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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 2018

FINANCIAL HIGHLIGHTS

	Change in %	**2018** *RMB'000*	2017 *RMB'000*
Revenue	51.7%	**6,191,763**	4,080,514
Profit before income tax	58.3%	**1,644,102**	1,038,504
Profit for the year	50.0%	**820,756**	547,272
Profit for the year attributable to owners of the Company	36.5%	**751,315**	550,460
			(Restated)
Earnings per share			
– Basic	35.7%	**RMB0.095**	RMB0.070
– Diluted	33.3%	**RMB0.092**	RMB0.069
Total assets	30.7%	**21,236,989**	16,252,454

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 2018, together with comparative figures for the corresponding year of 2017. 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 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	5	**6,191,763**	4,080,514
Cost of sales and services		**(4,305,878)**	(3,197,387)
Gross profit		**1,885,885**	883,127
Other income and gains, net		**7,662**	34,100
Sales and marketing expenses		**(156,851)**	(152,913)
Administrative and other expenses		**(305,691)**	(219,828)
Unrealised exchange (losses)/gains		**(74,171)**	111,909
Impairment loss on trade and other receivables		**(5,721)**	–
Impairment loss on loan to a non-controlling shareholder of a subsidiary		**(524)**	–
Fair value changes in investment properties		**66,405**	35,701
Gain on properties valuation		**203,297**	353,351
Impairment loss on goodwill		**(13,554)**	–
Gain from bargain purchase		**81,214**	–
Share of loss of joint venture, net of tax		**(8,101)**	–
Fair value changes in derivative financial asset/liabilities		**(1,476)**	13,080
Gain on early repayment of unsecured bonds		**1,979**	–
Loss on early repayment of term loans		**-**	(23,418)
Finance costs	6	**(53,920)**	(33,088)
Finance income	6	**17,669**	36,483
Profit before income tax	7	**1,644,102**	1,038,504
Income tax expenses	8	**(823,346)**	(491,232)
PROFIT FOR THE YEAR		**820,756**	547,272
Other comprehensive income, items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on foreign operations		**(4,043)**	2,827
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**816,713**	550,099
Profit for the year attributable to:			
– Owners of the Company		**751,315**	550,460
– Non-controlling interests		**69,441**	(3,188)
		820,756	547,272
Total comprehensive income for the year attributable to:			
– Owners of the Company		**747,272**	553,287
– Non-controlling interests		**69,441**	(3,188)
		816,713	550,099
			(Restated)
Earnings per share	9		
– Basic		**RMB0.095**	RMB0.070
– Diluted		**RMB0.092**	RMB0.069

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**693,859**	239,497
Investment properties		**2,907,157**	1,094,400
Goodwill		**–**	13,554
Interest in a joint venture		**15,899**	–
Financial asset at fair value through profit or loss		**10,000**	–
Available-for-sale investment		**–**	10,000
Loan to a non-controlling shareholder of a subsidiary		**–**	52,900
Derivative financial assets		**60,388**	46,144
Deferred tax assets		**25,649**	18,142
		3,712,952	1,474,637
Current assets			
Properties held for development		**–**	488,072
Properties under development		**7,554,327**	3,552,378
Properties held for sale		**4,144,040**	3,754,243
Loan to a non-controlling shareholder of a subsidiary		**51,847**	–
Trade and other receivables	*11*	**1,611,504**	1,200,792
Prepayment/deposits for proposed projects for sale		**994,928**	1,385,269
Contract costs		**80,698**	–
Short-term investments		**–**	100,000
Restricted and pledged deposits		**676,630**	1,313,264
Cash and cash equivalents		**2,410,063**	2,983,799
		17,524,037	14,777,817
Current liabilities			
Trade and other payables	*12*	**2,058,288**	1,374,346
Contract liabilities		**8,559,878**	–
Properties pre-sale deposits		**–**	7,821,274
Bank and other borrowings – current portion		**2,817,188**	1,171,198
Derivative financial liabilities – current portion		**2,138**	–
Amount due to a joint venture		**55,817**	–
Consideration payable		**50,000**	–
Income tax payable		**251,998**	137,192
		13,795,307	10,504,010
Net current assets		**3,728,730**	4,273,807
Total assets less current liabilities		**7,441,682**	5,748,444

	2018	2017
	RMB'000	*RMB'000*
Non-current liabilities		
Bank and other borrowings		
– non-current portion	**3,534,510**	3,104,096
Derivative financial liabilities		
– non-current portion	**8,757**	12,333
Deferred tax liabilities	**594,856**	253,388
	4,138,123	3,369,817
Net assets	**3,303,559**	2,378,627
Capital and reserves		
Share capital	**24,659**	24,469
Reserves	**2,888,766**	2,301,560
Equity attributable to owners of the Company	**2,913,425**	2,326,029
Non-controlling interests	**390,134**	52,598
Total equity	**3,303,559**	2,378,627

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

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

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

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

(a) Adoption of new/revised HKFRSs

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
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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.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

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.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained earnings as of 1 January 2018 as follows (increase/(decrease)):

	RMB'000
Retained profits	
Retained earnings as at 1 January 2018 (before application of HKFRS 9 but after application of HKFRS 15)	901,776
Increase in expected credit losses ("**ECLs**") in trade receivables *(note 2(a)(ii)(I) below)*	(90)
Increase in ECLs in loan to a non-controlling shareholder of a subsidiary *(note 2(a)(ii)(II) below)*	(529)
Increase in ECLs in other receivables *(note 2(a)(ii)(III) below)*	(3,026)
Restated retained earnings as at 1 January 2018	898,131

There is no significant impact in relation to the transition of HKFRS 9 on the opening balance of non-controlling interests as of 1 January 2018.

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. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised costs**"); (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "**solely payments of principal and interest**" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarizes the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39**	**Carrying amount as at 1 January 2018 under HKFRS 9**
			RMB'000	*RMB'000*
Other investment *(note)*	Available-for-sale (at fair value) *(note 2(a)(ii)(II))*	FVTPL	10,000	10,000
Other loans and receivables	Loans and receivables *(note 2(a)(ii)(II))*	Amortised cost	52,900	52,371
Trade receivables and other receivables	Loans and receivables *(note 2(a)(ii)(I)&(III)*	Amortised cost	1,200,792	1,199,338
Refundable deposits for proposed projects and land held for development	Loans and receivables *(note 2(a)(ii)(IV))*	Amortised cost	771,060	771,060
Restricted and pledged deposits	Loans and receivables	Amortised cost	1,313,264	1,313,264
Cash and cash equivalents	Loans and receivables	Amortised cost	2,983,799	2,983,799

Note:

Other investment represents the units issued by a fund with cash flow characteristics that do not meet the SPPI test. The Group had previously designated it as Available-for-sale under HKAS 39. At the date of initial application of HKFRS 9, the Group has elected to reclassify it as FVTPL.

