in Huangpu, Guangzhou. Our Group plans to develop the project into serviced apartments and commercial properties. The project occupies a site of 50,263 sq.m. with planned 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 are in progress.

3. ***Potential land reserves***

3.1 *Intended bids for lands*

For future development, the Group has signed six co-operation agreements with local governments in Nanning, Guilin, Xuzhou and Kunming for obtaining land titles through future public auctions with an aggregated GFA of approximately 10.47 million sq.m..

3.2 *Refurbishment of old urban areas*

The Group also holds potential land reserves through its participation in the redevelopment of some old districts that are subject to the urban redevelopment programs being implemented by local governments in Shenzhen and Guangzhou. These remodelling projects will provide estimated GFA of approximately 6.60 million sq.m.. Investments made on these projects are included as "Prepayments or Deposits for Proposed Projects" on the Consolidated Statement of Financial Position.

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 17.07 million sq.m..

4. Overview of property portfolio

Counted in the potential land reserves, all in all, the Group has project portfolio of GFA of 22.5 million sq.m. as at 30 June 2018 that 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 six investment properties for current and future leasing income with details as follows:

1. Commercial properties under development in Chongqing Project

Properties under development in phase two of Chongqing Project in total saleable GFA of 248,800 sq.m. to be built into serviced apartments for long-term investment purpose pursuant to the land transfer contract. The long-term held properties, currently not yet constructed, when developed, will become part of an integrated complex which is expected to be completed in 2021 in a central business district situated in Nanan District of Chongqing. The property carries a fair value of RMB1,163 million as estimated by the Directors with reference to the valuation as at 31 March 2018 performed by an independent valuer.

2. Guangzhou Skyfame Byland

2.1. 800 car parking spaces in Guangzhou Skyfame Byland were put for long-term leasing to a management company at a fixed management fee of RMB750,000 per month. This property carries a fair value of RMB479 million as of 30 June 2018 as estimated by the Directors.

2.2. A tower in the development, consisting of 10,500 sq.m, is intended to be leased for hotel operation and is under interior decoration, for which terms of the lease contract are in final stage of discussion with a hotel operator. The Directors estimated the open market value of the property at approximately RMB520.0 million as of 30 June 2018.

3. Commercial podium at Tianyu Garden Phase II

A 17,300 sq.m. commercial podium at Tianyu Garden Phase II in Tianhe District, Guangzhou is 94% occupied as at 30 June 2018 at an average monthly rental of RMB90 per sq.m.. The Directors estimated the open market value of the property at approximately RMB469.0 million as of 30 June 2018.

4. ***Office premises at Capital Centre***

A 6,200 sq.ft. office premise at Capital Centre in Wanchai, Hong Kong is leased to tenants at 100% occupancy as at 30 June 2018 at an average monthly rental of RMB30 per sq.ft.. During the period, floor area of 2,500 sq.ft. is repossessed by the Group for self-occupation as office, hence the open market value of the property held for leasing as assessed by an independent valuer is reduced accordingly to RMB118.9 million (HK$141.0 million).

5. ***Office premises at Huancheng HNA Plaza***

GFA totaling 1,500 sq.m. of office units in Huancheng HNA Plaza, Tianhe District, Guangzhou, completed in 2016 and were taken up from the HNA Group, the turn-key buyer of Tianhe Project, in the period in settlement of some unpaid debts due from HNA Group. The Directors estimated the open market values of the property at approximately RMB51.7 million as of 30 June 2018. The management is now in the process of seeking tenants and the premises are approximately 66% tenanted at an average monthly rental of approximately RMB145 per sq.m. with tenancies commence in August 2018.

D. Business Outlook

The People's Bank of China announced in late July 2018 various monetary and fiscal measures to arrest the pace of deleveraging and the market expectation of further depreciation of RMB against the backdrop of worse-than-expected domestic slowdown and potential fallout from trade tensions with the US. We reckon that the recent easing policy can release liquidity to the financial market but is not a broad-based stimulus to the economy of China. Despite the easing policies, the government is still on their multi-year plan to bring down the overall leverage of the country, for which, the property sector is in the pinpoint.

Amid the central government's continuing tightening policies in containing the demand and prices for properties, property markets in many regions in the country have been stabilized since end-2017. However, solid demand of entry-level buyers and home upgraders remains in the market. Our youth community projects under development in Nanning, Xuzhou and Chongqing align with these market specialities where the buying sentiments in these projects are less unaffected by the austerity measures.

