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天譽置業 (控股) 有限公司

SKYFAME REALTY (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00059)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

UNAUDITED INTERIM RESULTS

The board of directors (the “**Board**”) of Skyfame Realty (Holdings) Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2019, together with comparative figures for the corresponding period of 2018.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2019

	Notes	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) (Restated)
Revenue	3	3,729,272	4,072,628
Cost of sales and services		(2,780,013)	(3,339,613)
Gross profit		949,259	733,015
Other income and gains, net		11,747	3,151
Sales and marketing expenses		(73,055)	(102,662)
Administrative and other expenses		(99,590)	(127,786)
Unrealised exchange losses		(15,061)	(8,870)
Reversal of impairment loss on trade and other receivables		96	—
Impairment loss on loan to non-controlling shareholders of subsidiaries		(608)	—
Fair value changes in investment properties		14,310	14,024
Gain on properties valuation		—	199,583
Gain from bargain purchase		—	92,565
Share of loss of joint venture, net of tax		(7,740)	(1,180)
Fair value changes in derivative financial asset/ liabilities		—	10,505
Loss on early repayment of term loans and unsecured bonds		(14,447)	—
Finance costs	4	(2,448)	(26,207)
Finance income	4	7,835	12,364
Profit before income tax	5	770,298	798,502
Income tax expenses	6	(419,033)	(312,925)
PROFIT FOR THE PERIOD		351,265	485,577
Other comprehensive income, items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on foreign operations		1,816	(2,388)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		353,081	483,189

		2019	2018
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
			(Restated)
Profit for the period attributable to:			
— Owners of the Company	7	326,474	424,365
— Non-controlling interests		24,791	61,212
		<u>351,265</u>	<u>485,577</u>
Total comprehensive income for the period attributable to:			
— Owners of the Company		328,290	421,977
— Non-controlling interests		24,791	61,212
		<u>353,081</u>	<u>483,189</u>
			(Restated)
Earnings per share	7		
— Basic		RMB0.041	RMB0.054
— Diluted		<u>RMB0.041</u>	<u>RMB0.053</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		30 June 2019 <i>RMB'000</i> (Unaudited)	31 December 2018 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		684,085	693,859
Investment properties		3,024,669	2,907,157
Interest in a joint venture		8,158	15,899
Financial assets at fair value through profit or loss		10,000	10,000
Derivative financial assets		60,629	60,388
Deferred tax assets		10,444	25,649
		<u>3,797,985</u>	<u>3,712,952</u>
Current assets			
Properties under development		7,679,143	7,554,327
Properties held for sale		2,322,535	4,144,040
Loan to a non-controlling shareholder of a subsidiary		60,239	51,847
Trade and other receivables	9	2,464,413	1,611,504
Prepayments/deposits for proposed projects		1,257,542	994,928
Contract costs		99,857	80,698
Restricted and pledged deposits		385,296	676,630
Cash and cash equivalents		1,779,549	2,410,063
		<u>16,048,574</u>	<u>17,524,037</u>
Current liabilities			
Trade and other payables	10	1,955,946	2,058,288
Contract liabilities		7,467,684	8,559,878
Bank and other borrowings — current portion		2,378,090	2,817,188
Derivative financial liabilities — current portion		1,899	2,138
Amount due to a joint venture		525,532	55,817
Consideration payable		—	50,000
Income tax payable		363,915	251,998
		<u>12,693,066</u>	<u>13,795,307</u>
Net current assets		<u>3,355,508</u>	<u>3,728,730</u>
Total assets less current liabilities		<u>7,153,493</u>	<u>7,441,682</u>

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Non-current liabilities		
Bank and other borrowings — non-current portion	3,113,497	3,534,510
Derivative financial liabilities — non-current portion	6,234	8,757
Deferred tax liabilities	565,693	594,856
	3,685,424	4,138,123
Net assets	3,468,069	3,303,559
Capital and reserves		
Share capital	24,675	24,659
Reserves	3,028,469	2,888,766
Equity attributable to owners of the Company	3,053,144	2,913,425
Non-controlling interests	414,925	390,134
Total equity	3,468,069	3,303,559

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 June 2019 (the “**Interim Financial Statements**”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The Interim Financial Statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

2. 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 amortization, 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 <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Commercial operation <i>RMB'000</i>	Total <i>RMB'000</i>
<i>Six months ended 30 June 2019 (unaudited)</i>					
Segment revenue					
Reportable segment revenue	3,687,260	18,905	48,599	3,875	3,758,639
Elimination of intra-segment revenue	—	(4,410)	(24,957)	—	(29,367)
Consolidated revenue from external customers	3,687,260	14,495	23,642	3,875	3,729,272
Timing of revenue recognition					
At a point in time	3,687,260	—	—	—	3,687,260
Transferred over time	—	—	23,642	—	23,642
Revenue from other sources	—	14,495	—	3,875	18,370
Total	3,687,260	14,495	23,642	3,875	3,729,272
Segment results	802,336	5,618	(1,194)	3,150	809,910
<i>Reconciliation:</i>					
Unallocated corporate net expenses					(36,610)
					773,300
Fair value changes in investment properties	—	14,310	—	—	14,310
Reversal of impairment loss of trade and other receivables					96
Impairment loss of loan to non-controlling shareholders of subsidiaries					(608)
Share of loss of joint venture, net of tax	(7,740)	—	—	—	(7,740)
Loss on early repayment of term loans and unsecured bonds					(14,447)
Finance costs					(2,448)
Finance income					7,835
Consolidated profit before income tax					770,298
Other segment information:					
Depreciation and amortisation	(1,344)	(377)	(871)	(7)	(2,599)
Additions to properties held for/under development	861,061	—	—	—	861,061
Capital expenditure	3,065	—	229	15,391	18,685

