天譽
SKYFAME

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 2019

FINANCIAL HIGHLIGHTS

		2019	2018
	Change in %	***RMB'000***	*RMB'000*
Revenue	6.4%	**6,591,043**	6,191,763
Profit before income tax	-3.9%	**1,579,850**	1,644,102
Profit for the year	1.4%	**831,982**	820,756
Profit for the year attributable to owners of the Company	5.4%	**792,258**	751,315
Earnings per share			
– Basic	7.4%	**RMB0.102**	RMB0.095
– Diluted	9.8%	**RMB0.101**	RMB0.092
Total assets	7.6%	**22,851,765**	21,236,989

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 2019, together with comparative figures for the corresponding year of 2018. The consolidated final results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	3	**6,591,043**	6,191,763
Cost of sales and services		**(4,691,703)**	(4,305,878)
Gross profit		**1,899,340**	1,885,885
Other income		**21,571**	2,283
Other gains – net		**9,522**	87,096
Sales and marketing expenses	5	**(249,765)**	(156,851)
Administrative and other expenses	5	**(367,894)**	(319,245)
Impairment loss of trade and other receivables		**(15,383)**	(6,245)
Fair value changes in investment properties		**334,267**	269,702
Operating profit		**1,631,658**	1,762,625
Share of loss of joint ventures, net of tax		**(20,629)**	(8,101)
Finance costs – net	4	**(31,179)**	(110,422)
Profit before income tax		**1,579,850**	1,644,102
Income tax expense	6	**(747,868)**	(823,346)
Profit for the year		**831,982**	820,756
Other comprehensive income, items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**2,211**	(4,043)
Total comprehensive income for the year		**834,193**	816,713
Profit for the year attributable to:			
– Owners of the Company		**792,258**	751,315
– Non-controlling interests		**39,724**	69,441
		831,982	820,756
Total comprehensive income for the year attributable to:			
– Owners of the Company		**794,469**	747,272
– Non-controlling interests		**39,724**	69,441
		834,193	816,713
Earnings per share	7		
– Basic		**RMB0.102**	RMB0.095
– Diluted		**RMB0.101**	RMB0.092

CONSOLIDATED BALANCE SHEET

		31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**454,108**	693,859
Right-of-use assets		**243,593**	–
Investment properties		**3,512,291**	2,907,157
Financial asset at fair value through profit or loss		**329,828**	10,000
Interest in joint ventures		**46,295**	15,899
Derivative financial assets		**–**	60,388
Deferred tax assets		**84,311**	25,649
		4,670,426	3,712,952
Current assets			
Properties under development		**10,686,501**	7,554,327
Properties held for sale		**2,307,057**	4,144,040
Trade receivables	*9*	**440,184**	196,440
Other receivables and prepayments	*10*	**2,686,068**	2,461,839
Contract costs		**152,882**	80,698
Restricted and pledged deposits		**336,029**	676,630
Cash and cash equivalents		**1,572,618**	2,410,063
		18,181,339	17,524,037
Total assets		**22,851,765**	21,236,989
Equity			
Share capital		**24,670**	24,659
Other reserves		**1,313,332**	1,325,407
Retained earnings		**2,201,171**	1,563,359
Equity attributable to owners of the Company		**3,539,173**	2,913,425
Non-controlling interests		**210,873**	390,134
Total equity		**3,750,046**	3,303,559

		31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
Non-current liabilities			
Bank and other borrowings	*11*	**4,330,684**	3,534,510
Derivative financial liabilities		**–**	8,757
Deferred tax liabilities		**585,051**	594,856
		4,915,735	4,138,123
Current liabilities			
Bank and other borrowings	*11*	**1,929,664**	2,817,188
Derivative financial liabilities		**670**	2,138
Trade and other payables	*12*	**3,542,819**	2,164,105
Contract liabilities		**8,050,565**	8,559,878
Income tax payable		**662,266**	251,998
		14,185,984	13,795,307
Total liabilities		**19,101,719**	17,933,430
Total equity and liabilities		**22,851,765**	21,236,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. BASIS OF PREPARATION

(i) Compliance with HKFRSs and HKCO

These consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 ("**HKCO**").

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and investment properties which are carried at fair value.

(iii) New and amended standards and interpretation adopted by the Group

HKFRS 16	Leases
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements	Annual Improvements to HKFRS Standards 2015-2017 Cycle
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement

Save for the impact of adoption of HKFRS 16 set out in Note 2, the adoption of other new and amended standards and interpretation did not have any material impact on the consolidated financial statements of the Group.

(iv) New standards, amendments and interpretation not yet adopted

The following new standards and amendments and interpretation to standards have been published that are not mandatory for the year ended 31 December 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Financial Reporting	Revised Conceptual Framework	1 January 2020
HKFRS 39, HKFRS 7 and HKFRS 9	Hedge Accounting (amendments)	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

These new and amended standards and revised framework are not expected to have a material impact on the consolidated financial statements of the Group.

2. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial information and the new accounting policies that have been first applied from 1 January 2019.

The Group has adopted HKFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. The Group mainly has land use rights in PRC which are recognised as right-of-use assets, others are short-term leases and are recognised as expense on a straight-line basis.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of right-of-use assets

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The land use rights in property, plant and equipment are reclassified to right-of-use assets as at 31 December 2019, respectively.

(iii) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	As at 1 January 2019
	RMB'000
Property, plant and equipment (land use rights)	(255,704)
Right-of-use assets (right-of-use assets)	255,704

There was no significant impact on the Group's net profit after tax for the year ended 31 December 2019 as a result of adoption of HKFRS 16.

(iv) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

3. SEGMENT REPORTING

The executive directors, as the chief operating decision-makers ("**CODM**") of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management and commercial operation. As the CODM considers most of the Group's consolidated revenue and results are attributable to the market in the PRC and the Group's consolidated assets are substantially located in the PRC, no geographical information is presented.

Revenue consists of sales of properties, rental income of investment properties, income of property management services and commercial operation. Revenue of the year consists of the following:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Sale of properties	**6,502,557**	6,122,384
Property management services	**51,021**	41,404
Rental income	**28,537**	19,590
Commercial operation	**8,928**	8,385
	6,591,043	6,191,763

Segment results represent the profit earned by each segment without fair value gains/losses on financial assets, gains/losses on disposal of financial assets, dividend income of financial assets, unallocated operating costs, finance costs – net and income tax expense. Property management services comprise mainly of provision of property management services and rental assistance services. Commercial operation services are mainly operations in youth community projects. The segment results and other segment items for the year ended 31 December 2019 and 2018 are as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Commercial operation *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Year ended 31 December 2019						
Segment revenue						
External revenue	6,502,557	28,537	51,021	8,928	–	6,591,043
Inter-segment revenue	–	17,186	48,990	–	(66,176)	–
Consolidated revenue from external customers	6,502,557	45,723	100,011	8,928	(66,176)	6,591,043
Timing of revenue recognition						
At a point in time	6,502,557	–	–	–	–	6,502,557
Transferred over time	–	–	100,011	8,928	(48,990)	59,949
Revenue from other sources	–	45,723	–	–	(17,186)	28,537
Total	6,502,557	45,723	100,011	8,928	(66,176)	6,591,043
Segment results	1,388,668	18,067	3,336	2,064	–	1,412,135
Reconciliation:						
Unallocated corporate net expenses						(99,361)
						1,312,774
Impairment loss of trade and other receivables						(15,383)
Fair value changes in investment properties	–	334,267	–	–	–	334,267
Share of loss of joint ventures, net of tax						(20,629)
Finance costs - net						(31,179)
Consolidated profit before income tax						1,579,850
Other segment information:						
Depreciation and amortisation	(2,685)	(260)	(175)	(1,000)	–	(4,120)
Additions to properties held for/under development	5,131,890	–	–	–	–	5,131,890
Capital expenditure	6,245	–	451	–	–	6,696