(ii) ***Impairment of financial assets***

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses (**"ECLs"**) model". HKFRS 9 requires the Group to recognised ECL for trade and other receivables and financial assets at amortised costs earlier than HKAS 39. Restricted and pledge deposits and cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade and other receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 30 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

(I) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance for trade receivables as at 1 January 2018 was determined as follows:

1 January 2018	**Current**	**1 – 3 months past due**	**3 months – 1 year past due**	**More than 1 year past due**	**Total**
Expected credit loss rate *(%)*	0.1%	2%	5%	10%	
Gross carrying amount *(RMB)*	1,370,000	380,000	542,000	539,000	2,831,000
Loss allowance *(RMB)*	(1,370)	(7,600)	(27,100)	(53,900)	(89,970)

The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 January 2018 were approximately RMB90,000. The loss allowances further increased by RMB4,824,000 during the year ended 31 December 2018. There is insignificant impact on loss allowance for the non-controlling interests as at 1 January 2018.

(II) Impairment of debt investments

All of the Group's other debt investments at amortised costs, loan to a non-controlling shareholder of a subsidiary, is considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12 months ECLs.

The loss allowance for loan to a non-controlling shareholder of a subsidiary as at 1 January 2018 was determined as follows:

1 January 2018	
Expected credit loss rate *(%)*	1%
Gross carrying amount *(RMB)*	52,900,000
Loss allowance *(RMB)*	(529,000)

The increase in loss allowance for debt investment upon the transition to HKFRS 9 as of 1 January 2018 were approximately RMB529,000. The loss allowances further increased by RMB524,000 during the year ended 31 December 2018. There is insignificant impact on loss allowance for the non-controlling interests as at 1 January 2018.

(III) Impairment of other receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all other receivables. To measure the ECLs, other receivables have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance for other receivables as at 1 January 2018 was determined as follows:

1 January 2018	**Current**	**1 – 3 months past due**	**3 – 6 months past due**	**6 months – 1 year past due**	**More than 1 year past due**	**Total**
Expected credit loss rate *(%)*	0.1%	1%	3%	5%	20%	
Gross carrying amount *(RMB)*	75,016,936	10,234,323	4,661,814	864,816	13,327,267	104,105,156
Loss allowance *(RMB)*	(75,017)	(102,343)	(139,855)	(43,241)	(2,665,453)	(3,025,909)

The increase in loss allowance for other receivables upon the transition to HKFRS 9 as of 1 January 2018 were approximately RMB3,026,000. The loss allowances further increased by RMB897,000 during the year ended 31 December 2018. There is insignificant impact on loss allowance for the non-controlling interests as at 1 January 2018.

(IV) Impairment of refundable deposits for proposed projects and land held for development

Other financial assets of the Group include refundable deposits for proposed projects and land held for development at amortised cost is considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months ECLs. The directors considered that the loss allowance for the Group's refundable deposits for proposed projects and land held for development under 12 months ECLs are insignificant and no provision is made.

(iii) ***Hedge accounting***

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) ***Transition***

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "**DIA**"):

- The determination of the business model within which a financial asset is held; and
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The following tables summarised the impact, net of tax, of transition to HKFRS 15 on the opening balances of retained earnings as follows (increase/(decrease)):

	HKAS 18 carrying amount 31 December 2017	**Reclassification**	**HKFRS 15 carrying amount 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Contract costs *(note 1)*	–	21,222	21,222
Contract liabilities *(note 2)*	–	7,821,274	7,821,274
Properties pre-sale deposits *(note 2)*	7,821,274	(7,821,274)	–
Retained earnings	876,909	21,222	898,131

The following tables summarised the impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and OCI for the year ended 31 December 2018. There was no material impact on the Groups' consolidated statement of cash flow for the year ended 31 December 2018:

Impact on the consolidated statement of financial position as of 31 December 2018

	As at 31 December 2018		
	Amounts without the adoption of HKFRS 15	**Effects of the adoption of HKFRS 15**	**Amounts as reported**
	RMB'000	*RMB'000*	*RMB'000*
Consolidated statement of financial position (extract)			
Contract costs *(note 1)*	-	80,698	80,698
Contract liabilities *(note 2)*	-	8,559,878	8,559,878
Properties pre-sale deposits *(note 2)*	8,559,878	(8,559,878)	-
Retained earnings	1,483,980	79,379	1,563,359
Non-controlling interests	388,815	1,319	390,134

Note 1: Prior to the adoption of HKFRS 15, the Group charged sales commission as expense associated with obtaining agreements for sale and purchase with property buyers to profit or loss when incurred.

Upon the adoption of HKFRS 15, management expects the incremental costs, primarily sale commission, incurred directly attributable to obtaining the property sale contracts, if recoverable, are capitalised as assets and included in contract costs. Capitalised sales commission is charged to profit or loss when the revenue from the related property sale is recognised and is included as sales and marketing expenses at that time. Prepaid sales commission of RMB21,222,000 that was previously recognised in profit or loss has been adjusted to retained earnings as at 1 January 2018.

Note 2: The Group has also changed the presentation of the following amounts in the statement of financial position to reflect the terminology of HKFRS 15:

– Contract liabilities in relation to property sales contracts were previously included in properties pre-sale deposits (RMB7,821,274,000).

The impact on the consolidated statement of profit or loss and other comprehensive income (increase/(decrease)) for the year ended 31 December 2018:

	As at 31 December 2018		
	Hypothetical amounts without the adoption of HKFRS 15	**Effects of the adoption of HKFRS 15**	**Amounts as reported**
	RMB'000	*RMB'000*	*RMB'000*
Consolidated statement of profit or loss and OCI (extract)			
Sales and marketing expenses	216,327	(59,476)	156,851
Profit for the year	757,237	59,476	816,713
Attributable to:			
Owners of the Company	689,115	58,157	747,272
Non-controlling interests	68,122	1,319	69,441

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's property development and management segments are set out below:

Product/ service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
Property development	Customers obtain control of the property units when customers obtains the physical possession or the legal title of properties are transferred to and the collection of the consideration is probable. Revenue is thus recognised upon when the customers accept the property units so transferred. In addition, it is the Group's practice to provide standard decoration to customers to maintain the properties' quality, therefore, decoration provision is also considered as a performance obligation by practice. **Right of return** No right of return is noted from the Group's contract with customers. **Financing component** Should the contract contain a significant financing component, the transaction price should reflect the time value of money. The Group is not required to consider the time value of money if the period between payment and the transfer of the property unit is one year or less, as a practical expedient. In assessing whether a contract contains a significant financing component, the Group considers various factors, including the length of time between when the Group expected to transfer the property unit to the customer and when the customer pays for them, and the interest rate in the contract and prevailing interest rates in the relevant market. For contracts where the period between the payment by the customer and transfer of the promised property or service exceeds one year, the transaction price should be adjusted for the effects or a financing component, if significant. The Group has assessed that the financing component effect was insignificant.	Upon the adoption of HKFRS 15, the Group has to make reclassification from deposits received for sales of properties to contract liabilities and an increase in retained earnings of RMB21,222,000 was recognised for the sale commission which incurred directly attributable to obtaining a contract is capitalised and recorded in contract costs. There is no financing component considered necessary by the Group.

Product/ service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
Property management	For property management services contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclosure the remaining performance obligations for these type of contracts. The majority of the property management service contracts do not have a fixed term. **Right of return** No right of return is noted from the Group's contract with customers. **Financing component** Should the contract contain a significant financing component, the transaction price should reflect the time value of money. The Group is not required to consider the time value of money if the period between payment and the transfer of the property unit is one year or less, as a practical expedient. In assessing whether a contract contains a significant financing component, the Group considers various factors, including the length of time between when the Group expected to transfer the property unit to the customer and when the customer pays for them, and the interest rate in the contract and prevailing interest rates in the relevant market. For contracts where the period between the payment by the customer and transfer of the promised property or service exceeds one year, the transaction price should be adjusted for the effects or a financing component, if significant. The Group has assessed that the financing component effect was insignificant.	The Group has assessed that revenue is recognised when relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the Group's performance. The Group bills a fixed amount for each month for services provided and recognises as revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed. Thus, the Group has concluded that the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition. There is no financing component considered necessary by the Group.