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Commercial operation <i>RMB'000</i>	Total <i>RMB'000</i>
<i>As at 30 June 2019 (unaudited)</i>					
Assets and liabilities					
Assets					
Reportable segment assets	12,847,459	4,157,569	53,237	421,659	17,479,924
<i>Reconciliation:</i>					
Interest in a joint venture					8,158
Derivative financial assets					60,629
Financial assets at fair value through profit or loss					10,000
Deferred tax assets					10,444
Cash and cash equivalents					1,779,549
Unallocated restricted and pledged deposits					45,500
Unallocated corporate assets					
— Leasehold land and building					213,675
— Other corporate assets					238,680
Consolidated total assets					19,846,559
Liabilities					
Reportable segment liabilities	11,796,949	11,145	24,917	44,075	11,877,086
<i>Reconciliation:</i>					
Income tax payable					363,915
Amount due to a joint venture					525,532
Deferred tax liabilities					565,693
Derivative financial liabilities					8,133
Unallocated bank and other borrowings					2,850,841
Unallocated corporate liabilities					187,290
Consolidated total liabilities					16,378,490

	Property development <i>RMB'000</i> (Restated)	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Commercial operation <i>RMB'000</i>	Total <i>RMB'000</i> (Restated)
<i>Six months ended 30 June 2018 (unaudited)</i>					
Segment revenue					
Reportable segment revenue	4,045,779	15,159	23,897	—	4,084,835
Elimination of intra-segment revenue	—	(4,240)	(7,967)	—	(12,207)
Consolidated revenue from external customers	4,045,779	10,919	15,930	—	4,072,628
Timing of revenue recognition					
At a point in time	4,045,779	—	—	—	4,045,779
Transferred over time	—	—	15,930	—	15,930
Revenue from other sources	—	10,919	—	—	10,919
Total	4,045,779	10,919	15,930	—	4,072,628
Segment results	528,048	2,268	(6,925)	—	523,391
Reconciliation:					
Unallocated corporate net expenses					(26,543)
					496,848
Fair value changes in investment properties	—	14,024	—	—	14,024
Gain on properties valuation	—	199,583	—	—	199,583
Gain from bargain purchase					92,565
Share of loss of joint venture, net of tax	(1,180)	—	—	—	(1,180)
Fair value changes in derivative financial asset/ liabilities					10,505
Finance costs					(26,207)
Finance income					12,364
Consolidated profit before income tax					798,502
Other segment information:					
Depreciation and amortisation	(990)	(760)	(907)	—	(2,657)
Additions to properties held for/under development	1,662,313	—	—	—	1,662,313
Capital expenditure	111	—	174	—	285

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Commercial operation <i>RMB'000</i>	Total <i>RMB'000</i>
<i>As at 31 December 2018 (audited)</i>					
Assets and liabilities					
Assets					
Reportable segment assets	14,030,468	3,784,592	47,941	425,585	18,288,586
<i>Reconciliation:</i>					
Interest in a 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					2,410,063
Unallocated restricted and pledged deposits					45,410
Unallocated corporate assets					
— Leasehold land and building					221,398
— Other corporate assets					159,596
Consolidated total assets					21,236,989
Liabilities					
Reportable segment liabilities	11,544,400	59,487	26,786	90,494	11,721,167
<i>Reconciliation:</i>					
Consideration payable					50,000
Income tax payable					251,998
Amount due to a 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

3. REVENUE

Revenue represents the amounts (net of taxes) arising on sales of properties, rental income from the operating leases of investment properties, 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 period are as follows:

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sale of properties	3,687,260	4,045,779
Rental income	14,495	10,919
Property management services	23,642	15,930
Commercial operations	3,875	—
	<u>3,729,272</u>	<u>4,072,628</u>

4. FINANCE COSTS AND INCOME

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Finance costs:		
Interest on bank and other borrowings	302,642	222,103
<i>Less: Amount capitalised as properties under development</i>	<u>(300,194)</u>	<u>(195,920)</u>
	2,448	26,183
Other borrowing costs	11,859	14,065
<i>Less: Amount capitalised as properties under development</i>	<u>(11,859)</u>	<u>(14,041)</u>
	—	24
Finance costs charged to profit or loss	<u>2,448</u>	<u>26,207</u>
		(Restated)
Finance income:		
Bank interest income	5,799	7,219
Interest income on short-term investments	567	3,872
Interest income on loan to a third party	67	—
Interest income on loans to non-controlling shareholders of subsidiaries	<u>1,402</u>	<u>1,273</u>
Finance income credited to profit or loss	<u>7,835</u>	<u>12,364</u>

5. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Cost of inventories recognised in profit or loss	2,767,144	3,331,968
Staff costs (including directors' emoluments) comprise:		
— Basic salaries and other benefits	62,258	100,764
— Equity-settled share-based payment expenses	2,290	3,390
— Contributions to defined contribution pension plans	5,123	3,560
Total staff costs (including directors' emoluments)	69,671	107,714
<i>Less: Amount capitalised as properties under development</i>	(15,455)	(23,045)
Staff costs charged to profit or loss	54,216	84,669
Auditor's remuneration — current period	1,251	574
Depreciation of property, plant and equipment	9,461	9,253
<i>Less: Amount capitalised as properties under development</i>	(21)	(60)
Depreciation charged to profit or loss	9,440	9,193
Amortisation of leasehold land	1,703	1,703
Depreciation and amortisation charged to profit or loss	11,143	10,896
Unrealised exchange losses	15,061	8,870

6. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong profits tax	—	—
PRC corporate tax		
— current period	195,056	120,122
— write-off of provisional corporate income taxes	(15,579)	(6,948)
PRC land appreciation tax		
— current period	230,014	165,077
	409,491	278,251
Deferred tax		
— current period	9,542	34,674
Total income tax expenses	419,033	312,925

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil) as the Group has no estimated assessable profits in respect of operation in Hong Kong. The applicable Hong Kong profits tax rate is 16.5% (six months ended 30 June 2018: 16.5%) for the six months ended 30 June 2019.

Corporate income tax arising from other regions of the PRC is calculated at 25% (six months ended 30 June 2018: 25%) of the estimated assessable profits. Corporate income taxes arising on fair value changes in investment properties and gain on properties valuation for the period are deferred.

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

7. EARNINGS PER SHARE

The calculation of basic earnings per share amounts for the six months ended 30 June 2019 and 2018 is based on the profit for the period attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue and participating equity instruments during the period. For comparison purpose, the number of ordinary shares for 2018 takes into account the subdivision of shares happened on 22 October 2018, assuming that the subdivision takes place at the beginning of the year 2018.