To sustain the growth in business of the Group, the management has set an annual sale target of RMB8.0 billion for contracted sales in the year. Up to 25 August 2018, total contracted sales of the Group reached RMB3.49 billion, representing 115.0% of the target contracted sales of the month-to-date for 2018 and 43.7% of the annual target of the year. As the later months of the year are the peak months for presales when projects under development receive new presale permits, the management expects that contracted sales in the later months of the year will perform better as more high-margin completed or under development properties will be put on the market. The upcoming new phases in Chongqing Project, Skyfame Nanning ASEAN Maker Town and the firstly launched Zhongshan Skyfame Rainbow, are launched for presale.

In a longer time horizon to sustain growth, the management has been consciously seeking new projects or land to maintain a suitably-sized land bank that is prioritized for the development of youth community projects. For building land reserves, we aim to strike an optimal level in land reserves with particular attention on the liquidity of the Group. In doing so, our budget for land acquisitions is set on a reasonable and conservative proportion to the available cash generated from internal operations and funding from debts and equity that can be raised by the Group from time to time.

In execution of our business focus in the development of projects that are specifically designed to accommodate the living needs of young home buyers, we emphasize that the essence of our youth community projects cover not only accommodation, but also the needs and wants of the occupants in the communities. To this end, during the period, we have entered into a strategic collaboration agreement with 惠普企業集團 (Hewlett-Packard Enterprise Corporation) for which the latter will bring in data communication knowhow and solutions in building up an operating platform that enhances the living of occupants and visitors in the development in our Chongqing Project, enabling them a smart living, leisure and working environment. Besides, the Group has contracted with a medical service operator to participate in the 70% equity at a consideration of RMB200 million in a corporation which is engaged in the operation of a hospital being built in the walking distance from our two projects in Nanning to cater for the medical care of the population in the region. The hospital serves also as a training ground for nourishing medical practitioners in our future youth community projects in other regions. Other than these collaborations, we will keep seeking collaboration opportunities with suitable renowned operators in entertainment, education and medical care fields to add value to our youth community projects.

E. Financial Review

Sales Turnover and Margins

Property sales of the Group achieved another record of RMB4,045.8 million for the period, a 52.9% of that for the corresponding period. During the period, the Group had sale volume of GFA totaling approximately 493,600 sq.m. of properties in Nanning Skyfame Garden, Chongqing Project and Guangzhou Skyfame Byland at an average overall gross selling price of RMB8,200 per sq.m. delivered.

Gross margin on property sales is 20.0% (2017: 29.3%). Profitability for the period turned lower than 2017, as a result of the different sale mix in different markets in the two periods. Properties sold in Nanning are mass market products at moderate margin of 14.1% (including RMB830.3 million sales contracted with district government of GFA totaling 150,300 sq.m. to relocate residents of a shanty town near Nanning Skyfame Garden) whilst the high-end apartments in Guangzhou Skyfame Byland command a higher margin of 55.7% during the period. The sales of higher-margin properties at Guangzhou Skyfame Byland represents nearly all the sales in the last period whilst the lower-margin properties at Nanning Skyfame Garden dominates 65.2% of total sales in the current period.

The secondary line of income of the Group, leasing of properties mainly at the commercial podium at Tianyu Garden Phase II in Guangzhou and offices at Capital Centre (Formerly "AXA Centre") in Wanchai, Hong Kong, contributed a stable revenue of RMB10.2 million to the Group for the period. The income represents a rise of 37.7% from last period as the Company has improved utilization of the commercial podium floor spaces at the Tianyu Garden Phase II by leasing to co-working spaces users. In addition, the newly completed car parks at Guangzhou Skyfame Byland is bringing more leasing income to the Group when 800 car parks are sourced to a management company at a fixed monthly rental of RMB0.75 million starting from June 2018. The leasing activities bring a stable margin of 91.3% to the Group (2017: 89.7%).

The property management company provides increasing income of RMB15.9 million for the period (2017: RMB12.8 million) due to the increased areas delivered to occupants of properties. The operation enjoys a margin of 58.0% (2017: 61.7%).

Due to the higher proportion in sales of lower-margin properties, overall gross margin of the Group for the period dropped to 20.0% (2017: 29.7%).