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Commercial operation RMB'000	Elimination RMB'000	Total RMB'000
As at 31 December 2019						
Assets and liabilities						
Assets						
Reportable segment assets	**16,191,429**	**3,615,680**	**40,634**	**3,636**	**–**	**19,851,379**
Reconciliation:						
Interest in joint ventures						**46,295**
Financial assets at fair value through profit or loss						**329,828**
Deferred tax assets						**84,311**
Cash and cash equivalents						**1,572,618**
Unallocated corporate assets						
– Property, plant and equipment						**113,944**
– Other receivables and prepayments						**361,204**
– Restricted and pledged deposits						**12,000**
– Other corporate assets						**480,186**
Consolidated total assets						**22,851,765**
Liabilities						
Reportable segment liabilities	**12,206,407**	**10,343**	**41,091**	**7,829**	**–**	**12,265,670**
Reconciliation:						
Deferred tax liabilities						**585,051**
Derivatives financial liabilities						**670**
Income tax payable						**662,266**
Unallocated corporate liabilities						
– Bank and other borrowings						**4,564,064**
– Trade and other payables						**941,532**
– Other corporate liabilities						**82,466**
Consolidated total liabilities						**19,101,719**

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Commercial operation RMB'000	Elimination RMB'000	Total RMB'000
Year ended 31 December 2018						
Segment revenue						
External revenue	6,122,384	19,590	41,404	8,385	–	6,191,763
Intra-segment revenue	–	8,375	19,776	–	(28,151)	–
Consolidated revenue from external customers	6,122,384	27,965	61,180	8,385	(28,151)	6,191,763
Timing of revenue recognition						
At a point in time	6,122,384	–	–	–	–	6,122,384
Transferred over time	–	–	61,180	8,385	(19,776)	49,789
Revenue from other sources	–	27,965	–	–	(8,375)	19,590
Total	6,122,384	27,965	61,180	8,385	(28,151)	6,191,763
Segment results	1,455,024	7,479	(13,220)	(2,791)	–	1,446,492
Reconciliation:						
Unallocated corporate net expenses						52,676
						1,499,168
Impairment loss of trade and other receivables						(6,245)
Fair value changes in investment properties	–	269,702	–	–	–	269,702
Share of loss of joint ventures, net of tax						(8,101)
Finance costs – net						(110,422)
Consolidated profit before income tax						1,644,102
Other segment information:						
Depreciation and amortisation	(2,103)	(481)	(1,836)	(952)	–	(5,372)
Additions to properties held for/under development	2,510,449	–	–	–	–	2,510,449
Capital expenditure	1,337	–	561	108	–	2,006

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Commercial operation RMB'000	Elimination RMB'000	Total RMB'000
As at 31 December 2018						
Assets and liabilities						
Assets						
Reportable segment assets	14,030,468	3,784,592	47,941	13,001	–	17,876,002
Reconciliation:						
Interest in joint ventures						15,899
Financial assets at fair value through profit or loss						10,000
Derivative financial assets						60,388
Deferred tax assets						25,649
Cash and cash equivalents						2,410,063
Unallocated corporate assets						
– Property, plant and equipment						221,398
– Restricted and pledged deposits						45,410
– Other corporate assets						572,180
Consolidated total assets						21,236,989
Liabilities						
Reportable segment liabilities	11,544,400	59,487	26,786	16,132	–	11,646,805
Reconciliation:						
Deferred tax liabilities						594,856
Income tax payable						251,998
Derivatives financial liabilities						10,895
Unallocated corporate liabilities						
– Bank and other borrowings						5,312,209
– Trade and other payables						105,817
– Other corporate liabilities						10,850
Consolidated total liabilities						17,933,430

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Customer A	**1,042,957**	–

4. FINANCE COSTS – NET

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Interest expense for bank and other borrowings	**643,448**	559,055
Less: amount capitalised	**(633,226)**	(505,135)
	10,222	53,920
Foreign exchange losses on financing activities – net	**38,903**	74,171
	49,125	128,091
Finance income:		
Bank interest income	**13,885**	11,230
Others	**4,061**	6,439
	17,946	17,669
Finance costs – net	**31,179**	110,422

5. EXPENSES BY NATURE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cost of properties sold – including construction cost, land cost and interest cost	**4,643,818**	4,283,215
Advertising costs	**229,433**	142,925
Staff costs (including directors' emoluments)	**196,048**	203,200
Other direct costs	**36,517**	22,337
Depreciation and amortisation	**31,434**	22,278
Taxes and levies	**15,083**	13,686
Auditor's remunerations	**4,275**	3,309
– audit services	**2,880**	2,131
– non-audit services	**1,395**	1,178

The short-term leases fees of RMB1,780,000 are recognised as expenses for the year ended 31 December 2019.

6. INCOME TAX EXPENSE

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
PRC corporate income tax	**427,675**	453,862
PRC land appreciation tax	**365,160**	373,129
	792,835	826,991
Deferred tax		
– PRC corporate income tax	**(44,967)**	(3,645)
	(44,967)	(3,645)
Total income tax expenses	**747,868**	823,346

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the group entities located in Mainland China is 25%.

PRC withholding income tax ("WHT")

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. The relevant overseas holding companies have successfully obtained endorsement from the PRC tax bureau to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the PRC subsidiaries of the Group. Accordingly, withholding income tax has been provided at 5% of the dividends to be distributed by the PRC subsidiaries of the Group for the year ended 31 December 2019 (2018: 5%).

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items. The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

7. EARNINGS PER SHARE

The calculation of basic earnings per share amounts for the years ended 31 December 2019 and 2018 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.

The calculation of the diluted earnings per share amounts for the years ended 31 December 2019 and 2018 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 option under the 2005 and 2015 Scheme, and assuming the exercise is made at no consideration at the beginning of the periods.

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit for the purposes of basic and diluted earnings per share	**792,258**	751,315
	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**7,772,357**	7,892,360
Effect of dilutive potential ordinary shares from share options (2005 Scheme)	**14,655**	52,373
Effect of dilutive potential ordinary shares from share options (2015 Scheme)	**73,752**	216,482
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**7,860,764**	8,161,215
Basic	**RMB0.102**	RMB0.095
Diluted	**RMB0.101**	RMB0.092

8. DIVIDENDS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
FINAL dividend proposed after the end of the year of HK$0.023 (approximately RMB0.021) per ordinary share (2018: HK$0.023 approximately RMB0.020)	**160,000**	160,279

At the meeting held on 20 March 2020, the directors proposed a final dividend of HK$0.023 (approximately RMB0.021) (2018: HK$0.023 approximately RMB0.020) per ordinary share of the Company for the year ended 31 December 2019. 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 2019, but will be reflected as an appropriation for the year ending 31 December 2020.

9. TRADE RECEIVABLES

	31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**458,547**	201,354
Less: loss allowance	**(18,363)**	(4,914)
	440,184	196,440

The majority of the Group's sales are derived from sales of properties and rental income. Proceeds in respect of sales of properties and rental income are to be received in accordance with the terms of related sales and purchase agreements and rental contracts. All trade receivables are due from independent third parties.