The calculation of the diluted earnings per share amounts for the six months ended 30 June 2019 and 2018 is based on the profit for the period attributable to equity holders of the Company and the weighted average number of ordinary shares after adjustment for the effect 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.

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the purposes of basic and diluted earnings per share	326,474	424,365
	Number of shares	
	'000	'000
	(Unaudited)	(Unaudited)
		(Restated)
Weighted average number of ordinary shares		
for the purposes of calculation of basic earnings per share	7,923,995	7,874,484
Effect of dilutive potential ordinary shares from share options (2005 Scheme)	19,238	30,719
Effect of dilutive potential ordinary shares from share options (2015 Scheme)	103,162	135,275
Weighted average number of ordinary shares for the purposes of diluted earnings per share	8,046,395	8,040,478
	Six months ended 30 June	
	2019	2018
		(Restated)
Basic	RMB0.041	RMB0.054
Diluted	RMB0.041	RMB0.053

8. DIVIDENDS

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

9. TRADE AND OTHER RECEIVABLES

	30 June 2019 <i>RMB'000</i> (Unaudited)	31 December 2018 <i>RMB'000</i> (Audited)
Current or less than 1 month	429	803
1 to 3 months	405,067	171,788
More than 3 months but less than 12 months	68,547	21,248
More than 1 year	8,105	2,601
Trade receivables from tenants and property occupants, net of impairment	482,148	196,440
Sale proceeds kept by a monitoring governmental authority	440,196	391,453
Unpaid up capital to be contributed by a non-controlling shareholder of a subsidiary	24,900	24,900
Refundable construction costs	2,358	2,278
Tender deposit in development projects	40,400	40,800
Prepaid construction costs	422,149	187,975
Prepaid finance costs	28	1,494
Prepaid business taxes and surcharges	414,216	443,641
Maintenance funds paid on behalf of properties owners	74,242	55,459
Subscription monies for unlisted investments in high yield income funds	111,026	—
Other deposits, prepayments and other receivables	452,750	267,064
	2,464,413	1,611,504

Trade receivable for property sales are due on the dates of delivery of properties but settlements are made by agreements on instalment payments or time allowed for collections of sale proceeds. Management fees receivable bear certain credit terms. For tenants for rent receivables, the Group maintains a policy on credit period of 8 to 30 days. The Group's formal credit policy monitors the Group's exposure to credit risk through regular reviews of receivables and follow-up actions taken on overdue accounts. Evaluations are performed on all customers to whom credits are offered.

10. TRADE AND OTHER PAYABLES

	30 June 2019 <i>RMB'000</i> (Unaudited)	31 December 2018 <i>RMB'000</i> (Audited)
Current or less than 1 month	—	—
1 to 3 months	5,088	2,242
More than 3 months but less than 12 months	30	3,146
More than 12 months	4	4
Total trade payables	5,122	5,392
Construction costs payable	1,520,993	1,708,808
Tender payable to the suppliers	41,107	61,533
Receipts in advance, rental and other deposits from buyers, customers and/or tenants	45,606	15,601
Accrued business taxes and surcharges	36,766	77,572
Other accrued expenses and other payables	306,352	189,382
	1,955,946	2,058,288

11. COMMITMENTS

	30 June 2019 <i>RMB'000</i> (Unaudited)	31 December 2018 <i>RMB'000</i> (Audited)
Expenditure contracted but not provided for in respect of — Property construction and development costs	1,861,088	2,313,928

12. RECLASSIFICATION OF COMPARATIVE FIGURES

To conform with the presentation of the consolidated financial results and position of the Company for the current period, certain comparable figures for the past period are reclassified. The reclassifications relate to marketing expenses incurred in an one-off marketing campaign that are reclassified as costs of property sales, and assets and liabilities of a joint venture that were previously presented as interests in a jointly-controlled entity that are reclassified as interests in a joint venture.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2019

A. Business review

Triggered by the China-US trade war, the first half-year in 2019 has been volatile with a lower economic growth in both global and national economies. In the backdrop, the Group achieved contracted sales of RMB5,316 million, which is higher than the half-yearly target of RMB4,227 million, and is 2.57 times the contracted sales of RMB2,069 million in last period. Other than contracted sales that were delivered and recognized during the current period, these contracted sales will be recognized as property sales in the later years in 2019 to 2022 when the subject properties are delivered.

In the first half year of 2019, contracted sales totaling RMB5,316 million (2018: RMB2,069 million) at saleable GFA of 392,000 sq.m. were made (2018: 172,000 sq.m.). Gross average selling price (“ASP”) of the contracted sales was RMB13,600 per sq.m. (2018: RMB12,000 per sq.m.). The increases in saleable GFA gave rise to the record-high contracted sales.

In 2018, we delivered customers with completed properties in four projects, namely Guangzhou Skyfame Byland, Nanning Skyfame Garden, Skyfame Nanning ASEAN Maker Town, Chongqing Project. In the current period, the project portfolio added on our first project in Jiangsu province, Xuzhou Skyfame Time City, which started delivery in the current period. During the period, the Group delivered aggregated GFA of 569,000 sq.m. and recorded property sales revenue before taxes of RMB3,958 million. Comparing with the corresponding period in last year, there is a drop of 7.5% in revenue due to a lower average selling price commanded by properties delivered during the period.

As of 30 June 2019, the Group’s portfolio of existing projects under development offers a total deliverable GFA of 3,131,000 sq.m. at estimated realizable values totaling RMB39,000 million that will provide the Group a base of persistent growth in contracted sales in the coming years.