Amendments 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.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

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.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

(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 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 19	Plan amendment, curtailment or settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[3]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

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

2 Effective for annual periods beginning on or after 1 January 2021.

3 Effective for annual periods beginning on or after 1 January 2020.

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

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 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.

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 HKAS 19 Plan Amendment, Curtailment or Settlement

Amendments to HKAS 19 address the accounting for a defined benefit plan when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to (i) determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability or asset reflecting the benefits offered under the plan and the plan assets after that event, and (ii) determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability or asset, reflecting the benefits offered under the plan and the plan assets after that event and the discount rate used to remeasure that net defined benefit liability or asset.

The amendments also clarify that an entity first determines any past service cost, or gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized on profit or loss. An entity then determines the effect of the asset celing after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in net interest, is recognized in other comprehensive income. The Group expects to adopt the amendments to plan amendments, curtailments or settlements occurring on or after 1 January 2019. The standard is not expected to have any impact on the Group.

Amendments to HKAS 28

The amendment clarifies that HKFRS 9 applies to long-term interests ("**LTI**") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

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 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

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 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

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 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Amendments to HKAS 1 and HKAS 8

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements. (Or add the expected impact upon initial application)

HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

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, other 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, the Group is operating in four principal operating divisions, i.e. property development, property investment, property management services and commercial operations in youth community projects. 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
Commercial operations	–	Provision of services in youth community development projects

The provision of services in youth community development projects namely as "Commercial operations" which do not meet any of the quantitative threshold under HKFRS 8, and is considered as individual reporting segment and separately disclosed as the Chief Operating Decision Maker ("**CODM**"). This segment information is useful to users of the financial statements as the nature of services in youth community development projects is distinct to other reporting segments.

The CODM 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, additions to properties held for/under development and capital expenditure.

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 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*	Commercial operation *RMB'000*	Total *RMB'000*
Year ended 31 December 2018					
Segment revenue					
Reportable segment revenue	**6,122,384**	**27,965**	**61,180**	**8,385**	**6,219,914**
Elimination of intra-segment revenue	**–**	**(8,375)**	**(19,776)**	**–**	**(28,151)**
Consolidated revenue from external customers	**6,122,384**	**19,590**	**41,404**	**8,385**	**6,191,763**
Timing of revenue recognition					
At a point in time	**6,122,384**	**–**	**–**	**–**	**6,122,384**
Transferred over time	**–**	**–**	**41,404**	**–**	**41,404**
Revenue from other sources	**–**	**19,590**	**–**	**8,385**	**27,975**
Total	**6,122,384**	**19,590**	**41,404**	**8,385**	**6,191,763**
Segment results	**1,461,332**	**7,479**	**(19,528)**	**(2,791)**	**1,446,492**
Reconciliation:					
Unallocated corporate net expenses					**(89,658)**
					1,356,834
Fair value changes in investment properties	**–**	**66,405**	**–**	**–**	**66,405**
Gain on properties valuation	**–**	**203,297**	**–**	**–**	**203,297**
Impairment loss on trade and other receivables					**(5,721)**
Impairment loss on loan to a non-controlling shareholder of a subsidiary					**(524)**
Impairment loss on goodwill	**(13,554)**	**–**	**–**	**–**	**(13,554)**
Gain from bargain purchase					**81,214**
Share of results of joint venture					**(8,101)**
Fair value changes in derivative financial asset/liabilities					**(1,476)**
Gain on early repayment of unsecured bonds					**1,979**
Finance costs					**(53,920)**
Finance income					**17,669**
Consolidated profit before income tax					**1,644,102**

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Commercial operation RMB'000	Total RMB'000
Other segment information:					
Depreciation and amortisation	**(2,103)**	**(481)**	**(1,836)**	**(952)**	**(5,372)**
Additions to properties under development	**2,510,449**	**–**	**–**	**–**	**2,510,449**
Capital expenditure	**1,337**	**–**	**561**	**15,391**	**17,289**

As at 31 December 2018

Assets and liabilities

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Commercial operation RMB'000	Total RMB'000
Assets					
Reportable segment assets	**14,030,468**	**3,784,592**	**47,941**	**425,585**	**18,288,586**
Reconciliation:					
Interest in joint venture					**15,899**
Derivative financial assets					**60,388**
Financial assets at fair value through profit or loss					**10,000**
Deferred tax assets					**25,649**
Cash and cash equivalents					**2,364,653**
Unallocated restricted and pledged deposits					**45,410**
Unallocated corporate assets					
– Leasehold land and building					**221,398**
– Other corporate assets					**205,006**
Consolidated total assets					**21,236,989**
Liabilities					
Reportable segment liabilities	**11,544,400**	**59,487**	**26,786**	**90,494**	**11,721,167**
Reconciliation:					
Consideration payable					**50,000**
Income tax payable					**251,998**
Amount due to joint venture					**55,817**
Deferred tax liabilities					**594,856**
Derivative financial liabilities					**10,895**
Unallocated bank and other borrowings					**5,237,847**
Unallocated corporate liabilities					**10,850**
Consolidated total liabilities					**17,933,430**

	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 corporate net expenses				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

Information about major customers

None of the customers of the Group contributed more than 10% of the Group's revenue for the year ended 31 December 2018 and 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 and income received from commercial operations in youth community projects. The amounts of each significant category of revenue recognised during the year are as follows:

	2018	2017
	RMB'000	*RMB'000*
Sale of properties	**6,122,384**	4,042,763
Rental income	**19,590**	17,609
Property management services	**41,404**	20,142
Commercial operation	**8,385**	–
	6,191,763	4,080,514

6. FINANCE COSTS AND INCOME

	2018	2017
	RMB'000	*RMB'000*
Finance costs:		
Interest on bank and other borrowings	**543,841**	314,888
Less: Amount capitalised as properties under development	**(498,415)**	(281,822)
	45,426	33,066
Other borrowing costs	**15,214**	17,725
Less: Amount capitalised as properties under development	**(6,720)**	(17,703)
	8,494	22
Finance costs charged to profit or loss	**53,920**	33,088
Finance income:		
Bank interest income	**11,230**	24,953
Interest income on short-term investments	**3,873**	8,884
Interest income on loan to a non-controlling shareholder of a subsidiary	**2,566**	2,646
Finance income credited to profit or loss	**17,669**	36,483

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 9.1% (2017: 8.4%), 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):