The ageing analysis of trade receivables as at the respective balance sheet date is as follows:

	31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 30 days	**112,253**	804
Over 30 days and within 90 days	**3,277**	175,294
Over 90 days and within 365 days	**322,337**	22,366
Over 365 days	**20,680**	2,890
	458,547	201,354

10. OTHER RECEIVABLES AND PREPAYMENTS

	31 December	
	2019	2018
	RMB'000	*RMB'000*
Other receivables:		
Sale proceeds kept by a monitoring governmental authority	**458,768**	391,453
Loan receivable	**361,204**	–
Maintenance funds paid on behalf of properties owners	**53,858**	55,459
Tender deposit in development project	**40,000**	40,800
Unpaid up capital to be contributed by a non-controlling shareholder of a subsidiary	**24,900**	24,900
Loan to a non-controlling shareholder of a subsidiary	**23,498**	52,900
Others	**181,017**	274,759
	1,143,245	840,271
Less: loss allowance	**(6,910)**	(4,976)
Subtotal	**1,136,335**	835,295
Prepayment:		
Prepayment for proposed projects	**923,106**	994,928
Prepaid taxes and surcharges	**414,788**	443,641
Prepaid construction costs	**211,839**	187,975
Subtotal	**1,549,733**	1,626,544
Total	**2,686,068**	2,461,839

11. BANK AND OTHER BORROWINGS

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Borrowings included in non-current liabilities:		
Bank borrowings	**1,277,390**	1,627,588
Secured notes	**2,005,986**	–
Unsecured bonds	**1,485,360**	1,646,900
Other borrowings	**1,491,612**	3,077,210
– secured	**1,491,612**	3,042,094
– unsecured	**–**	35,116
Less: current portion of non-current borrowings	**(1,929,664)**	(2,817,188)
	4,330,684	3,534,510
Borrowings included in current liabilities:		
Current portion of long-term borrowings	**1,929,664**	2,817,188
	1,929,664	2,817,188
Total borrowings	**6,260,348**	6,351,698

12. TRADE AND OTHER PAYABLES

	31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade payables	**9,000**	5,392
Construction costs payable	**2,222,869**	1,708,808
Other payables and accruals	**1,087,163**	205,707
– A joint venture	**941,532**	55,817
– Third parties	**145,631**	149,890
Accrued taxes and surcharges	**76,706**	77,572
Salaries and bonuses accruals	**61,606**	89,492
Tender payable to the suppliers	**56,895**	61,533
Receipt in advance, rental and other deposits from residents and tenants	**28,580**	15,601
– Related parties	**213**	265
– Third parties	**28,367**	15,336
	3,542,819	2,164,105

The ageing analysis of trade payables as at 31 December 2019 and 2018 is as follows:

	31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 30 days	**–**	–
Over 30 days and within 90 days	**7,598**	2,242
Over 90 days and within 365 days	**1,377**	3,146
Over 365 days	**25**	4
Total trade payables	**9,000**	5,392

13. OTHER COMMITMENTS

	31 December	
	2019	2018
	RMB'000	*RMB'000*
Expenditure contracted but not provided for in respect of		
– Property construction and development costs	**1,701,740**	2,313,928

14. SUBSEQUENT EVENT

Since January 2020, the epidemic of Coronavirus Disease 2019 (the "COVID-19 outbreak") has spread across China and other countries and it has affected the business and economic activities of the Group to some extent.

The directors of the Company have assessed that the COVID-19 outbreak may have the following potential impact to the Group:

- The Group's contacted sales of properties from 1 January 2020 to 29 February 2020 relatively dropped comparing to the same period of last year. The Group has adopted several measures to mitigate the negative impact of COVID-19 outbreak. Considering the Group does not have property projects in Hubei, which severely affected by the "COVID-19 outbreak", the Directors consider the epidemic would not have a significant impact on the Group's operating results in 2020.

- The Group's rental income and commercial operation in 2020 could possibly be negatively affected by the epidemic temporarily. Given that the income from the both business lines contributed less than 5% to the Group, the Directors consider the COVID-19 outbreak would not have a significant impact on the Group's operating results in 2020.

The Group will closely monitor the development of the COVID-19 outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED 31 DECEMBER 2019

A. Business review

The year 2019 was a volatile year in global capital markets. Trade war between the US and China triggered a general slow-down in economic growth in the PRC. Nonetheless, in these backdrops, we have achieved contracted sales of RMB12.1 billion, a 29.1% growth from RMB9.37 billion for 2018. These contracted sales will be recognized as property sales in 2020 and 2021 upon deliveries of the contracted properties to buyers.

During the year, we had five projects with properties delivered, namely Guangzhou Skyfame Byland, Nanning Skyfame Garden Project, Skyfame Nanning ASEAN Maker Town, Chongqing Project and Xuzhou Skyfame Time City. The Group delivered aggregate GFA of 898,000 sq.m. and recorded property sale revenue before direct taxes of RMB6,937 million. Comparing with 2018, revenue for the year rose 6.2% due to bigger GFA delivered but carried lower average selling prices due to different mixtures in products and markets in the two years. In 2018, a higher proportion of revenue came from high-end residential properties sold in Zhoutouzui, Guangzhou whilst the products sold in 2019 are mostly properties in mass markets in second-tier cities in Nanning and Xuzhou.

We have been persistently acquiring new lands and projects to replenish our land bank for future development. As of 31 December 2019, the Group's portfolio of 19 projects on hand offers a total uncontracted saleable GFA of 3,326,000 sq.m. (2018: 2,144,000 sq.m.). The gradually expanded land reserves will secure a persistent business growth in contracted sales for the years 2020 and 2021.

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

	Recognized Sales	
Project	**Gross Amount**	**GFA Delivered**
	RMB'million	*sq.m.*
Guangzhou Skyfame Byland	461	7,000
Nanning Skyfame Garden	2,042	408,000
Nanning Skyfame ASEAN Maker Town	2,958	259,000
Xuzhou Skyfame Time City	1,368	215,000
Chongqing Skyfame • Smart City	108	9,000
Total in year 2019	6,937	898,000
Total in year 2018	6,530	583,000

In 2019, we recorded contracted sales totaling RMB12.1 billion (2019: RMB9.37 billion) in GFA of 1,217,000 sq.m. (2018: 724,000 sq.m.) at overall before-tax average selling price of RMB10,000 per sq.m. (2018: RMB12,900 per sq.m.). The increase in the GFA contracted, covering 8 projects under development and completed projects, contributed record-breaking contracted sales to the Group. The drop in average selling prices for the contracted sales in 2019 was caused by the differences in market and product mixtures with 2018.