The Group's recognized sales of properties in sale value and saleable GFA by projects for the period are as follows:

Project	Recognized Sales	
	Gross Amount <i>RMB'million</i>	GFA Delivered <i>sq.m.</i>
Guangzhou Skyfame Byland	431	6,000
Nanning Skyfame Garden	1,777	357,000
Skyfame Nanning ASEAN Maker Town	1,111	113,000
Xuzhou Skyfame Time City	551	87,000
Chongqing Project	88	6,000
Total in first half of year 2019	3,958	569,000
Total in first half of year 2018	4,279	494,000

B. Property Portfolio

As at 30 June 2019, the Group has project portfolio and potential land reserves in aggregate of GFA 25.9 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

During the period, the Group underwent the development of nine real estate development projects in mainland China out of which one has been completed and the others are under construction. As at 30 June 2019, the Group's development projects on hand renders a total GFA of approximately 5.87 million sq.m., of which GFA of approximately 4.62 million sq.m are saleable of which 2.75 million sq.m. have been contracted. Excluding GFA of 1.49 million sq.m. that have been delivered prior to 30 June 2019, the remaining contracted sales of GFA of 1.26 million sq.m. will be delivered in coming periods.

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

Project	Location	Property type	Estimated total GFA (sq.m.)	Estimated total saleable GFA (Note a) (sq.m.)	Accumulated saleable GFA delivered (sq.m.)	Actual/ Estimated completion year	The Group's interest
Guangzhou Skyfame Byland	Guangzhou	Residential & commercial	320,000	162,000	117,000	2017–19	100%
Zhongshan Skyfame Rainbow	Zhongshan	Residential & ancillary commercial	105,000	86,000	—	2020	51%
Nanning Skyfame Garden	Nanning	Residential & ancillary commercial	1,207,000	947,000	852,000	2016–18	80%
Skyfame Nanning ASEAN Maker Town	Nanning	Composite development	1,316,000	1,048,000	261,000	2018–24	100%
Xuzhou Skyfame Time City	Xuzhou	Residential and ancillary commercial	473,000	398,000	87,000	2019–20	70%
Xuzhou Skyfame Elegance Garden	Xuzhou	Residential & ancillary commercial	207,000	164,000	—	2021–22	78%
Chongqing Project	Chongqing	Composite development	1,190,000	969,000	169,000	2017–23	100%
Kunming Anning Linxi Valley	Kunming	Residential and ancillary commercial	298,000	261,000	—	2020–21	(note c)
Sub-total — developed by subsidiaries			5,116,000	4,035,000	1,486,000		
Nanning Impression of Sandalwood (Note b)	Nanning	Residential and ancillary commercial	749,000	582,000	—	2020–22	40%
Sub-total — developed by joint venture			749,000	582,000	—		
Total			5,865,000	4,617,000	1,486,000		

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 sale considerations in certain projects.
- (b) For Nanning Impression of Sandalwood, a project developed by a jointly controlled entity, above project profile refers to the GFAs of that project company.
- (c) For Kunming Anning Linxi Valley, a project being developed with a profit-sharing 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 “Guangzhou Skyfame Byland” (“廣州天譽半島”), 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), 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 currently 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 is under final inspection, the other properties in the project were completed in 2017.

Up to 30 June 2019, aggregated saleable GFA of approximately 117,000 sq.m. have been delivered to buyers with remaining saleable GFA of approximately 15,000 sq.m. for residential and commercial units and 720 car parking spaces on sale. Another 800 car parking spaces and the entire block of tower A1 are retained by the Group for long-term leasing purpose.

Nanning Skyfame Garden

Nanning Skyfame Garden and Skyfame Nanning ASEAN Maker Town are 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. The project has been developed into a residential community district, namely “Nanning Skyfame Garden” (“南寧天譽花園”), with a total GFA of approximately 1,207,000 sq.m. (saleable GFA of approximately 947,000 sq.m.), consisting of GFA of approximately 962,000 sq.m. of residential, retail properties, car parking facilities for sale and public and municipal facilities, and 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 in 2018. Up to 30 June 2019, aggregated saleable GFA of approximately 852,000 sq.m. have been delivered.

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 from Nanning Skyfame Garden.

The project is a development complex divided into east and west zone and is developed by phases. Total GFA is approximately 1,316,000 sq.m. (saleable GFA of approximately 1,048,000 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, 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 and is named as “Nanning Skyfame Byland” (“南寧天譽半島”). Construction works of the two zones are to be completed between the years from 2018 to 2024. The development, when completed, will be a landmark in Wuxiang New District.

Up to 30 June 2019, residential and commercial units of saleable GFA of approximately 261,000 sq.m. have been delivered and the remaining saleable GFA of approximately 787,000 sq.m. scheduled to be delivered in the second half of 2019 until 2024 the latest when the skyscraper is completed.

Nanning Impression of Sandalwood

The Group participates in a joint venture arrangement with 40% equity interest in a project company formed with two other local developers. 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 749,000 sq.m. (saleable GFA of 582,000 sq.m.), includes residential and commercial properties, school and municipal facilities. Construction works will be completed in phases by 2022.

The first pre-sale was launched in early September 2018 and the project will start to deliver in 2020 until 2022.

Chongqing Project

In 2018, the entire equity interests of the Chongqing Project were acquired from two third parties through step-up acquisitions. The project is located in Danzishi, Nanan District of Chongqing, one of the city's three major CBDs embracing the central government district, core financial zone and scenery on the river shores. The location is one of the top ten key development zones in Chongqing. Total GFA of approximately 1.19 million sq.m. are developed in two phases into residential, LOFT apartments and commercial properties.

Development of Phase 1, named as “Gold Purple” (“紫金一品”), was completed in 2018. Total GFA is approximately 313,000 sq.m. and saleable GFA is 249,000 sq.m.. Saleable GFA of approximately 169,000 sq.m. have been delivered.

Development of Phase 2, named as “Chongqing Skyfame • Smart City” (“重慶天譽 • 智慧城”), is a composite development with a total GFA of 877,000 sq.m. (saleable GFA of 720,000 sq.m.), of which GFA of 248,800 sq.m. are developed for investment holding and the remaining for sale. Construction works commenced in the second quarter of 2018 and pre-sale commenced in late 2018. Delivery will take place by phases starting from 2020.

Xuzhou Skyfame Time City

Xuzhou Skyfame Time City (“徐州天譽時代城”) 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 development 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 473,000 sq.m. (saleable GFA of 398,000 sq.m.). Construction works commenced in early of 2017. The project will be completed in three phases, the final phase in 2020.