Operating Expenses

In line with the higher level in contracted sales of the increasing number of projects for the period, sale commission for the period surged by 218.3% to RMB70.2 million. An one-off marketing expenses of Nanning Skyfame Garden Project amounted to RMB95.8 million was another reason for the rise in sale and marketing expenses. Altogether the sales and marketing expenses for the period amounted to RMB198.8 million, a 296.7% rise period-to-period. Administrative and other operating expenses, amounting to RMB128.7 million, rose 46.4% from last period, of which staff costs for the period constituted RMB80.1 million. The rise in operating expenses is mainly due to the rise in staff costs caused by the increase in number of headcounts. Total staff costs incurred during the period amounted to RMB108.2 million (2017: RMB75.7 million), of which RMB23.1 million (2017: RMB24.7 million) were capitalized as development costs of properties under development.

Finance Costs

Finance costs, representing arrangement fees and interests incurred on indebtedness, amounted to RMB236.2 million for the period (2017: RMB168.9 million). The rise in costs is in pace with the increase in indebtedness. Most of the finance costs incurred were capitalized as costs of projects under development with only RMB26.2 million charged against the operating results for the period. The overall annualized borrowing cost, representing interests and arranging fees divided by total indebtedness that includes the indebtedness due to the vendor of Chongqing Project bearing interests of 6% per annum, is 8.5% (2017: 9.1%),

Non-operating Items

Non-operating items include the following:

1. Gain arising on revaluation of RMB199.6 million to the open market value of a tower in Guangzhou Skyfame Byland being put for leasing for hotel accomodation;

2 Gain from bargain purchase of RMB92.6 million arising from the acquisition of Chonqing Project where fair values of the underlying land and properties under development acquired were higher than purchase considerations;

3. As a result of depreciation of RMB, the functional currency, against the US$ and HK$, unrealized loss of RMB8.9 million was recorded on exchange of offshore loans denominated in HK$ and US$ booked at closing rates. There was a gain of RMB49.7 million for the last period when RMB was then in an appreciation trend;

4. Gain on investment properties revaluation of RMB14.0 million (2017: nil);

5. Net increase of RMB10.5 million in the fair values of the derivative financial assets that are embedded in the redemption rights given to the Company attached to the Company's unsecured bonds.

Taxation

Provision in taxation included mainly provision for land appreciation tax of RMB152.5 million on the properties sold in Guangzhou Skyfame Byland and Nanning Skyfame Garden Project and provision for RMB113.2 million for corporate income taxes on assessable earnings for the period.

Losses/Profits Attributable to Shareholders

The Company had a consolidated after-tax profit of RMB485.6 million (2017: 384.1 million) for the period of which profit of 424.4 million was attributable to the shareholders of the Company (2017: 400.4 million).

Liquidity and Financial Resources

1. *Asset Base*

	Change in %	2018 RMB'000	2017 RMB'000
Total assets	24.2%	**20,183,395**	16,252,454
Net assets	17.3%	**2,790,134**	2,378,627

Total assets of the Group reached to RMB20,183.4 million, a 24.2% increase from last period-end. Properties under development, at carrying value of RMB9,730.5 million, is the biggest asset category constituting 48.2% of the total assets of the Group. Besides, total assets also include six investment properties of RMB2,801.6 million, properties held for sale in Nanning Skyfame Garden, Skyfame Byland and phase 1 of Chongqing Project totalling RMB2,185.0 million, properties for self-use, plant and equipment totalling RMB291.6 million, trade and other receivables of RMB1,659.0 million, restricted cash and pledged deposits of RMB825.0 million, and cash and cash equivalents of RMB1,340.7 million.

2. *Capital structure and liquidity*

The indebtedness of the Group, aggregated to RMB7,144.3 million at the period-end date, went up 66.6%, a result of the acquisition of Chongqing Project for which balance consideration of RMB2,890.8 million was due to the vendor of 80% equity interest in the project. Indebtedness also includes an offshore bank loan of HK$50 million (equivalent to RMB42.2 million) which was backed up by an onshore bank deposit of RMB45.0 million. The maturity profile of the debts of the Company is adjusted to reflect the current position in a way that the indebtedness of due the vendor of Chongqing Project of RMB2,300 million was assigned to a third party on 27 July 2018 for which RMB1,840 million of the assigned debt is repayable in 1 to 2 years and the balance of RMB460 million repayable within 2 to 5 years by 27 July 2020.

The adjusted 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	492,736	1,148,700	32,750	301,210	1,975,396
– Other secured borrowings	653,047	3,076,865	113,893	–	3,843,805
– Unsecured borrowings	–	156,215	206,985	949,512	1,312,712
	1,145,783	4,381,780	353,628	1,250,722	7,131,913
Derivative financial liabilities	–	7,721	4,581	49	12,351
	1,145,783	4,389,501	358,209	1,250,771	7,144,264

The maturity profile of the indebtedness shows that the Group's indebtedness bears a shorter duration than in the previous period. An aggregate amount of RMB1,145.8 million, representing 16.0% of the indebtedness (31 December 2017: 27.3%) are due to be repaid within one year.