	2018	2017
	RMB'000	*RMB'000*
Cost of properties sold	**4,283,215**	3,054,029
Write-down of properties under development/properties held for sale	**–**	131,299
Cost of inventories recognised in profit or loss	**4,283,215**	3,185,328
Staff costs, including directors' emoluments	**203,200**	132,701
Auditor's remuneration		
– current year	**2,131**	1,206
– non-audit services	**1,178**	–
Depreciation of property, plant and equipment	**18,949**	13,460
Less: Amount capitalised as properties under development	**(78)**	(127)
Depreciation charged to profit or loss	**18,871**	13,333
Amortisation of leasehold land	**3,407**	3,407
Depreciation and amortisation charged to profit or loss	**22,278**	16,740
Minimum lease payments under operating lease in respect of:		
– rented other premises	**2,038**	1,136
Unrealised exchange losses/(gains)	**74,171**	(111,909)
Direct operating expenses arising from investment properties that generated rental income	**4,036**	2,630
Direct operating expenses arising from investment properties that did not generate rental income	**235**	48

8. INCOME TAX EXPENSE

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

	2018	2017
	RMB'000	*RMB'000*
Current tax		
Hong Kong profits tax	**–**	–
PRC corporate tax		
– current year	**453,862**	198,341
PRC LAT		
– current year	**373,129**	170,814
	826,991	369,155
Deferred tax		
– current year	**(3,645)**	122,077
Total income tax expenses	**823,346**	491,232

No provision for Hong Kong profits tax has been made for the year ended 31 December 2018 (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% (2017: 16.5%) for the year.

Enterprise income tax arising from other regions of the PRC is calculated at 25% (2017: 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 2018 and 2017 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 resulting to new shares issued due to the exercises of share options during the years. For comparison purpose, the number of ordinary shares for 2017 takes into account the subdivision of shares happened on 22 October 2018, details of which are stated in "Share Subdivision" in the succeeding section, assuming that the subdivision takes place at the beginning of the year 2017.

The calculation of the diluted earnings per share amounts for the years ended 31 December 2018 and 2017 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 of the exercise of the Company's outstanding share options under the 2005 Scheme and 2015 Scheme, and assuming the exercise is made at no consideration at the beginning of the periods.

	2018	2017
	RMB'000	*RMB'000*
Profit for the purposes of calculation of basic and diluted earnings per share	**751,315**	550,460
	Number of shares	
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares for the purposes of basic earnings per share	**7,892,360**	7,849,606
Effect of dilutive potential ordinary shares from share options (2005 Scheme)	**52,373**	29,731
Effect of dilutive potential ordinary shares from share options (2015 Scheme)	**216,482**	54,774
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**8,161,215**	7,934,111
		(Restated)
Basic	**RMB0.095**	RMB0.070
Diluted	**RMB0.092**	RMB0.069

10. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Final dividend proposed after the end of the year of HK$0.023 (approximately RMB0.020) per ordinary share (2017: HK$0.013 approximately RMB0.010)	**160,000**	78,543

At the meeting held on 22 March 2019, the directors proposed a final dividend of HK$0.023 (approximately RMB0.020) (2017: HK$0.013 approximately RMB0.010) per ordinary share of the Company for the year ended 31 December 2018. 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 2018, but will be reflected as an appropriation for the year ending 31 December 2019.

For comparison purpose, dividend per share for 2017 is based on the number of issued shares then existing assuming the subdivision of shares took place on the date when the 2017 dividend was proposed.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Current or less than 1 month	**803**	1,370
1 to 3 months	**171,788**	380
More than 3 months but less than 12 months	**21,248**	542
More than 1 year	**2,601**	539
Trade receivables from tenants and property occupants, net of impairment	**196,440**	2,831
Receivable from district government for resettlement housing in a project	**52,272**	52,272
Sale proceeds kept by a monitoring governmental authority	**391,453**	195,910
Unpaid up capital to be contributed by a non-controlling shareholder of a subsidiary	**24,900**	38,689
Refundable construction costs	**2,278**	60,697
Tender deposit in development project	**40,800**	20,800
Prepaid construction costs	**187,975**	204,571
Prepaid finance costs	**1,494**	7,638
Prepaid business taxes and surcharges	**443,641**	315,918
Maintenance funds paid on behalf of properties owners	**55,459**	46,616
Other deposits, prepayments and other receivables	**214,792**	254,850
	1,611,504	1,200,792

Notes:

Trade receivable for property sales, debts are due on the dates of delivery of properties but settlements are made by agreements on instalment payments or time allowed for collections. Neither, management fees receivable bear no credit term. However, the Group maintains a policy of credit period of 8 to 30 days to its tenants for rent receivable. The Group's formal credit policy in place is to monitor the Group's exposure to credit risk through regular reviews of receivables and follow-up actions taken on overdue accounts. Credit evaluations are performed on all customers requiring credit over a certain amount.

12. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Current or less than 1 month	**–**	–
1 to 3 months	**2,242**	628
More than 3 months but less than 12 months	**3,146**	736
More than 12 months	**4**	4
Total trade payables	**5,392**	1,368
Construction costs payable	**1,708,808**	1,081,148
Tender payable to the suppliers	**61,533**	36,387
Receipt in advance, rental and other deposits from residents and tenants	**15,601**	27,140
Resettlement payable	**15,726**	15,726
Accrued business taxes and surcharges	**77,572**	47,696
Other accrued expenses and other payables	**173,656**	164,881
	2,058,288	1,374,346

13. COMMITMENTS

	2018	2017
	RMB'000	*RMB'000*
Expenditure contracted but not provided for in respect of		
– Property construction and development costs	**2,313,928**	2,318,950

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED 31 DECEMBER 2018

A. Business review

The year 2018 was another year in which management grasped breakthroughs in contracted sales, recognized sales and profits. Due to the increase in floor areas of properties delivered in four projects, namely Guangzhou Skyfame Byland, Nanning Skyfame Garden Project, Skyfame Nanning ASEAN Maker Town and the newly acquired Chongqing Project, the Group had a record-high property sales of RMB6,122.4 million for the year, a 51.4% increase in revenue from last year.

During the year, the Group's four projects with aggregate GFA of 583,000 were delivered. Besides, the Group has also made contracted sales in GFA of 724,000 sq.m. that are under development, driving the increase in contracted sales for the year. In 2018, contracted sales of approximately RMB9.37 billion were made, representing 17% increase from the annual targeted contracted sales of RMB8.00 billion. These contracted sales have been or will be booked as property sales in the years 2018 to 2021 when the subject properties are completed.

The Group's contracted sales and recognized sales of properties in sale value and GFA by projects for 2018 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	1,307	19,000	1,686	26,000
Zhongshan Skyfame Rainbow	587	36,000	–	–
Nanning Skyfame Garden	897	90,000	2,474	311,000
Skyfame Nanning ASEAN Maker Town	2,759	228,000	1,371	149,000
Impression of Sandalwood House	1,291	110,000	–	–
Xuzhou Skyfame Time City	1,014	142,000	–	–
Chongqing Danzishi Project	1,516	99,000	999	97,000
Total in year 2018	9,371	724,000	6,530	583,000
Total in year 2017	5,803	509,000	4,277	217,000

Contracted GFA rose to 724,000 sq.m. (2017: 509,000 sq.m.) at overall gross average selling price ("ASP") of RMB12,900 per sq.m. (2017: RMB11,400). The rise in GFA and ASP on properties contracted in the current year demonstrates an improving trend in earnings of the Group at the time when such properties are handed over to buyers.