Pre-sale was launched in July 2017. Up to 30 June 2019, residential and commercial units of saleable GFA of approximately 87,000 sq.m. were delivered during the period.

Xuzhou Skyfame Elegance Garden

The project of Xuzhou Skyfame Elegance Garden (“徐州天譽雅園”) is located at 1 km apart from Xuzhou Skyfame Time City.

The project is planned to be a residential and commercial development. Total GFA is about 207,000 sq.m. (saleable GFA of 164,000 sq.m.). Construction works commenced in end of 2018 and will be completed in 2022. The first batch of properties was launched for pre-sale in July 2019.

Zhongshan Skyfame Rainbow

The project, named as “Zhongshan Skyfame Rainbow” (“中山天譽虹悅”), is located in Tsui Sha Road (翠沙路), Rainbow Planning Zone, at the north of West Zone, Zhongshan, Guangdong province, is mainly a residential development with ancillary commercial properties. Total GFA is about 105,000 sq.m. (saleable GFA of 86,000 sq.m.).

All 14 residential and ancillary commercial towers have been roof-topped. Construction works will be completed in 2020. The first pre-sales were launched in September 2018 and the property will be ready for delivery in 2020.

Kunming Anning Linxi Valley

In September 2018, the Group acquired profit-sharing interests in a project company in Kunming, Yunnan province. The project, named as “Kunming Anning Linxi Valley” (“昆明安宁林溪谷”), consists of approximately 190,800 sq.m. with a planned GFA of approximately 298,000 sq.m. (saleable GFA of 261,000 sq.m.) and will be developed into villa, residential and ancillary commercial properties. Construction works commenced in November 2018 and construction will be completed by 2021. First phase of pre-sale has been launched in August 2019.

2. *Projects for Future Development*

As of 30 June 2019, the Group holds two 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. Management expects the development can commence right upon the obtaining of such governmental approvals. Investment costs paid on these projects are presented as “Prepayments or Deposits for Proposed Projects” 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 292,000 sq.m.. Details and status of these projects are as follows:

Shenzhen Dachitdat Project

The land of this project, located on the southeast of Guangming New Zone, Shenzhen, is a subject of an old district remodelling project, is under demolition and the project company has received the district government’s grant of the redevelopment right an aggregate GFA of 170,000 sq.m. (total saleable GFA of 117,000 sq.m.) for innovative industrial premises, serviced apartments and offices.

Construction will commence in 2019 once the demolition works on the site has been completed.

Guangzhou Luogang Project

Guangzhou Luogang Project is located at the north of Yin Tong Road (賢堂路) of Yonghe District in Huangpu, Guangzhou. The 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 eight 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 aggregate GFA of approximately 13.18 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 an aggregated estimated GFA of approximately 6.54 million sq.m.. Investments made on these projects are included as “Prepayments or Deposits for Proposed Projects” on the Consolidated Statement of Financial Position.

Upon obtaining the governmental approval of development plans of the subject zones of urban area refurbishment and completion of pending land auctions as set out above, the Group is enabled to build up an additional land bank of a total estimated GFA of 19.72 million sq.m..

C. Investment properties

The Group selects suitable properties from its projects under development which renders satisfactory rental yields and stable income to the Group. As at 30 June 2019, the Group holds six investment properties in an aggregate GFA of approximately 287,200 sq.m. in Chongqing, Guangzhou and Hong Kong for current and future leasing income with details as follows:

1. *Commercial properties under development in Chongqing Project*

As a condition of the land transfer, out of the properties developed in phase two of Chongqing Project, GFA of 248,800 sq.m. are to be built into serviced apartments for long-term investment purpose. The long-term held properties, currently under development, will become part of an integrated complex which will be completed in 2023 in a central business district at the Southern Shore District of Chongqing. The land, together with development costs input during the period, carries a fair value of RMB1,317.7 million as at 30 June 2019 (31 December 2018: RMB1,215.0 million) as estimated by directors.

2. *Guangzhou Skyfame Byland*

a. A1 hotel tower

A hotel tower in the project, consisting of GFA of 9,400 sq.m., is built up and contracted to a renounced hotel operator of serviced apartments under a tenancy agreement for a term of 20 years commencing the date of final inspection of completion, at a fixed monthly rental of RMB1.8 million for the first rental period of 25 months and accelerated up to RMB2.7 million. Currently, the construction works have been completed pending the approval of final inspection. The fair value of the property is RMB524.0 million as at 30 June 2019 (31 December 2018: RMB520.0 million) as estimated by directors.

b. Car parking spaces in Guangzhou Skyfame Byland

800 car parking spaces were put for long-term leasing to a management company. These car parking spaces carry a fair value of RMB527.0 million as of 30 June 2019 (31 December 2018: RMB520.0 million) as estimated by directors.

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 almost fully tenanted as at 30 June 2019. The open market value of the property is approximately RMB470.0 million as of 30 June 2019 (31 December 2018: RMB469.0 million) as estimated by directors.

4. Office premises at Huancheng HNA Plaza

An aggregate GFA of 1,500 sq.m. office premises in Huancheng HNA Plaza, Tianhe District, Guangzhou is fully leased as at 30 June 2019. The directors assessed the open market values of the premises at approximately RMB54.0 million (31 December 2018: RMB51.7 million). The premises are currently tenanted at an average monthly rental of approximately RMB147 per sq.m..

5. Office premises at Capital Centre

A 6,200 sq.ft. (577 sq.m.) office premise at Capital Centre in Wanchai, Hong Kong is leased to tenants as at 30 June 2019 at an average monthly rental of approximately RMB31.4 per sq.ft.. The open market value of the property is assessed by directors at approximately RMB132.0 million (HK\$150.0 million) (31 December 2018: HK\$150.0 million).

D. Business Outlook

We see signs of slowdowns in the general economic performance of mainland China in the coming months. Recent easing in restrictive policies and the central government's launch of firm and steady monetary policies, including reduction in deposit reserve ratio of commercial banks, encouragement of banks' lending to small to medium enterprises, and active financial policies to reduce personnel and value-added taxes etc, indicated the government's support to the general economy. Having said, we reckon that the easing policies applied mostly on stimulating non-property development sectors. We believe that the stimulus help boost the general economy that will, hence, maintain a stable business environment for mainland developers. We are positive towards the general outlook of the economy of China.