B. Property Portfolio

As at 31 December 2019, we have project portfolio and potential land reserves in aggregate GFA of 28.0 million sq.m. located in Guangzhou, Shenzhen, Zhongshan, Zhuhai, Huizhou in the Guangdong-Hong Kong-Macao Greater Bay Area, Nanning, Guilin, Xuzhou and Nanchang in the southeast region, and Chongqing, Kunming and Guizhou in the southwest region. The land reserves provide us a solid capacity for a sustainable growth in the approaching timelines. Depending on the status of development of each project, the profiles about our land bank are categorized into group 1 as "properties completed, under or held for development", and group 2 as "potential land reserves" as below:-

1. Properties completed, under or held for development

In the beginning of the year, we held ten real estate development projects in mainland China of which two have been completed and the others under construction or for imminent development. In addition, we have acquired six new projects through acquisition deals or land auctions during the year, together with two joint venture projects we participated in and one project held by a third party that we acting as project manager, all in all, we are holding interests in nineteen projects, either completed, under construction or for future development. As at 31 December 2019, all these nineteen projects renders a total GFA of approximately 8.80 million sq.m. (2018: 5.87 million sq.m.), of which GFA of 6.90 million sq.m (2018: 4.54 million sq.m.) are saleable. Excluding GFA of 1.83 million sq.m. that have been delivered in prior years, aggregate GFA of 5.07 million sq.m. will be ready for deliveries to buyers or to be held by the Company for investment properties throughout the periods from 2020 and up till 2023.

The table below sets out details of the project portfolio:

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	160,000	118,000	2017 – 19	100%
Shenzhen Dachitdat Project	Shenzhen	Residential & commercial	168,000	120,000	–	2022	100%
Zhongshan Skyfame Rainbow	Zhongshan	Residential & ancillary commercial	105,000	89,000	–	2020	51%
Huiyang Poly Champagne Chorus	Huizhou	Residential & ancillary commercial	161,000	131,000	–	2021 – 22	*(note d)*
Nanning Skyfame Garden	Nanning	Residential & ancillary commercial	1,211,000	951,000	912,000	2016 – 18	80%
Nanning Skyfame ASEAN Maker Town	Nanning	Composite development	1,316,000	1,050,000	407,000	2018 – 23	100%
Guilin Skyfame Wellnes Valley (acquired in 2019)	Guilin	Villas, residential & serviced apartments	233,000	230,000	–	2021 – 23	100%
Chongqing Skyfame • Smart City	Chongqing	Composite development	1,190,000	968,000	172,000	2017 – 22	100%
Chongqing Skyfame Linxi Residence (acquired in 2019)	Chongqing	Residential & ancillary commercial	458,000	369,000	–	2021 – 22	100%
Kunming Anning Linxi Valley	Kunming	Residential & ancillary commercial	295,000	256,000	–	2021	*(note c)*
Kunming Skyfame Smart City (acquired in 2019)	Kunming	Residential & ancillary commercial	517,000	398,000	–	2021 – 22	90%
Xuzhou Skyfame Time City	Xuzhou	Residential & ancillary commercial	473,000	383,000	215,000	2019 – 20	70%
Xuzhou Skyfame Elegance Garden	Xuzhou	Residential & ancillary commercial	207,000	158,000	–	2021	78%
Xuzhou Sino-Skyfame Smart City (acquired in 2019)	Xuzhou	Residential & ancillary commercial	524,000	409,000	–	2022 – 23	100%
Nanchang Skyfame Phoenix's Shade (acquired in 2019)	Nanchang	Residential & ancillary commercial	119,000	110,000	10,000	2013	66%
Zhuhai Golden Bay Project (acquired in 2019)	Zhuhai	Residential & ancillary commercial	295,000	211,000	–	2022	100%
Guangzhou Luogang Project	Guangzhou	Residential & ancillary commercial	122,000	101,000	–	2023	100%
Sub-total – developed by Group			**7,714,000**	**6,094,000**	**1,834,000**		
Nanning Impression of Sandalwood *(note b)*	Nanning	Residential and ancillary commercial	749,000	582,000	–	2020 – 22	40%
Guiyang Royal Spring *(note b)* (acquired in 2019)	Guizhou	Residential & commercial	336,000	222,000	–	2020	51%
Sub-total – developed by joint venture			**1,085,000**	**804,000**	**-**		
Total			**8,799,000**	**6,898,000**	**1,834,000**		

Note:

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

(b) Nanning Impression of Sandalwood and Guiyang Royal Spring are projects developed by joint venture entities. The above project profile refers to the GFAs under development by the two entities.

(c) Kunming Anning Linxi Valley is a project which the Group owns the rights and obligation on the properties under development, and the Group controls the project development. The above project profile refers to GFAs under development by the project company.

(d) Huiyang Poly Champagne Chorus is a project managed by the Group as project manager pursuant to an agreement. The above project profile refers to the GFAs under development by the project company.

In Guangdong-Hong Kong-Macao Greater Bay Area:

1. *Guangzhou Skyfame Byland*

The project, named as "Guangzhou Skyfame Byland" ("廣州天譽半島"), is a subsidiary of the Company whereas a third party, Guangzhou Port Group Co., Limited (廣州港集團有限公司), is entitled to share 28% in developable GFA of the completed properties. 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 in downtown of Guangzhou. The project 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.

The entire project had been completed. Up to 31 December 2019, other than GFA53,000 sq.m. allocated to Guangzhou Port Group Co., Limited and aggregate saleable GFA of 118,000 sq.m. have been delivered to buyers, and remaining GFA of 11,000 sq.m. for sale. Another 800 car parking spaces and the entire block of tower A1 in aggregate GFA of 20,000 sq.m. are retained by the Group for long-term leasing purpose.

2. *Shenzhen Dachitdat Project*

During the year, we completed the demolition works on the land, an old district remodelling project located at the southeast of Guangming New Zone, Shenzhen. The project company holds a right to redevelop on the land for a total GFA of 168,000 sq.m. (total saleable GFA of 120,000 sq.m.) for innovative industrial premises, serviced apartments and offices.

Construction will commence in 2020 right after obtaining the necessary certificates.

3. *Zhongshan Skyfame Rainbow*

The project, named as Zhongshan Skyfame Rainbow ("中山天譽虹悅") and located on Cui Sha Road (翠沙路), Rainbow Planning Zone at the north of West Zone, Zhongshan, Guangdong province, is a residential development with ancillary commercial properties. Total GFA is about 105,000 sq.m. (saleable GFA of 89,000 sq.m.).

Construction is scheduled to be completed in 2020.

4. *Huiyang Poly Champagne Chorus*

In 2019, a subsidiary of the Group was authorized pursuant to an agreement entered with the project company to perform project management service on a project in Huiyang, Guangdong province. The project covers a total GFA of 161,000 sq.m. residential and ancillary commercial properties (saleable GFA of 131,000 sq.m.. Construction will be completed by phases in 2021 and 2022. The Group will receive an annual service fee of approximately RMB50 million for service provided for the first year and fee scaled to the amount of property sales thereafter.

In Southeast Region:

5. *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 province. The project has been developed into a residential community, namely "Nanning Skyfame Garden" ("南寧天譽花園"), with a total GFA of 1,211,000 sq.m. (saleable GFA of approximately 951,000 sq.m.), covering 65 towers and consisting of GFA of 964,000 sq.m. for residential and retail properties, car parking facilities and public and municipal facilities, and GFA of approximately 247,000 sq.m. for residential and commercial units for the resettlement of original occupants.

   The entire project was completed in 2018. Up to 31 December 2019, sales of GFA of 912,000 sq.m. have been delivered and the remaining GFA are on sale or held for the operation of our third "Yuwu Startup" co-work place opened in 2019.

6. *Nanning Skyfame 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 in phases. Planned total GFA is 1,316,000 sq.m. (saleable GFA of approximately 1,050,000 sq.m.). The east zone features A-class offices, retail properties and an international 5-star hotel branded as Westin Nanning in a skyscraper in a height of 346 meters named as the Skyfame ASEAN Tower ("天譽東盟塔"), together with a community development consisting of serviced apartments, retail properties, and ancillary facilities specifically 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 "Nanning Skyfame Byland" ("南寧天譽半島"). Construction works of the two zones is scheduled to complete by phases in the years between 2018 and 2023. The development, when completed, will then be a landmark in Wuxiang New District.