B. Property Portfolio

As at 31 December 2018, the Group has project portfolio and potential land reserves in aggregate of GFA 25.6 million sq.m. located in Guangzhou, Shenzhen, Zhongshan in the Greater Bay Area, Nanning and Guilin in Southern China, Xuzhou in the Huaihai economic zone, and Chongqing and Kunming in the southwest region. These projects and land reserves provides the Group a solid capacity for a sustainable growth in the approaching time horizon.

1. Properties under development/held for sale

During the year, the Group underwent the development of nine real estate development projects in mainland China of which one has been completed and the others under construction. As at 31 December, 2018, the Group's development projects on hand renders a total GFA of approximately 5.87 million sq.m., of which GFA of approximately 4.54 million sq.m are saleable. These properties are scheduled to be built up and sold in the coming years in 2019 to 2024. The portfolio enables the Group to sustain in growth in the coming years.

As at 31 December 2018, excluding the areas already delivered, the project portfolio, excluding those held as investment properties, renders a total remaining saleable GFA of approximately 3.36 million sq.m., that will be delivered to buyers in the coming years between 2019 to 2024.

The table below sets out details of property projects being developed by subsidiaries and a joint venture.

Project	Location	Property type	Estimated total GFA *(Note a)* *(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	117,000	111,000	2017 – 19	100%
Zhongshan Skyfame Rainbow	Zhongshan	Residential & ancillary commercial	105,000	88,000	36,000	–	2020	51%
Nanning Skyfame Garden	Nanning	Residential & ancillary commercial	1,212,000	896,000	668,000	495,000	2016 – 18	80%
Skyfame Nanning ASEAN Maker Town	Nanning	Composite development	1,319,000	1,066,000	625,000	148,000	2018 – 24	100%
Xuzhou Skyfame Time City	Xuzhou	Residential & ancillary commercial	468,000	401,000	303,000	–	2019 – 20	90%
Xuzhou Skyfame Elegance Garden	Xuzhou	Residential & ancillary commercial	205,000	164,000	–	–	2021 – 22	92%
Chongqing Project (Acquired in 2018)	Chongqing	Composite development	1,179,000	954,000	241,000	163,000	2017 – 23	100%
Kunming Anning Linxi Valley (Acquired in 2018) *(Note c)*	Kunming	Residential & ancillary commercial	296,000	253,000	–	–	2020 – 21	n/a
Sub-total – developed by subsidiaries			**5,104,000**	**3,980,000**	**1,990,000**	**917,000**		
Nanning Impression of Sandalwood *(Note b)*	Nanning	Residential & ancillary commercial	764,000	564,000	110,000	–	2020 – 22	40%
Sub-total – developed by joint venture			**764,000**	**564,000**	**110,000**	**–**		
Total			**5,868,000**	**4,544,000**	**2,100,000**	**917,000**		

Note:

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

(b) For Nanning Impression of Sandalwood, a project being developed by a jointly controlled entity, the above-mentioned project profile refers to the GFAs of that project company.

(c) For Kunming Anning Linxi Valley, a project being developed through a right under a contractual arrangement, the above-mentioned project profile refers to the GFAs of that project company.

Guangzhou Skyfame Byland

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

The plot is located at Zhoutouzui, Haizhu district, Guangzhou, at the riverside of Bai e lake, one of the top 8 attractions in Guangzhou. The project represents the only sizable luxury living community with the widest river view on sale in Guangzhou. The project located at central Guangzhou, 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, municipal and other facilities, underground car parking facilities and supporting commercial facilities.

Other than tower A1 which was contracted with in hotel operator for the operations of serviced apartment under a tenancy agreement for a term of 20 years. Saleable GFA of approximately 81,000 sq.m. were handed over to Port Authority. Accumulated sales amounting to RMB5.58 billion and saleable GFA of approximately 117,000 sq.m. have been contracted up to 31 December 2018. Remaining properties in GFA of approximately 10,000 sq.m. and about 800 car parking spaces are on sale. Another 800 car parking spaces and tower A1 (GFA of approximately 9,400 sq.m.) are retained by the Group for long-term leasing purpose.

Nanning Skyfame Garden

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

The project is located in the business hub of Wuxiang New District (五象新區) at the southeast of the downtown of Nanning, the capital of Guangxi province. The project is being developed into a residential community 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 927,000 sq.m. (saleable GFA of approximately 651,000 sq.m.) for residential, retail properties and car parking facilities for sale, and GFA of approximately 285,000 sq.m. (saleable GFA of approximately 245,000 sq.m.) of residential and commercial units for resettlement of original occupants.

The entire project with a total of 65 towers was completed as at 31 December 2018. Up to 31 December 2018, contracted sales of approximately RMB4.62 billion (saleable GFA of approximately 668,000 sq.m.) have been made. Aggregated saleable GFA of approximately 495,000 sq.m. has been delivered and the remaining will be delivered in in the imminent future.

Skyfame Nanning ASEAN Maker Town

The development covers three land plots 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 within walking distance with Nanning Skyfame Garden.

The project is a development complex divided into east and west zone and is developed by phases. Planned total GFA is approximately 1,319,000 sq.m. (saleable GFA of approximately 1,066,000 sq.m.). The east zone features A-class offices, retail properties and an international 5-star hotel branded as 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 a community development consisting of 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 features residential and retail properties named as "Skyfame Byland" ("天譽半島"). Construction works of the two zones will be completed between the years from 2018 to 2024. The development, when completed, will be a landmark in Wuxiang New District.

Up to 31 December 2018, residential and commercial units of saleable GFA of approximately 634,000 sq.m. are on sale, for which sales of approximately RMB6.92 billion (saleable GFA of approximately 625,000 sq.m.) have been recorded.

Nanning Impression of Sandalwood

The Group participates in a joint venture with 40% equity interest in a project company formed with two other local developers. The land was acquired by the joint venture company through public auction in December 2017. The project 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 project, named as "Impression of Sandalwood House" ("檀府 • 印象"), situated on a plot of approximately 138,000 sq.m. with a planned GFA of approximately 764,000 sq.m. (saleable GFA of 564,000 sq.m.), includes residential and commercial properties, primary school and municipal facilities. Construction works commenced in March 2018 and will be completed in phases by 2021.

The first pre-sale was launched in early September 2018. Up to 31 December 2018, sales of RMB1.29 billion (saleable GFA of 110,000 sq.m.) have been contracted.

Chongqing Project

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

Development of Phase 1, named as "Gold Purple" ("紫金一品"), commenced in 2015 and was completed in early 2018. Total planned GFA and total saleable GFA are approximately 313,000 sq.m. and 256,000 sq.m. respectively. Up to 31 December 2018, contracted sales of RMB2.33 billion (saleable GFA of 172,000 sq.m.) have been made. Saleable GFA of approximately 163,000 sq.m. have been delivered up to 31 December 2018. The inventories on sale are residential apartments, offices and retail properties of approximately 55,000 sq.m. and 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. Construction works have commenced in the second quarter of 2018 and pre-sale has been commenced in late of 2018. Up to 31 December 2018, contracted sales of RMB0.40 billion (saleable GFA of 69,000 sq.m.) have been made.

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 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. When completed, it will become an eco-residential and commercial development. Total GFA is about 468,000 sq.m. (saleable GFA of 401,000 sq.m.), inclusive of an underground area of about 77,000 sq.m.. Construction works are expected to be completed in three phases starting from late 2018 and until 2020.