We perceive the property sector is not much adversely affected by the slowdown in economic development on the mainland, especially in the field of our youth community projects that focus on first-time buyers which is not vulnerable to economic downturns. Though we believe that the tightening controls over property development sector remain, we expect there will be fine-tuning measures by local governments that help smooth out hiccups in individual regions.

We always strive for sustainable growth in our business. Our management is specifically attentive to enlarge our land reserve through acquisitions. Facing the challenges of cash flow constrain resulted from restrictive policies and economic downturn that may continue, we are selective in new acquisitions and will penetrate into regions in which we have good experience and focus on the development of properties for first-time buyers in second-tier cities where restrictive policies are not as severe as the first-tier cities. In our past experience, our youth community projects in Nanning and Xuzhou align with these market specialities and are less affected by austerity measures.

In July 2019, the Company acquired 51% equity interest in a project company engaged in a residential project in Guiyang, Guizhou province. The project, situated on two plot lots, provides a total developable GFA of approximately 336,000 sq.m. and saleable GFA 222,000 sq.m. (“**Guiyang Project**”).

The Group has a total saleable GFA totaling 1.9 million sq.m. that can be launched for presales covering 9 projects, including 7 existing projects on sale, namely, Chongqing Project, Nanning ASEAN Maker Town Project, Nanning Skyfame Garden, Nanning Impression of Sandalwood, Zhongshan Skyfame Rainbow, Xuzhou Skyfame Time City and Guangzhou Skyfame Byland, and 2 firstly launched projects, namely Xuzhou Skyfame Elegance Garden and Kunming Anning Linxi Valley. We have saleable GFA of 404,000 sq.m. in our project under development portfolio that will be launched for presale in the second half of the year. Also adding Guiyang Project and new projects that are being acquired into our project portfolio together with the unsold inventories of our existing projects, our management is confident in meeting our annual sale target of RMB12,000 million for 2019 despite the slowing demand in the property market.

To counter the impact of a tough market and at the same time the need to finance for land bank building, we emphasise on striking a suitable balance between the acquisition costs for land and liquidity of the Company. We put in efforts in strengthening cash collections and controls on spending aiming to keep our cash position closely monitored. Our land acquisitions are set on a reasonable proportion to the available cash generated from operations and funding from debts raised from time to time. Since the improvement in the earning and financial position in recent years, the capacity of the Company in fund raising has been strengthened. In mid-2019, the Company received a corporate credit rating of “B-” from an international credit rating agency. This is a milestone that enables our success in the first public issue of corporate bonds of US\$105 million to financial institutes in early July 2019. The funds raised were used for the repayment of certain borrowings and general working capital of the Company.

One of our key business strategies is the development of youth community projects and the operations of entrepreneurs’ incubator and commercial service provider in the community projects. We cooperate with service providers in education, physical fitness and daily living services to cater for the needs of the users of these “Yuwo Startup” spaces. The business starts to have satisfactory results in the current period. The two “Yuwo Startup” spaces, occupying total GFA of approximately 2,400 sq.m. in the commercial podiums at Guangzhou Tianyu Garden II and Nanning Skyfame Garden, generated service income of RMB3.9 million for the current period. Our third “Yuwo Startup” spaces with GFA of about 1,000 sq.m. is being opened in our Chongqing Project.

E. Financial Review

Sales Turnover and Margins

Property sales, net of direct taxes, recorded RMB3,687.3 million for the period, a drop of 8.9% from last period. The Group had delivered GFA totaling approximately 569,000 sq.m. of properties in five projects, which are, in priority of revenue, Nanning Skyfame Garden, Skyfame Nanning ASEAN Maker Town, Xuzhou Skyfame Time City, Guangzhou Skyfame Byland, and Chongqing Project, at an overall average selling price of RMB7,000 per sq.m. (2018: 8,200 per sq.m.). The drop in ASP is explained by the delivery of properties in Nanning Skyfame Garden that were contracted with district government in Nanning for compensated housing at prices lower than market. Excluding the effect of these low-priced sales, ASP of other properties is RMB10,400 per sq.m., a higher ASP than the past period.

Gross margin on property sales for the period is 25.0% (2018: 17.6%). Despite the low margins on properties sold to compensated housing in Nanning, the margin for the period is compensated by the higher profitability of Guangzhou Skyfame Byland and Skyfame Nanning ASEAN Maker Town, resulting to an improved overall gross margin.

The leasing of properties mainly at the commercial podium at Tianyu Garden Phase II in Guangzhou and 800 car parks at Zhoutouzui, and offices at Capital Centre in Hong Kong, contributed a stable revenue of RMB14.5 million to the Group for the period. The leasing activities bring a stable margin of 89.7% to the Group (2018: 91.3%).

The property management business provides income of RMB23.6 million for the period (2018: RMB15.9 million), representing a 48.4% growth of income caused by the growing area, currently standing at GFA of 1,578,000 sq.m., managed by our property management team. The operation enjoys a margin of 51.9% (2018: 58.0%).

The Group's new business line in commercial operations in the two Yuwo Startup spaces has started to contributed revenue since 2018 and generated commercial service income amounting to RMB3.9 million for the period for services provided to users in the co-work spaces.

Due to the improved margins in the property development segment, overall gross margin of the Group for the period rose to 25.5% (2018: 18.0%).

Operating Expenses

Sales and marketing expenses amounted to RMB73.1 million for the period, a 28.8% drop when compared with RMB102.7 million for the last period (Note: the comparison figure for the last period is restated with an one-off marketing expense of RMB95.8 million reclassified as cost of sales for the last period to conform with the presentation of the statement of profit or loss for the full year 2018). Included in the expenses is commission to sale agencies of RMB33.6 million (2018: RMB70.2 million).