Up to 31 December 2019, residential and commercial units of saleable GFA of 407,000 sq.m. have been delivered. For the undelivered saleable GFA of 643,000 sq.m., the management plans to retain GFA of 50,000 sq.m. to be held for long-term purpose for leasing to tenants engaged in retailing and distribution businesses, and the remaining GFA of 593,000 sq.m are scheduled to be delivered in 2020 onwards until 2023, the expected year of delivery of Skyfame ASEAN Tower.

7. *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"), is situated on a land plot of approximately 138,000 sq.m. and to be developed in GFA of 749,000 sq.m. (saleable GFA of 582,000 sq.m.), covering residential and commercial properties, school and municipal facilities. Construction works commenced in 2018 and will be completed in phases starting from 2020. The project is currently 94% contracted for sale.

8. *Guilin Skyfame Wellnes Valley*

The land of the project was acquired through a public auction in the third quarter of 2019. The project, named as ("天譽養生谷"), is located in Lipu city (荔浦市) at the south of Guilin city. Lipu is the transportation hub to Guilin (桂林), Liaozhou (柳州), Wuzhou (梧州) and Hezhou (賀州)cities in Guangxi. The plot is rich of natural scenery resources making the project an attractive culture and tourism development. We plan to develop the project into villas, residences and serviced apartments, a hotel and tourist scenic spot. Total GFA to be developed is 233,000 sq.m. of which 230,000 sq.m is saleable.

Construction commenced in late 2019. Pre-sale will start in 2020 and delivery is expected in 2021 to 2023.

In Southwest Region:

9. *Chongqing Skyfame • Smart City*

   The project is located in Nanan District of Chongqing, one of the city's three major CBDs embracing the central government district, at the river shore of the Yangsze river. The location is one of the top ten key development zones in Chongqing. Total GFA of approximately 1.2 million sq.m. are being developed in two phases into residential, LOFT apartments and commercial properties.

   The equity interests in the project company were acquired in phases and completed in 2018. Phase 1 of the project, named as "Gold Purple" ("紫金一品"), was completed upon our acquisition of the project. Phase 1 consists of GFA 313,000 sq.m. (saleable GFA 254,000 sq.m.). Aggregate saleable GFA of 188,000 sq.m. have been contracted and of 172,000 sq.m. have been delivered up to 31 December 2019 whilst saleable GFA of 82,000 sq.m., mainly retail properties, remain on sale.

   Phase 2, named as "Chongqing Skyfame • Smart City" ("重慶天譽 • 智慧城"), is a mixed development consisting of residences, serviced apartments, offices, shopping mall and carparking spaces, in total GFA of 877,000 sq.m. (saleable GFA of 714,000), of which GFA of 249,000 sq.m. are developed for commercial properties to be held on long term and remaining 465,000 sq.m. for sale. Construction commenced in mid-2018 and pre-sale in late 2018. Up to 31 December 2019, sales of GFA of 213,000 sq.m. have been contracted. Delivery is scheduled to take place by phases starting from 2020 and until 2022.

10. *Chongqing Skyfame Linxi Residence*

    The entire equity interest in the project company was acquired in late 2019. The main asset of the project company is a bare land, located at the gateway of Chongqing in the west. The land will be developed into residential and ancillary commercial properties of GFA of 458,000 sq.m. (saleable GFA of 369,000 sq.m.). Construction will commence in 2020. The project is named as "Chongqing Skyfame Linxi Residence" ("重慶天譽林溪府").

11. Kunming Anning Linxi Valley

In 2018, the Group acquired profit-sharing interests in a project company in Anning city of Kunming, Yunnan province. The project, named as "Kunming Anning Linxi Valley, Phase 1" ("昆明安寧林溪谷一期"), is erected on a plot of approximately 190,800 sq.m. with a planned GFA of approximately 295,000 sq.m. (saleable GFA of 256,000 sq.m.), which will be developed into villas, residential and ancillary commercial properties. Construction commenced in late 2018 and will be completed in 2021. First phase of pre-sale was launched in 2019.

12. Kunming Skyfame Smart City

The land of this project was acquired through a land auction in late 2019. The plot is situated in the northeast of Anning city of Kunming. The project, named as Kunming Skyfame Smart City ("昆明天譽智慧城"), is the first phase of a youth community project and is a residential development with total GFA of 517,000 sq.m. (saleable GFA of 398,000 sq.m.). Construction will commence in early 2020. Pre-sale is scheduled to take place in 2020 and completion in the years 2021 and 2022.

13. Guiyang Royal Spring

In 2019, we acquired a 51% equity interest in a project company engaged in a residential project in Guiyang, Guizhou province in which the Group participates in the operation but does not play a controlling role. The project, named as "Guiyang Royal Spring" ("温泉御景"), is situated on two plots, provides a total developable GFA of approximately 336,000 sq.m. and saleable GFA of 222,000 sq.m. As of 31 December 2019, the project company contracted saleable GFA totalling 175,000 sq.m. The project will start to hand-over in 2020. Remaining GFA of 47,000 sq.m. are on sale.

In Southeast Region:

14. *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) in Xuzhou, Jiangsu province. It is situated in Times Avenue South and Xufeng Highway West in Xuzhou. It is an eco-residential and commercial development. Total GFA is 473,000 sq.m. (saleable GFA of 383,000 sq.m.). Construction works commenced in 2017. The project will be completed in phases.

    Up to 31 December 2019, residential and ancillary commercial units of saleable GFA of 215,000 sq.m. have been delivered with the remaining saleable GFA of 19,000 sq.m. on sale.

15. *Xuzhou Skyfame Elegance Garden*

    The project, named as Xuzhou Skyfame Elegance Garden ("徐州天譽雅園"), is located at 1 km apart from Xuzhou Skyfame Time City.

    The land plot was acquired through a land auction in 2017. The project will be developed into a residential and ancillary commercial development. Total GFA is about 207,000 sq.m. (saleable GFA of 158,000 sq.m.). The initial pre-sale took place in late 2019. Construction works are expected to be completed in 2021.

16. *Xuzhou Sino-Skyfame Smart City*

    The land of the project was acquired through a land auction in the third quarter of 2019. The site is located in the north of the downtown of Xuzhou in Jiulihu district ("九里湖)，next to the Zhangxiaolou ("張小樓") river and a wetland park under plan. The project, namely Xuzhou Sino-Skyfame Smart City ("徐州中譽時代城")， is a mixed development in a total GFA of 524,000 sq.m. (saleable GFA of 409,000 sq.m.), consisting of residential, serviced apartments, commercial properties and a hotel. Construction will commence in 2020. Completion is expected to take place in 2022 to 2023.

17. *Nanchang Skyfame Phoenix's Shade*

The equity interest of the project was acquired in late 2019. The site, located in An Yi Xian (安義縣), a national graded eco-friendly living showcase at the northwest from the city of Nanchang, Jiangxi province. The project, named as Skyfame Phoenix's Shade ("天譽鳳凰樾"), with a total saleable GFA of 110,000 sq.m. to be developed into GFA of 78,000 sq.m. for villas and residential properties, GFA of 6,000 sq.m. for street-level shops and a hotel of 26,000 sq.m. The entire project has been completed on acquisition but subject to certain minor rectification and upgrading works. As of 31 December 2019, GFA of 21,000 sq.m were contracted for sales, and the remaining GFA of 89,000 sq.m. on sale.