Up to 31 December 2018, residential and retail properties of saleable GFA of approximately 322,000 sq.m. are on sale, for which sales of RMB2.03 billion (saleable GFA of 303,000 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.

The project is planned to become a residential and commercial development. Total GFA is about 205,000 sq.m. (saleable GFA of 164,000 sq.m.), inclusive of an underground area of about 40,000 sq.m.. Construction works have been commenced in end of 2018 and to be completed in 2022. Pre-sale will be launched in second quarter of 2019.

Zhongshan Skyfame Rainbow

The project, named as Zhongshan Skyfame Rainbow ("中山天譽虹悦"), is located in Tsui Sha Road (翠沙路), Rainbow Planning Zone, at the north of West Zone, Zhongshan, Guangdong province, which is a residential with ancillary commercial development. Total GFA is about 105,000 sq.m. (saleable GFA of 88,000 sq.m.), inclusive of an underground area of about 16,000 sq.m.. Construction works will be completed in 2020. Pre-sale was firstly launched in September 2018. Up to 31 December 2018, sales of residential units of approximately RMB0.59 billion (saleable GFA of approximately 36,000 sq.m.) have been contracted.

Kunming Anning Linxi Valley

In September 2018, the Group obtained a right through contractual arrangement to develop Phase 1 of Kunming Anning Linxi Valley ("昆明安宁林溪谷"). The project is approximately 190,800 sq.m. with a planned GFA of approximately 296,000 sq.m. (saleable GFA of 253,000 sq.m.), will be developed into villa, residential and ancillary commercial properties. Construction works commenced in November 2018. The first phase of pre-sale will be launched in 2019.

2. *Projects for Future Development*

The Group holds some projects with land use rights for which development is expected to commence imminently upon fulfilment of certain outstanding conditions, such as the approvals on conversion of land uses, and grants by government of right to remodel old districts. As of 31 December 2018, the Group holds two projects of such types. Management expects development can be commenced right upon the obtaining of such governmental approvals. Investment costs paid on these projects are presented as "Prepayments or Deposits for Proposed Projects For Sale" on the consolidated statement of financial position of the Company. The two projects, situated in Guangzhou and Shenzhen, are of material values and can render the Group an estimated total GFA of 264,000 sq.m.. Details and status of these projects are 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 2019.

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 seven co-operation agreements with local governments or a third party in Nanning, Guilin, Xuzhou and Kunming for obtaining land titles through future public auctions with an aggregated GFA of approximately 12.93 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 6.54 million sq.m.. Investments made on these projects are included as "Prepayments or Deposits for Proposed Projects For Sale" 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 19.47 million sq.m.

C. Investment properties

The Group also holds six investment properties in Chongqing, Guangzhou and Hong Kong 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 with GFA of 248,800 sq.m. are to be built into serviced apartments for long-term investment purpose as a condition of the land transfer contract. The long-term held properties, currently under development, will become part of an integrated complex which will be completed in 2022 in a central business district at the Southern Shore District of Chongqing. The property carries a fair value of RMB1,215 million as estimated by an independent valuer with reference to the valuation as at 31 December 2018 performed by an independent valuer.

2. *Guangzhou Skyfame Byland*

a. A tower in Zhoutouzui Project, consisting of GFA of 94,000 sq.m., is built up and contracted to a renowned hotel operator of serviced apartments under a tenancy agreement for a term of 20 years commencing 30 March 2019 or the date of final inspection of completion, whichever is the later, at a fixed monthly rental of RMB1,840,000 for the first rental period of 25 months accelerated up to RMB2,719,000. Currently, the construction works have been completed pending the final inspection by government authorities. The fair value of the property as valued by the independent value is RMB520 million as at 31 December 2018.

b. Car parking spaces in Guangzhou Skyfame Byland

800 car parking spaces in Zhoutouzui Project were put for long-term leasing to a management company at a fixed management fee of RMB750,000 per month. The car parking spaces carry a fair value of RMB520 million as of 31 December 2018 as valued by an independent valuer.

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 97% occupied as at 31 December 2018 at an average monthly rental of RMB125 per sq.m.. The open market value of the property is approximately RMB469.0 million as of 31 December 2018.

4. *Office premises at Huancheng HNA Plaza*

Totalling 1,500 sq.m. office units in Huancheng HNA Plaza, Tianhe District, Guangzhou, were taken up from the turn-key buyer of Tianhe Project in 2017 when the project was completed. The independent valuer assessed the open market values of the property at approximately RMB51.7 million as of 31 December 2018. The premises are fully tenanted at an average monthly rental of approximately RMB150 per sq.m.

5. *Office premises at Capital Centre*

A 6,200 sq. ft. office premise at Capital Centre in Wanchai, Hong Kong is leased to tenants as at 31 December 2018 at an average monthly rental of RMB31.3 per sq. ft.. During the year, floor area of 2,500 sq. ft. is repossessed by the Group for self-occupation as office, and hence the open market value of the property held for leasing as assessed by an independent valuer is reduced accordingly to approximately RMB131.5 million (HK$150.0 million).

D. Business Outlook

We saw recent easing of the regulatory control policies by local governments in restricting demand for properties. The outlook for the Chinese property sector is becoming stable and positive in 2019, despite that the nationwide contracted sales of properties may fall as impacted by the slowing domestic economic growth.

To encounter the generally slowing economy, the government has launched easing policies releasing liquidity to the financial market. We reckon that the easing policies applied mostly on the financing to non-property development sectors. Government authorities aim to maintain the long-term stability of the property market through various regulatory restrictions. In 2019, we expect no further tightening controls but fine-tuning measures taken by local governments based on the conditions of the local markets. In spite of continuing controls over mortgage loans to homebuyers and lending to developers, we take note of banking supports on first-home mortgages.

Facing the challenges that constrain cash flow of the Group by the restrictive policies, management is specifically attentive on the Group's expansion strategies. When considering project or land acquisition, we will penetrate into regions in which we have good experience and will focus in the development of properties for first-time buyers in second-tier cities which are not vulnerable to control measures than in the first-tier cities. Our youth community projects in Nanning and Xuzhou aligns with these market specialities and are less affected by austerity measures. Sales in Nanning and Xuzhou in 2018 are within our expectation. In 2018, total contracted sales of the Group reached RMB9.37 billion, representing 17% increase from the annual target of RMB8.0 billion. We believed contracted sales in 2019 will outperform 2018, given the expanded GFA in our property portfolio and the new projects in our potential land reserve or new acquisitions. The upcoming GFA that will be launched for presales in 2019 covers mainly 6 projects operated by subsidiaries of the Group, namely, Chongqing Project, Nanning ASEAN Maker Town Project, Zhongshan Skyfame Rainbow, Xuzhou Skyfame Elegance Garden, Zhoutouzui Project, and the newly acquired Kunming Project, and one project, namely Nanning Impression of Sandalwood, operated by a joint venture. Despite the slowing demand in the property market, the management is confident to target an annual sale level of RMB12.0 billion in 2019, representing a 28% increase from the sales in 2018.

In the midst of the slowdown in markets and tighter cash collections, we emphasise on striking an optimal balance between land bank building and liquidity of the Company. Our budget for land acquisitions is set on a feasible and affordable 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. The Company's capacities in fund raising have been expanded. Further, following the regulatory authorities' recent announcements about relaxing controls that will add liquidity to the capital markets, we expect the funding situation to developers in 2019 will be relieved to a certain extent.