Administrative and other operating expenses, amounting to RMB99.6 million, dropped 22.1%. Total staff costs, a major item, totaling RMB69.7 million were paid during the period (2018: RMB107.7 million), of which RMB15.5 million (2018: RMB23.0 million) were capitalized as development costs of properties under development. The decrease in staff costs is explained by the lesser bonus for 2018 paid than the amount provided.

Finance Costs

Finance costs, representing arrangement fees and interests incurred on indebtedness, amounted to RMB314.5 million for the period (2018: RMB236.2 million). The rise in costs is in pace with the increase in indebtedness of the Group during the period. Most of the finance costs incurred relate to the development of projects and hence are capitalized as costs of projects under development with only RMB2.4 million charged against the operating results for the period. The overall annualized borrowing cost, representing interests and arrangement fees divided by total indebtedness, is 10.4% (the full year in 2018: 9.1%). The increased for the period was explained by a higher proportion of indebtedness of the Group that bear higher interest rates.

Non-operating Items

Fluctuations in other non-operating items for the period as compared with the previous period are as follows:

1. Increase of RMB14.3 million (2018: RMB14.0 million) in the fair values of investment properties as estimated by directors;
2. Share of operating loss of RMB7.7 million (2018: RMB1.2 million) incurred by a newly started joint venture that is engaged in the development of Nanning Impression of Sandalwood Project;
3. Loss of RMB14.4 million (2018: nil) arising from an early repayment of term loans and unsecured loans for which finance costs paid are expensed on repayment of loan instead of being amortized until maturity of the loan. There is no early repayment in last period;

4. As a result of depreciation of RMB, the functional currency, against the US\$ and HK\$ in both periods, unrealized loss of RMB15.1 million (2018: RMB8.9 million) was recorded on conversion of offshore loans denominated in HK\$ and US\$ booked at closing rates;
5. The gain of RMB199.6 million in 2018 arose from the change in fair value of Tower A1 in Guangzhou Skyfame Byland that was contracted to be leased to a serviced apartment management company for long-term rental income. There is no property built up during the period that is intended to be held on a long-term lease;
6. In 2018, there recorded a gain of RMB92.6 million arising from the purchase of Chongqing Project for assets at fair values higher than purchase consideration. There is no material acquisition transaction during the period; and
7. During the period, there was no material fair value change in derivative financial assets/liabilities (2018: RMB10.5 million).

Taxation

Provision in taxation includes mainly land appreciation tax of RMB230.0 million (2018: RMB165.1 million) on properties sold in the period and provision of RMB195.1 million (2018: RMB120.1 million) for corporate income taxes on assessable earnings for the period. Also included is deferred tax provision of RMB2.7 million (2018: RMB50.0 million) made on gain on property revaluations for the period, and reversal of provision of RMB9.1 million (2018: RMB12.6 million) made in prior periods upon the sales of the relevant properties, and deferred tax liabilities of RMB15.2 million arising on the timing difference on LAT prepaid for the current period (2018: deferred tax asset of RMB2.5 million).

Profits Attributable to Shareholders

In the current period, there was no acquisition transaction at bargain price, nor were there any properties developed that were to be held for investment purpose and to be revalued. In contrast, in 2018, such non-operating items brought in gains of RMB292.1 million in 2018. Eliminated the factor of fair valuation of properties from the profit for 2018, the Company's pre-tax profit for the current period was RMB770.3 million as compared with RMB506.4 million for 2018. This actually demonstrates improvements in the Company's operating efficiency which is seen in the rise in profit margin in its property development business.

The Company had a consolidated after-tax profit of RMB351.3 million for the period of which profit of 326.5 million was attributable to the shareholders of the Company.

Liquidity and Financial Resources

1. Asset Base

		2019	2018
		RMB'000	RMB'000
	<i>Change in %</i>	(Unaudited)	(Audited)
Total assets	-6.5%	19,846,559	21,236,989
Net assets	5.0%	3,468,069	3,303,559

As at 30 June 2019, net assets increased to RMB3,468.1 million that is equivalent to the profit attributable to the shareholders, net of dividend for 2018 paid to shareholders in June 2019.

Total assets of the Group amounted to RMB19,846.6 million, a 6.5% decrease from last year-end. Properties under development, at carrying value of RMB7,679.1 million, is the biggest asset category, constituting 38.7% of the total assets of the Group. Total assets also include investment properties of RMB3,024.7 million, properties held for sale totaling RMB2,322.5 million, properties for self-use, plant and equipment totaling RMB684.1 million, trade and other receivables totalling RMB2,464.4 million, deposits and prepayments for proposed projects totaling RMB1,257.5 million for proposed projects which are in the pipeline for development, restricted cash and pledged deposits of RMB385.3 million, and cash and cash equivalents of RMB1,779.5 million.

2. Capital structure and liquidity

The indebtedness of the Group, aggregated to RMB5,499.7 million at the period-end date, went down 13.6% from the balance of RMB6,362.6 million in last year-end, as a result of repayments of debts during the period. Indebtedness comprises 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 <i>RMB'000</i>	1 to 2 years <i>RMB'000</i>	2 to 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total carrying amount <i>RMB'000</i>
Bank and other borrowings					
— Secured bank borrowings	541,616	767,045	130,404	325,369	1,764,434
— Other secured borrowings	1,639,067	460,000	—	—	2,099,067
— Unsecured borrowings	197,407	266,748	59,819	1,104,112	1,628,086
	<u>2,378,090</u>	<u>1,493,793</u>	<u>190,223</u>	<u>1,429,481</u>	<u>5,491,587</u>
Derivative financial liabilities	1,899	6,069	—	165	8,133
	<u>2,379,989</u>	<u>1,499,862</u>	<u>190,223</u>	<u>1,429,646</u>	<u>5,499,720</u>

Comparing with the previous period, indebtedness with tenors due within one year amounting to RMB2,380.0 million is 15.6% less than the balance of RMB2,819.3 million on the year-end date of 2018 which constitutes 43.3% of the total indebtedness (31 December 2018: 44.3%). Our management monitors the cash flow position carefully to ensure the due debts are served and repaid on schedule. The Group had, since 1 July 2019 to the date of this announcement, repaid debts with short tenors aggregated to RMB1,014.7 million, including corporate bonds of RMB195.5 million, secured loans totaling RMB466.0 million, and project loans in part of approximately RMB353.2 million. The remaining short-tenor borrowings of RMB1,365.3 million are mainly associated with indebtedness for which the repayments are expected to be sufficiently financed by cash flow generated from the operations of the relevant projects.