Apart from the development projects listed above, as of 31 December 2019, the Group had two projects with development rights enabling the Group to commence development subject to fulfilment of certain conditions under the acquisition agreement or obtaining government approval on conversion of land uses. Investment costs paid on these projects are presented as prepayments for proposed projects grouped into "Other receivables and prepayments" on the consolidated balance sheet of the Company. Details and status of these projects are as follows:-

18. *Zhuhai Golden Bay Project*

In late December 2019, the Group entered into an agreement with two third parties to acquire the entire equity interest in a company engaged in a development project in Economic Zone of Gaolan Harbour, Pingshan New Town, Zhuhai, Guangdong province. The project will be built up to feature a residential development with total GFA of 211,000 sq.m. for sale and GFA 22,000 sq.m. to be surrendered to the local government as social subsided housing for talents and public rental housing. Total acquisition consideration is RMB880 million. The purchase agreement will be completed on or before 30 April 2020 upon the payment of the outstanding acquisition of RMB480 million. Construction is in progress and the management expects to complete the project in 2022.

19. *Guangzhou Luogang Project*

The project is located at the north of Yin Tong Road (賢堂路) of Yonghe District in Huangpu, Guangzhou. The project occupies a site of 50,263 sq.m. with planned GFA of 122,000 sq.m. (total saleable GFA of 101,000 sq.m). The land is originally granted for industrial purpose and our management plans to develop the project into serviced apartments and commercial properties. The management is currently negotiating with the district government about the redevelopment of the zone into a commercial project.

2. *Potential Land Reserves*

2.1 *Intended bids for lands*

To prepare for future land replenishments, we have signed co-operation agreements with local governments or a third party in Nanning, Xuzhou and Kunming for obtaining lands through future public auctions with an aggregate GFA of 13.26 million sq.m. The lands will be launched for auctions when the conditions set out in the agreements have been fulfilled.

2.2 *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 urban redevelopment programs being implemented by local governments in Guangzhou. These remodelling projects will provide estimated GFA of 6.0 million sq.m.. Investments made on these projects are included as prepayments for proposed projects grouped into "Other receivables and prepayments" on the consolidated balance sheet.

Upon obtaining the governmental approval of urban area refurbishment and completion of pending land auctions, the Group has a capacity of additional land bank in estimated GFA totaling 19.26 million sq.m..

C. Investment properties

Alongside with the development of properties for sale, the management selects suitable properties from the Group's projects portfolio that renders satisfactory rental yields and has capital appreciation potential. The rental income contributes stable income to the Group. As at 31 December 2019, the Group holds seven investment properties in an aggregate GFA of 338,000 sq.m. at aggregated fair values of RMB3,512 million in Chongqing, Nanning, Guangzhou and Hong Kong for current and future leasing income with details as follows:

1. Commercial properties in Chongqing Skyfame Smart City

As a condition of the land transfer contract in respect of the properties under development in Chongqing Skyfame Smart City, aggregate GFA of 248,800 sq.m. is to be built into commercial properties for long-term investment purpose. These properties, when completed in 2022, will become part of an integrated complex development in a central business district at the Southern Shore District of Chongqing. The property, carries an open market value of RMB1,297 million as at 31 December 2019 (31 December 2018: RMB1,215 million) as valued by an independent valuer.

2. Commercial properties under development in Skyfame Nanning ASEAN Maker Town

Total GFA of 50,000 sq.m. is being built by the project company for leasing to tenants engaged in retail and distribution businesses. This investment property is situated in the east zone of the land plot where grade-A offices, an international hotel and a skyscraper are being built. The property, carries an open market value of RMB527 million as valued by an independent valuer.

3. Guangzhou Skyfame Byland

a. A tower, consisting of GFA of 9,900 sq.m., is contracted with a renowned hotel operator of serviced apartments under a tenancy agreement for a term of 20 years commencing 31 December 2019 at fixed monthly rentals. The construction was completed in 2019. The fair value of the property is RMB528.0 million as at 31 December 2019 (31 December 2018: RMB520.0 million) as valued by an independent valuer.

b. *Car parking spaces in Guangzhou Skyfame Byland*

800 car parking spaces in the completed premises were leased to a management company for fixed monthly rentals. These car parking spaces carry a fair value of RMB536.0 million as of 31 December 2019 (31 December 2018: RMB520.0 million) as valued by an independent valuer.

4. *Commercial podium at Tianyu Garden Phase II*

Commercial podium in GFA of 17,300 sq.m. at Tianyu Garden Phase II in Tianhe District, Guangzhou are leased to tenants. The open market value of the property is RMB444.0 million as of 31 December 2019 (31 December 2018: RMB469.0 million) as valued by an independent valuer.

5. *Office premises at Huancheng HNA Plaza*

Office premises in GFA of 1,500 sq.m. in Huancheng HNA Plaza, Tianhe District, Guangzhou were mostly tenanted as at 31 December 2019. The open market values of the premises are RMB55.1 million (31 December 2018: RMB51.7 million). The leases commanded an average monthly rental of RMB147 per sq. m..

6. *Office premises at Capital Centre*

Office premises in GFA 6,200 sq.ft. at Capital Centre in Wanchai, Hong Kong is fully leased. The open market value of the property is RMB125.2 million (HK$139.8 million) (31 December 2018: HK$150.0 million) as assessed by an independent valuer.

D. Commercial operations in youth community projects

The operations of entrepreneurs' incubators in our three "Yuwo Startup" co-work spaces and operations in education, physical fitness and daily living provided by capable service providers in the community projects developed by the Group bring stable income to the Group, though this business line is only in start-off stage. The three "Yuwo Startup" co-work places, occupying total GFA of 5,000 sq.m. in the commercial podiums at Guangzhou Tianyu Garden II, Nanning Skyfame Garden and Chongqing Smart City, generated service income of RMB8.9 million for the current year.

E. Business Outlook

In 2019, we reckoned general economic slowdowns in mainland China. In the coming 2020, situations are becoming even more challenging led by the outbreak of coronavirus epidemic in late December last year that has inevitably dampened many economic activities in both the mainland and Hong Kong. The easing policies recently launched by central government injecting liquidity to the financial market have helped relieving to a certain extent the depressions in many industries across the nation, in particular on travelling, retailing and tourism.

In recent months, sale activities namely came to halt caused by the temporary shutdowns in our sale offices and weak consumption confidence in home buying. Notwithstanding the downturns, the government has considerable rooms and scopes to launch further adjusting policies to support the stability in the operating environments of all walks of life in the country. We do not expect there will be relaxation of stringent controlling policies on the property development sector. It is therefore important for market players to self-assess their own strength and possible threats in the current difficulties and perceived risks going forward.

We foresee sales will be flat in volume and prices in the first and strong second tier cities where most of our projects are located, but the impacts of the slowdown in our projects will not be as severe as in the lower-tier regions which are more vulnerable to economic downturns.

In the midst of the current environment, we continue our key strategy to maintain steady growth in sales and earnings in the coming years by using financial resources generated from operations or obtained from affordable external financing to replenish our land bank for the continuing business growth. In seeking external financing, in 2019, the Group opened a new financing channel by issuing high yield bonds in aggregated principal of US$274 million to financial institutions through public issues. This channel is an essence to a growing real estate developer. The Group's strengthened equity base and cash flows will pave a solid foundation in fund raising activities that will help our strategic planning on land and project acquisitions.