Skyfame is building up a brand name in its development of projects of youth communities specially designed to satisfy the living needs of young home buyers, ranging from accommodation to other living needs of occupants in the communities. Our first co-work place of approximately GFA 2,000 sq.m. situates in the commercial podium at Tianyu Garden II in Guangzhou was opened in 2017 and is a successful pioneer project. In 2018, we opened the second co-work place of approximately GFA 2,000 sq.m. in the recently completed Nanning Skyfame Garden to cater for the business needs of entrepreneurs living nearby. The co-work place together with the relevant premises are now 79% occupied and provides steady and sustainable service income amounting to RMB8.4 million for 2018 to the Group. Our co-work places serve a target population of a total of approximately 14,000 households living in the six youth community developments, completed or under construction, in Guangzhou, Nanning, Chongqing and Xuzhou.

We also had strategic collaboration with 惠普企業集團 (Hewlett-Packard Enterprise Corporation*) which brings in data communication knowhow and solutions in building up an operating platform, enhancing a smart living and working environment to the occupants and visitors of our Chongqing Project.

In 2018, the Group has initiated its plan to operate a hospital that is being built in a walking distance from our three projects in Nanning for the provision of high quality medical care to the population in the region. The hospital also serves as a training ground for nourishing managers and practitioners in the medical field in our future youth community projects. The Group is ambitious to equip the hospital to extend its high quality medical care to the community in the region which is currently having a population of 300,000. The construction works will be completed in 2020 when the hospital in its first phase of operation with a capacity of 300 beds will be opened. Alongside all these investments in commercial operations, we will keep seeking collaboration opportunities with other suitable renowned operators in the fields of entertainment, education and medical care to add value to our youth community projects.

E. Financial Review

Sales Turnover and Margins

Property sales of the Group achieved another record of RMB6,122.4 million for the year, a 51.4% increase of last year. During the year, the Group had delivered GFA totalling approximately 583,000 sq.m. of properties in Zhoutouzui Project, Nanning Skyfame Garden, Skyfame Nanning ASEAN Maker Town and Chongqing Project at an average overall gross selling price of RMB11,200 per sq.m. delivered (2017: 19,700 per sq m.).

Gross margin on property sales is 30.0% (2017: 21.2%). Profitability for the year improves due to higher selling prices generally commanded on properties delivered during the year in Skyfame Nanning ASEAN Maker Town and Zhoutouzui Project, driving up the profit margins for the year.

The leasing of properties, mainly at the commercial podium at Tianyu Garden Phase II in Guangzhou, 800 car parks at Zhoutouzui and offices at Capital Centre in Wanchai, Hong Kong, contributed a stable revenue of RMB19.6 million to the Group for the year. The income for the year presents a mild increase of 11.2% from last year. The floor area on lease is reduced as floor area of 4,000 sq. m. are retained by the Group for the operations of co-work places. The leasing activities bring a stable margin of 92.5% to the Group (2017: 89.7%).

The property management company provides income of RMB41.4 million for the year (2017: RMB20.1 million), representing a 105% growth due to the increase in area managed by our property management team that is approximately 1,601,000 sq.m. at the year-end date. The operation enjoys a margin of 50.3% (2017: 49.1%).

The Group's commercial operations, the fourth business segment newly started up, currently cover two operating co-work places in Guangzhou and Nanning, and a hospital under construction. Service income earned from the operations of co-work places amounted to RMB8.4 million for the year.

Due to the general improvements in margins in the three concurrent segments, overall gross margin of the Group for the year rose to 30.5% (2017: 21.6%).

Operating Expenses

Given the higher contracted sales, advertising, sale and marketing expenses for the year surged by 2.6% to RMB156.9 million (2017: RMB152.9 million), whilst commission to sale agencies recorded a lower level at RMB71.7 million (2017: RMB89.9 million). The drop is due to commission of RMB59.5 million paid for contracted sales on properties that will be delivered to customers in the coming 2019 and 2020 are accounted as expenses in the year of delivery instead of as expenses for the current year as they are incurred.

Administrative and other operating expenses, amounting to RMB305.7 million, rose 39.1%, of which the key item, staff costs, constituted 62.1%. The rise in staff costs was caused by the increase in number of headcounts and staffing in managerial grades. Total staff costs during the year amounted to RMB240.1 million (2017: RMB180.1 million), of which RMB36.9 million (2017: RMB47.4 million) were capitalized as development costs of properties under development.

Finance Costs

Finance costs, representing arrangement fees and interests incurred on indebtedness, amounted to RMB559.1 million for the year (2017: RMB332.6 million). The rise in costs is in pace with the increase in indebtedness of the Group. Most of the finance costs incurred were capitalized as costs of projects under development with only RMB53.9 million charged against the operating results for the year. The overall annualized borrowing cost, being interests and arranging fees divided by total indebtedness, is 9.1% (2017: 8.4%),

Non-operating Items

Non-operating items include the following key items:-

1. Gain of RMB81.2 million arising from the acquisition of Chonqing Project where fair values of the underlying investment properties, land and properties under development acquired were higher than purchase considerations;

2. Gain of RMB203.3 million (2017: RMB353.4 million) on revaluation of properties in Tower A1 in Zhoutouzui Project was built up and contracted to a renounced hotel operator for the operation of serviced apartments under a tenancy agreement for a term of 20 years. The last year gain refers to the revaluation of 800 car parking spaces leased to a car-park operator;

3. As a result of depreciation of RMB, the functional currency, against the US$ and HK$ in the later of the year, unrealized loss of RMB74.2 million was recorded on conversion of offshore loans denominated in HK$ and US$ booked at closing rates. There was a gain of RMB111.9 million in last year when RMB appreciated against US$ and HK$;

4. Fair valuation increase in investment properties of RMB66.4 million (2017: RMB35.7 million);

5. Goodwill of RMB13.6 million (2017: nil) was impaired as the subject project, Zhoutouzui Project, has been completed leaving a small volume of unsold GFA and the management expects cash flow from the project will be insufficient to justify the carrying value of goodwill;

6. Net decrease of RMB1.5 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;

7. Share of operating loss of RMB8.1 million incurred by a newly started joint venture in the development of Nanning Impression of Sandalwood Project.

8. Early redemption of holders of bonds in principal value of RMB45.9 million during the year resulted to gains on redemption of RMB2.0 million.

Taxation

Provision in taxation included mainly provision for land appreciation tax of RMB373.1 million (2017: RMB170.8 million) on properties sold in Zhoutouzui Project, Skyfame Nanning ASEAN Maker Town Project and Chongqing Project which bear low historical land costs and provision of RMB432.9 million (2017: RMB198.3 million) for corporate income taxes on assessable earnings for the year. Deferred tax credit for the year represents reversals of deferred tax provision amounting to RMB42.3 million previously made on fair value gains on acquisitions of projects, overprovision of withholding tax amounting to RMB16.5 million on dividends paid by the Company in 2017, and deferred tax asset arising on the timing difference on LAT tax prepaid of RMB5.3 million. The credit effect was offset by deferred tax provision of RMB60.4 million made for gain on property revaluations for the year, resulting to a net credit effect of RMB3.6 million (2017: tax debit of RMB122.1 million) for the current year.