Owing to early repayment of loans during the period, cash level at the period-end was lower than previous period-end. Net debt, calculated as total indebtedness net of cash and cash equivalents (including restricted cash and pledged deposits, cash and cash equivalents (the “**Net Debt**”) amounted to RMB3,334.9 million, a steady level comparing with the balance of RMB3,275.9 million as at 31 December 2018. Net gearing ratio, calculated as Net Debt divided by the equity attributable to shareholders of the Company plus Net Debt, is 52.2% as at 30 June 2019 (31 December 2018: 52.9%). The gearing ratio in recent months has been stable. Our management perceives that the Group maintains sufficient cash to serve the obligation to repay its short-tenor indebtedness.

Current assets aggregated to RMB16,048.6 million as at the period-end, a decrease of 8.4% from that on 31 December 2018 due to repayments of indebtedness during the period. Current liabilities at the period-end amounted to RMB12,693.1 million, a decrease of 8.0% from that on 31 December 2018. The decrease in current liabilities is explained by the decrease in contracted liabilities and construction costs payable at the period-end date.

The current ratio has been stable at 1.26 times as at 30 June 2019 (31 December 2018: 1.27 times). Nonetheless, management expects the liquidity of the Group will continue to be stable as cash generated from operations can readily meet liabilities when fall due.

3. Borrowings and pledge of assets

As at 30 June 2019, investment properties and self-use properties in Guangzhou, and Hong Kong and completed properties in Guangzhou Skyfame Byland, properties under development held by project companies in Chongqing, Zhongshan and 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, and equity interests in certain subsidiaries are charged as security in favour of certain financial institutions. As at 30 June 2019, aggregate outstanding balances of these secured indebtedness amounted to RMB3,863.5 million. The pledged assets or the underlying assets represented by these securities carry an aggregate estimated realizable value of approximately RMB7,214.1 million as at 30 June 2019. Management considers these securities provide sufficient coverage to serve the interests of our creditors.

F. Contingent Liabilities

The Group had no other material contingent liabilities as at 30 June 2019 (31 December 2018: 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. As at 30 June 2019, the Group has Hong Kong and US dollar denominated borrowings and financial derivatives equivalent to RMB2,517.5 million, representing 45.8% of total indebtedness, and overseas properties for self-use and leasing in Hong Kong with carrying value of HK\$150.0 million (equivalent to RMB132.0 million). All other assets and liabilities in material values are denominated in RMB.

Starting from late 2018, RMB generally depreciated against HK and US dollars. In the first six months of the year, RMB has depreciated by 0.4% and 0.2%. The depreciation of RMB has led to unrealized foreign exchange losses of RMB15.1 million on conversion of liabilities denominated in foreign currencies to RMB in the financial accounts that was charged against the profit for the period. At the same time, exchange differences arising from consolidation of assets and liabilities of a subsidiary operating in Hong Kong results to an exchange gain of RMB1.8 million recorded as exchange reserve that forms part of the equity of the Company.

In the backdrop of the trade war between the US and China and the slowing economy in China, RMB may have pressure and further depreciation may be seen, yet management perceives that the trend of RMB is full of uncertainties, i.e. RMB may move in both directions. This will bring volatility to the bottom line of the Group when exchange losses or profits are booked. The Group's operations are mostly conducted in the PRC, and therefore there is no natural hedge against possible depreciation of RMB. The management will from time to time take close considerations on balancing off the costs of hedging tools and the extent of fluctuations in RMB perceived by the management. We are also exploring other natural hedges, such as investments in different territories, to eliminate the impacts of the fluctuations of RMB on the financial results of the Group.

H. Risk Management

We face lots of business risks as a mainland developer. Amongst the risks, the key risk is the continuing austerity measures imposed by the government on the property sector that restrict demand of home buyers and lending to developers, putting constraints on developers' cash flow. To relieve the risks resulted from these regulations and restrictions, our management is placing specific care in the obtaining of financial resources for its expansion in land reserve. The standing risk management committee set up by the board of directors guides our management team to build up controls in the daily operational process and alerts the board on critical risks that may cause significant consequences. Our internal audit department conducts regular reviews to check the implementation of the controls.

CORPORATE GOVERNANCE

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the Interim Financial Statements, in compliance with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules except for the following deviation:

Code Provision A2.1 — Chairman and Chief Executive

The roles of chairman and chief executive officer of the Company is not separated as required but is currently dually performed by Mr. YU Pan, since 2004.

Due to the small size of the team, the Board considers the current simple but efficient management team serves sufficiently enough the need of the Group. The Board will, nonetheless, continue to review the business growth of the Group and, when considered essential, will set out a clear division of responsibilities at the board level and the management team to ensure a proper segregation of the management of the board of the Company and the management of the Group's business.

DIRECTORS' SECURITIES TRANSACTION

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

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

On 19 February 2019, the Company completed the partial redemption of US\$30,000,000 10% bonds due 2019 (the “**2019 Bonds**”) in a redemption amount of US\$13,397,376.00, including principal amount of US\$12,800,000 and its accrued interest from the date of issue and up to the date of partial redemption. Further on 24 July 2019, the Company completed the full redemption of the 2019 Bonds in a redemption amount of US\$17,897,500.05, including principal amount of US\$17,200,000 and its accrued interest from the last interest payment date and up to the date of full redemption. The 2019 Bonds are listed on the Singapore Exchange Securities Trading Limited.

Save as the abovementioned redemption of bonds, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2019.

AUDIT COMMITTEE

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

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of the Company (<http://www.skyfame.com.cn>) and the Stock Exchange (<https://www.hkexnews.hk>). The interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

OTHER

As at the date of this announcement, the Board comprises three executive directors, namely Mr. YU Pan (Chairman), Mr. WEN Xiaobing and Mr. 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, 20 August 2019