The Group is now better equipped than in the past by holding a comprehensive project portfolio in regions in the Greater Bay Area and big second-tier cities that are more resilient to turbulences. Our strategies in land replenishment are to concentrate on the existing regions in which our management team has experience and is familiar with. Our projects are mostly situated in cities in the Guangdong-Hong Kong-Macao Great Bay Area and strong second-tier cities. In the second half of the year 2019, the management acquired six new projects adding in new land bank of GFA totalling 2.2 million sq.m. As at 31 December 2019, our projects on hand, which are either completed, under or held for development, offer a total saleable GFA of 8.80 million sq.m. at estimated realizable values totalling RMB43.3 billion. Currently, the Group holds thirteen projects under development that can be launched for presales in 2020, and three completed projects offer inventories for sale. We are confident that the enlarged land bank can meet our target of growing contracted sales in 2020.

In these difficult and uncertain times, the management is closely monitoring the liquidity of the Group and preserve sufficient financial resources by countering any emerging or foreseeable risks of delayed sales and construction. We are conservative enough to maintain a lower level of short-term indebtedness. We are keen, but nonetheless, have been very selective in land bank building and hence do not have heavy commitments on acquisition costs. In the coming months, we have sufficient liquid resources to finance the repayment of short-tenor debts on maturities or have refinancing plans scheduled with suitable financing parties. We are confident that the financial strength of the Group can counter the setbacks impacted by the coronavirus.

F. Financial Review

Sales Turnover and Margins

Property sales, net of direct taxes, recorded RMB6,502.6 million for the year, a 6.2% rise from last year. During the year, the Group delivered GFA totaling approximately 898,000 sq.m. of properties in five projects, which are, in priority of revenue, Skyfame Nanning ASEAN Maker Town, Nanning Skyfame Garden, Xuzhou Skyfame Time City, Guangzhou Skyfame Byland and Chongqing Skyfame City, at an overall average selling price of RMB7,727 per sq.m. (2018: 11,200 per sq.m.). Amongst, sales in Nanning Skyfame Garden, constituting 31% of total sales for the year, are mostly resettlement and compensated housing contracted with local government at lower-than-market prices, dragged down the margin for the year. Excluding the effect of these low-priced sales, average selling price for the year is RMB10,100 per sq.m.. In 2018, the larger portion of sales of high-end apartments in Guangzhou Skyfame Byland commanded higher margins.

Gross margin on property sales for the year is 28.4% (2018: 30.0%). The lower margins for the year is due to the differences in the mixtures in products in the year than last 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 Hong Kong, contributed to a stable revenue of RMB28.5 million (2018: RMB19.6 million) for the year. Due to the improvement in occupancy rates and higher rental yields, revenue from this income stream for the year grew by 45.7%.

The property management provides income of RMB51.0 million for the year (2018: RMB41.4 million), representing a 23.2% growth in income caused by the growing area, currently standing at GFA of 1,724,000 sq.m., managed by our property management team and chargeable with management fee. If counted in the management fees of RMB49.0 million charged on project sites that are under development by the Group, the fee income for the year amounted to RMB100.0 million. The operation enjoys a margin of 51.9% (2018: 58.0%). Keeping abreast with the expanding area under development, the total GFA under our management will be over 4.15 million sq.m. in the coming 2020.

The Group's commercial operations in three Yuwo Startup co-work spaces started to contribute revenue since 2018. These operations generated income amounting to RMB8.9 million for the year (2018: RMB8.4 million).

Overall gross margin for the year is maintained at 28.8% (2018: 30.5%).

Operating Expenses

Given the higher volume of sale transactions and heavier promotional activities during the year, sales and marketing expenses surged to RMB249.8 million, an increase of 59.2% (2018: RMB156.9 million).

Administrative and other operating expenses amounted to RMB367.9 million (2018: RMB319.2 million), a mild increase of 15.3%. Being a major item, staff costs of RMB236.4 million were incurred (2018: RMB240.1 million), of which RMB40.4 million (2018: RMB36.9 million) were capitalized as development costs of properties. Included in staff costs are costs of RMB29.5 million accrued for shares to be awarded for the first time in April 2020 to management team members upon meeting certain pre-determined performance benchmarks for the year 2019.

Fair Value Changes in Investment Properties

The gains totaling of RMB334.3 million, comprising gain of RMB276.0 million arising from the valuation on GFA of 50,000 sq.m. in the commercial zone under construction in Nanning Skyfame ASEAN Maker Tower that will be used for leasing to tenants in retail and distribution businesses on long-term basis, and an increase of RMB58.2 million (2018: RMB66.4 million) in the fair values of the existing investment properties. In 2018, a gain of RMB203.3 million arose from the valuation of Tower A1 in Guangzhou Skyfame Byland that was contracted for leasing to a serviced apartment management company for long-term rental income.

Finance Costs – Net

Finance costs, representing arrangement fees and interests incurred on indebtedness, amounted to RMB643.4 million for the year (2018: RMB559.1 million). Higher finance costs were incurred on new indebtedness created in the year. Finance costs were mostly incurred for the development of projects and hence were capitalized as costs of projects under development, remaining RMB10.2 million (2018: RMB53.9 million) charged against the operating results for the year. The overall annualized borrowing cost, representing finance costs divided by total indebtedness, is 10.8% (2018: 9.1%). Also included are foreign exchange losses of RMB38.9 million (2018: RMB74.2 million) recorded on conversion of offshore loans denominated in HK$ and US$ booked at closing rates as a result of depreciation of RMB against the US$ and HK$ in both years. Finance costs are netted off by finance income of RMB17.9 million (2018: RMB17.7 million).

Non-operating Items

The Group shared operating losses of RMB20.6 million (2018: RMB8.1 million) incurred by a joint venture engaged in the development of Nanning Impression of Sandalwood Project and Guiyang Royal Spring Project;

Taxation

Provision in taxation totaling RMB792.8 million are respectively for land appreciation taxes on properties sold of RMB365.1 million (2018: RMB373.1 million) and RMB427.7 million (2018: RMB453.9 million) for corporate income taxes on assessable earnings for the year. In addition, deferred tax credit totaling RMB45.0 million (2018: RMB3.6 million) are mainly provided or credited due to RMB80.4 million gains on property revaluations and increases in fair values of investment properties for the year, after having reversed that previously made upon sales of the relevant properties and tax assets of RMB125.4 million arising on the timing differences on unrealised profit of intercompany transactions, tax losses and non-deductible land appreciation tax.

Profits Attributable to Shareholders

The Company's pre-tax operating profit from core operations amounted to RMB1,631.7 million (2018: RMB1,762.6 million). The reason for the drop in profits from core activities is due to the decrease in profitability in property sales and rise in operating expenses.

All in all, the Company had a consolidated after-tax profit of RMB832.0 million for the year of which profit of RMB792.3 million was attributable to the shareholders of the Company.