Losses/Profits Attributable to Shareholders

The Company had a consolidated after-tax profit of RMB820.8 million for the year of which profit of 751.3 million was attributable to the shareholders of the Company.

Liquidity and Financial Resources

1. *Asset Base*

	Change in%	2018 RMB'000	2017 RMB'000
Total assets	30.7%	**21,236,989**	16,252,454
Net assets	38.9%	**3,303,559**	2,378,627

Total assets of the Group reached RMB21,237.0 million, a 30.7% increase from last year-end. Properties under development, at carrying value of RMB7,554.3 million, is the biggest asset category and constitutes 35.6% of the total assets of the Group. Besides, total assets also include investment properties totalling RMB2,907.2 million, properties held for sale in Nanning Skyfame Garden Project, Skyfame Nanning ASEAN Maker Town Project, Zhoutouzui Project and phase 1 of Chongqing Project totalling RMB4,144.0 million, properties for self-use, plant and equipment totalling RMB693.9 million, trade and other receivables totalling RMB1,611.5 million, deposits and prepayments for proposed projects for sale totalling RMB994.9 million for proposed projects which are in the pipeline for development, restricted cash and pledged deposits of RMB676.6 million, and cash and cash equivalents of RMB2,410.1 million.

2. *Capital structure and liquidity*

The indebtedness of the Group, aggregated to RMB6,362.6 million at the year-end date, went up 48.4% as a result of the acquisition of Chongqing Project for which a debt due to the vendor of RMB2,300.0 million was taken up by a financial institution. Indebtedness comprised secured and unsecured borrowings from banks and financial institutions and corporate bonds issued to financial institutions and professional investors, The 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	1,108,168	48,960	176,460	294,000	1,627,588
- Other secured borrowings	1,419,778	1,622,315	–	–	3,042,093
- Unsecured borrowings	289,242	121,891	229,359	1,041,525	1,682,018
	2,817,188	1,793,166	405,819	1,335,525	6,351,699
Derivative financial liabilities	2,138	8,592	–	165	10,895
	2,819,326	1,801,758	405,819	1,335,690	6,362,593

The maturity profile of the indebtedness shows that the Group's indebtedness bears a shorter tenors than in the previous year. An aggregate amount of RMB2,819.3 million, representing 44.3% of the indebtedness (31 December 2017: 27.3%) are due to be repaid within one year. Of the debts repayable within the coming year, corporate debts of approximately RMB536 million had been early repaid or redeemed and project loans of approximately RMB334 million repaid on schedules after the year-end-date. The remaining short-tenor debts are mainly associated with project loans for which the repayments are expected to be sufficiently financed by cash flow generated from the operations of the relevant projects.

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 53.0% as at 31 December 2018. On 31 December 2017, the gearing ratio is -0.4% as the Group virtually had no net debts after taking into account the restricted and pledged deposits.

Current assets aggregated to RMB17,524.0 million as at the year-end, a rise of 18.6% from that on 31 December 2017. The rise in current assets is explained by the increased business level and financial resources which were put in properties under development.

Current liabilities at the year-end amounted to RMB13,795.3 million, representing a rise of 31.3% from that on 31 December 2017. The rise in current liabilities is explained by the increased construction costs owed to building contractors as a result of expanded business activities and the short-term indebtedness incurred for the acquisition of Chongqing Project.

The current ratio, being 1.27 times at the year-end (31 December 2017: 1.41 times) drops. Management expects the liquidity of the Group will become stable as when the existing properties under development are realised according to the presale schedules and development timelines in the coming years.

3. *Borrowings and pledge of assets*

As at 31 December 2018, investment properties and self-use properties in Guangzhou, and Hong Kong and completed properties in Zhoutouzui, properties under development held by project companies in Xuzhou, Zhongshan and Nanning and a joint venture in Nanning are mortgaged in favour of commercial banks and financial institutions to secure for financing facilities granted to the Group for general working capital and construction costs. In addition, 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 certain financial institutions. As at 31 December 2018, aggregate outstanding balances of these secured indebtedness amounted to RMB4,670.0 million. The pledged assets or the underlying assets represented by these securities carried an aggregate estimated realizable value of approximately RMB10,532.0 million as at 31 December 2018. Management considers the securities held by the secured creditors provide sufficient financial resources to cover the Group's exposures to borrowings, and sufficient protection are available to creditors and there are further rooms for obtaining additional borrowings if required.

F. Contingent Liabilities

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

G. Treasury Management

The Group is engaged in property development and other activities which are mainly 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 are carried out in Hong Kong and denominated in HK or US dollars. At the year-end date, the Group has Hong Kong dollar denominated borrowings and financial derivatives equivalent to RMB2,370.2 million, representing 37.3% of total indebtedness, and overseas properties for self-use and leasing in Hong Kong with carrying value equivalent to RMB131.5 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 depreciated broadly against HK and US dollars by around 4.8% and 5.0% in 2018. The depreciation of RMB in 2018 has led to unrealized foreign exchange losses of RMB74.2 million on conversion of liabilities denominated in foreign currencies to RMB in the financial accounts. In addition, exchange differences arising from consolidation of assets and liabilities of a subsidiary operating in Hong Kong results to an exchange gain of RMB4.0 million recorded as exchange reserve that forms part of the equity of the Company.

In the backdrop of the trade disputes between the US and China, management foresees the political issue and other global economic developments will bring uncertainties in the movements of RMB, ie. RMB may move in both directions. This will bring pressure or uncertainties to the profitability of the Group. As the Group's operations are mostly conducted in the PRC, there lacks natural hedges against possible depreciation of RMB. The management will from time to time take deep considerations on financial tools available in the monetary markets and allocation of investments in different territories to manage foreign currency exposures.

H. Risk Management

We face lots of business risks as a mainland developer. The continuing austerity measures imposed on the property sector restrict demand of home buyers and lending to developers, which has put constraints on developers' cash flow. To overcome the challenges, our management is placing specific controls in new investments and the monitoring of financial resources of the Group. It also takes regular managerial reviews of the financial and business position of the Group. The standing risk management committee set up by the board since 2016 guides the management team to implement controls in the daily operational process for the purpose of alleviating or avoiding risks. During the year, key risks had been identified by the committee, and appropriate countering measures were developed to counter these risks.

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 2018 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 deviation:

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.

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$0.023 (approximately RMB0.020) per share (2017: HK$0.013 (approximately RMB0.010)), totally approximately RMB160,000,000 (2017: RMB86,100,000) for the year ended 31 December 2018. 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 Hong Kong dollars.

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 2018 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.

SHARE ISSUED IN THE YEAR

Upon the Company's subdivision of every one (1) issued and unissued share of the Company of par value of HK$0.01 into three (3) subdivided shares of the Company of par value of one third Hong Kong cent each (the "**Share Subdivision**") was effective on 22 October 2018, the authorised share capital of the Company became HK$300,000,000 divided into 90,000,000,000 shares of par value of one third Hong Kong cent each, of which 7,911,401,955 subdivided shares of par value of one third Hong Kong cent each was issued as fully paid and rank *pari passu* with each other in all respects with the shares in issue prior to the Share Subdivision.

OTHER

As at the date of this announcement, the Board comprises three executive directors, namely Mr. YU Pan (Chairman), Mr. WEN Xiaobing and Mr. WANG Chenghua; one non-executive director, namely Mr. WONG Lok 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, 22 March 2019