Net gearing ratio, calculated as total indebtedness net of cash and cash equivalents (including restricted cash and pledged deposits, cash and cash equivalents and short-term investments secured for offshore loans (where applicable)) (the "**Net Debt**") divided by the equity attributable to shareholders of the Company plus Net Debt), is 65.0% as at 30 June 2018 (31 December 2017: -4.9%). The increase in gearing level is explained by the rise in indebtedness for the financing of acquisition of new project in Chongqing, whilst in 2017, the Group had virtually no net debt.

Current assets aggregated at RMB16,921.2 million as at the period-end, a rise of 14.5% from that on 31 December 2017. The rise in current assets is due to the bigger investment put in properties under development.

Current liabilities at the period-end amounted to RMB10,770.8 million, representing a rise of 2.5% from that on 31 December 2017.

The current ratio, being 1.57 times at the period-end (31 December 2017: 1.41 times), presents a stronger liquidity of the Group to meet with obligations of its current indebtedness than last year.

3. *Borrowings and pledge of assets*

At the period-end date, investment properties and self-use properties in Guangzhou, and Hong Kong and properties under development and held for sale in Zhoutouzui, Xuzhou and Nanning are mortgaged in favour of commercial banks and financial institutions to secure for financing facilities granted to the Group for its general working capital and construction costs. An onshore deposit is placed with a commercial bank to secure for an offshore loan. Equity interests in certain subsidiaries and 321,860,000 shares of the Company owned by the Company's controlling shareholder are charged as security in favour of financial institutions and the former major shareholders of Chongging Project in respect of some loans. As at 30 June 2018, the outstanding balances of these secured indebtedness amounted to RMB5.8 billion whilst the pledged assets and the underlying assets represented by these securities carried an aggregated realizable value estimated at approximately RMB11.6 billion measured by open market values of the assets charged or mortgaged as at 30 June 2018 or 31 December 2017 where appropriate. The securities provide creditors sufficient financial resources to cover the Group's exposures to borrowings and hence indicate the strength of the Group in obtaining borrowings as when required.

F. Contingent Liabilities

The Group had no other material contingent liabilities as at 30 June 2018 (31 December 2017: Nil).

G. Treasury Management

The Group is engaged in property development and other activities which are mostly conducted in the PRC and denominated in RMB, the functional currency of the Company's principal subsidiaries. Nonetheless, certain financing, property leasing, investment holding and administrative activities of the Group are carried out in Hong Kong and denominated in HK or US dollars. At the period-end date, the Group has Hong Kong dollar denominated borrowings and financial derivatives equivalent to RMB1,966.2 million, representing 27.5% of total indebtedness, and overseas properties in Hong Kong with carrying value equivalent to RMB118.9 million. Other assets and liabilities in material values are all denominated in RMB.

In contrast with 2017 when RMB generally appreciated throughout the year, RMB recently has depreciated broadly against HK and US dollars by around 0.9% and 1.3% since the beginning of the current period. The sharp depreciation since June 2018 has wiped off the gains in the earlier months. Unrealized foreign exchange losses of RMB8.9 million were recorded when liabilities denominated in foreign currencies are converted at RMB at closing rates 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 30 June 2018 results to an exchange loss of RMB2.4 million which is recorded in the exchange reserve forming part of the equity of the Company.

In the backdrop of the disputes between the US and China on the import tariffs, we expect that the struggles will continue in the coming months and RMB will fluctuate in both directions, and further depreciation of RMB may still happen, bringing pressure or uncertainties to the profitability of the Group. Unfortunately, due to the fact that the Group's operations are mostly in conducted in the PRC, there is no natural hedge against depreciation of RMB available to the Group. The management will instead make hard considerations to take appropriate financial tools in the monetary markets to manage or reduce foreign currency exposures.

CORPORATE GOVERNANCE

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 Interim Financial Statements, in compliance with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules except for the following deviation:

Code Provision A2.1 – Chairman and Chief Executive

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.

Due to the small size of the team, 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 a clear 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.

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 Transaction by Directors of Listed Issuers as continued 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 period 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 for the six months ended 30 June 2018.

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 Interim Financial Statements have been reviewed by the Audit Committee.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of the Company (www.tianyudc.com) and the Stock Exchange (www.hkexnews.hk). The interim 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, 29 August 2018