Liquidity and Financial Resources

1. *Asset Base*

		2019	2018
	Change in %	***RMB'000***	*RMB'000*
Total assets	7.6%	**22,851,765**	21,236,989
Net assets	13.5%	**3,750,046**	3,303,559

As of 31 December 2019, net assets amounted to RMB3,750.0 million (2018: RMB3,303.6 million). Total assets of the Group amounted to RMB22,851.8 million, a 7.6% increase from last year-end. As a reflection of the expansion in property development business, properties under development and held for sale carry an aggregate value of RMB12,993.6 million, constituting 56.9% of the total assets and rose by 11.1%. Other assets include investment properties of RMB3,512.3 million, land use rights on properties held for self-use of RMB243.6 million, plant and equipment totaling RMB454.1 million, financial assets at fair value through profit or loss of RMB329.8 million, deferred tax assets of RMB84.3 million, trade receivables of RMB440.2 million, other receivables and prepayments totaling RMB2,686.1 million, which are in the pipelines for development, contract costs paid for commissions of RMB152.9 million paid on sale proceeds received, restricted cash and pledged deposits of RMB336.0 million, and cash and cash equivalents of RMB1,572.6 million.

2. *Capital structure and liquidity*

Indebtedness of the Group, aggregated to RMB6,261.0 million at the year-end date, was flat from last year-end. Indebtedness comprises secured and unsecured borrowings from banks and financial institutions, and corporate bonds issued to financial institutions and professional investors through public issues and private placements.

The Group endeavours to match the tenors of its indebtedness with the normal operating cycle of the projects. Besides, our management is more than cautious to ensure due debts are served and repaid on schedule. In fact, the Group had redeemed some bonds totaling RMB221.6 million in principal before their maturities during the year. The short-tenor borrowings are mainly due to banks and financial institutions for which repayments have been scheduled to be financed by sale proceeds generated from the projects securing the borrowings. The management expects the sale proceeds are sufficient enough to serve the repayments.

Owing to the payments for new project and land acquisitions late in 2019, cash level in the last quarter and at the year-end date dropped to RMB1,908.7 million (2018: RMB3,086.7 million). Notwithstanding, Net debt, calculated as total borrowings net of cash and cash equivalents and less guarantee deposits for bank borrowings included in restricted cash (the "**Net Debt**"), amounted to RMB4,675.7 million (2018: RMB3,896.2 million). Despite the drop in cash and the relatively stable indebtedness, thanks to the current stronger equity base of the Company, net gearing ratio (calculated as Net Debt divided by the total equity plus Net Debt) is steadily maintained at 55.5% as at 31 December 2019 (31 December 2018: 54.1%).

As a result of the expanded portfolio of property under development, current assets aggregated to RMB18,181.3 million as at the year-end, an increase of 3.8% from last year-end. Current liabilities at the year-end amounted to RMB14,186.0 million (2018: RMB13,795.3 million).

The current ratio is slightly improved to 1.28 times as at 31 December 2019 (2018: 1.27 times). The management continues to put high attention to the liquidity position and ensure that assets, mostly inventories for sale and properties under development, can be readily turned into cash to meet the financial needs of the Group.

3. *Borrowings and pledge of assets*

As at 31 December 2019, certain investment properties, self-use properties, properties for sale and properties under development are mortgaged in favour of commercial banks and financial institutions to secure for financing facilities granted to the Group for general working capital and acquisition needs. In addition, equity interests in certain subsidiaries are charged as security for certain borrowings. As at 31 December 2019, aggregate outstanding balances of these secured indebtedness amounted to RMB4,775.0 million. The pledged assets or the underlying assets represented by these securities carry an aggregate estimated realizable value of approximately RMB11,296.0 million as at 31 December 2019. Management considers these securities provide sufficient coverage to serve the interests of our creditors.

G. Contingent Liabilities

The Group had no other material contingent liabilities as at 31 December 2019 (31 December 2018: Nil).

H. 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 corporate financing, property leasing, investment holding and administrative activities are carried out in Hong Kong and denominated in HK or US dollars. As at 31 December 2019, the Group has Hong Kong and US dollar denominated borrowings equivalent to RMB4,226.7 million, representing 67.5% of total indebtedness, financial assets at fair value of RMB329.8 million and overseas properties for self-use and leasing in Hong Kong with carrying value of HK$230.0 million (equivalent to RMB205.7 million). All other assets and liabilities in material values are denominated in RMB. These assets and liabilities denominated in non-RMB are converted to RMB at the closing exchange rates of RMB against these US and HK dollars on consolidation into the financial accounts of the Group.

Starting from 2018, RMB generally depreciated against HK and US dollars. Throughout the year 2019, RMB has depreciated 2.2% and 1.7% against HK and US dollars respectively. The depreciation of RMB has led to foreign exchange losses of RMB38.9 million. Exchange differences arising from consolidation of assets and liabilities of a subsidiary operating in Hong Kong results to exchange a net gain of RMB2.2 million and were recorded in exchange reserve forming part of the equity of the Company.

In the backdrop of the slowing economy, RMB have pressure of further depreciation, which is yet skeptical, ie. RMB may move in both directions. The fluctuations in RMB against the US and HK dollars will bring volatility to the bottom line of the Group against which unrealized 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 weigh the benefits of the hedge and costs to be incurred, the extent of fluctuations in RMB perceived by the management. We are also exploring other natural hedges, such as investments in different territories where US and HK dollars are the functional currencies to reduce the exposures of the depreciation of RMB on the financial results and position of the Group.

I. Risk Management

As a capital intensive mainland developer that typically relies on quick turnover of sales to maintain liquidity for its ongoing business, the risks faced by the Group are becoming specifically acute during economic downturns. Amongst the key risk factors, the major one is the adverse impact on liquidity caused by the recent stoppages in sales and slowing economic activities adversely affected by the coronavirus epidemic. Whilst we foresee there will be some loosening in regulatory austerity measures to relieve the pressure of all market players, the management is very cautious in the Group's control of financial resources in order to keep business stability and, on the other hand, the needs for expansion in land reserve. In the meantime, management team has made up action plans to counter the current and foreseeable problems caused by the stoppages.

Management team constantly takes close look into the prevailing circumstances in both external and internal economies affecting the Group, and discusses at board level about those key strategies to overcome the difficulties. The standing risk management committee set up by the board of directors customarily acts between the management team and directors to guide the management team in building up controls in daily operational process and alert the board on critical risks, and to decide on control strategies to relieve or avoid the risks. In addition, our internal audit department conducts regular reviews to checks about the implementation of the controls.

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 2019 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

During the period from 28 November 2019 to 31 December 2019 and 1 January 2020 to 17 January 2020, 17,590,000 and 7,488,000 shares of the Company were respectively repurchased under the general mandate granted by the shareholders of the Company at the annual general meeting of the Company held on 31 May 2019. The aforesaid repurchased shares were subsequently cancelled on 7 February 2020. During the year, pursuant to the terms of the share award scheme adopted on 3 July 2018 (the "**Share Award Scheme**"), the trustee of the Share Award Scheme purchased in the open market a total 32,738,000 shares of the Company at a total consideration of approximately HK$37,584,160. Save as the aforesaid, 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 RMB0.021) per share (2018: HK$0.023 (approximately RMB0.020)), totally approximately RMB160,000,000 (2018: RMB160,279,000) for the year ended 31 December 2019. 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 balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Group's independent auditor, PricewaterhouseCoopers ("**PwC**"), to be consistent with the amounts set out in the Group's consolidated financial statements for the year. The work performed by PwC 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 PwC on this preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

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

OTHER

As at the date of this announcement, the Board comprises four executive directors, namely Mr. YU Pan (Chairman), Mr. WEN Xiaobing, Mr. WANG Chenghua and Mr. JIN Zhifeng; 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 March 2020