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 2020

## 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 2020, together with comparative figures for the corresponding period of 2019.

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| | Note | **As at 30 June 2020 *RMB'000* (Unaudited)** | As at 31 December 2019 *RMB'000* (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **427,343** | 454,108 |
| Right-of-use assets | | **240,353** | 243,593 |
| Investment properties | | **3,579,750** | 3,512,291 |
| Financial asset at fair value through profit or loss | | **–** | 329,828 |
| Interest in joint ventures | | **41,430** | 46,295 |
| Deferred tax assets | | **126,311** | 84,311 |
| | | **4,415,187** | 4,670,426 |
| **Current assets** | | | |
| Properties under development | | **10,748,046** | 10,686,501 |
| Properties held for sale | | **2,290,940** | 2,307,057 |
| Trade receivables | *11* | **546,620** | 440,184 |
| Other receivables and prepayments | *12* | **2,705,697** | 2,686,068 |
| Contract costs | | **144,614** | 152,882 |
| Financial asset at fair value through profit or loss | | **381,223** | – |
| Restricted and pledged deposits | | **501,928** | 336,029 |
| Cash and cash equivalents | | **1,637,031** | 1,572,618 |
| | | **18,956,099** | 18,181,339 |
| **Total assets** | | **23,371,286** | 22,851,765 |
| **EQUITY** | | | |
| Share capital | | **24,660** | 24,670 |
| Other reserves | | **1,329,282** | 1,313,332 |
| Retained earnings | | **2,303,814** | 2,201,171 |
| **Equity attributable to owners of the Company** | | **3,657,756** | 3,539,173 |
| **Non-controlling interests** | | **344,402** | 210,873 |
| **Total equity** | | **4,002,158** | 3,750,046 |

| | Note | As at 30 June 2020 RMB'000 (Unaudited) | As at 31 December 2019 RMB'000 (Audited) |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Bank and other borrowings | *13* | **5,825,413** | 4,330,684 |
| Deferred tax liabilities | | **541,590** | 585,051 |
| | | **6,367,003** | 4,915,735 |
| **Current liabilities** | | | |
| Bank and other borrowings | *13* | **1,673,211** | 1,929,664 |
| Derivative financial liabilities | *13* | **–** | 670 |
| Trade and other payables | *14* | **3,679,879** | 3,542,819 |
| Contract liabilities | | **6,624,809** | 8,050,565 |
| Income tax payable | | **1,024,226** | 662,266 |
| | | **13,002,125** | 14,185,984 |
| **Total liabilities** | | **19,369,128** | 19,101,719 |
| **Total equity and liabilities** | | **23,371,286** | 22,851,765 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Six months ended 30 June **2020** *RMB'000* **(Unaudited)** | 2019 *RMB'000* (Unaudited) |
|---|---|---|---|
| Revenue | *3* | **3,878,091** | 3,729,272 |
| Cost of sales and services | | **(2,696,375)** | (2,780,013) |
| **Gross profit** | | **1,181,716** | 949,259 |
| Other income | *4* | **32,631** | 6,347 |
| Other gains/(losses) – net | *5* | **31,090** | (9,047) |
| Sales and marketing expenses | | **(114,909)** | (73,055) |
| Administrative and other expenses | | **(202,506)** | (99,590) |
| Impairment loss of trade and other receivables | | **(14,573)** | (512) |
| Fair value changes in investment properties | | **31,000** | 14,310 |
| **Operating profit** | | **944,449** | 787,712 |
| Finance costs | | **(71,444)** | (17,509) |
| Finance income | | **3,924** | 7,835 |
| Finance costs – net | *7* | **(67,520)** | (9,674) |
| Share of losses of joint ventures, net of tax | | **(4,865)** | (7,740) |
| **Profit before income tax** | | **872,064** | 770,298 |
| Income tax expense | *8* | **(439,867)** | (419,033) |
| **Profit for the period** | | **432,197** | 351,265 |
| **Profit for the period attributable to:** | | | |
| – Owners of the Company | | **268,668** | 326,474 |
| – Non-controlling interests | | **163,529** | 24,791 |
| | | **432,197** | 351,265 |

| | Note | Six months ended 30 June 2020 RMB'000 (Unaudited) | 2019 RMB'000 (Unaudited) |
|---|---|---|---|
| **Other comprehensive income for the period** | | | |
| Item that may be reclassified to profit or loss | | | |
| – Currency translation differences | | **3,438** | 1,816 |
| **Other comprehensive income for the period, net of tax** | | **3,438** | 1,816 |
| **Total comprehensive income for the period** | | **435,635** | 353,081 |
| **Total comprehensive income for the period attributable to:** | | | |
| – Owners of the Company | | **272,106** | 328,290 |
| – Non-controlling interests | | **163,529** | 24,791 |
| | | **435,635** | 353,081 |
| **Earnings per share (expressed in RMB per share)** | *9* | | |
| – Basic | | **0.035** | 0.041 |
| – Diluted | | **0.034** | 0.041 |

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

Skyfame Realty (Holdings) Limited (the "**Company**") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its (a) registered office, (b) head office and principal place of business in the People's Republic of China ("**PRC**"), and (c) principal place of business in Hong Kong are at (a) Clarendon House, 2 Church Street, Hamilton HM11, Bermuda; (b) 32nd to 33rd floors of HNA Tower, 8 Linhe Zhong Road, Tianhe District, Guangzhou, Guangdong Province, PRC and (c) Unit 1401, 14th Floor, Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong, respectively.

The Company and its subsidiaries are hereinafter collectively referred to as the "Group". The principal activity of the Company continues to be investment holding. Other than the operations in our youth community developments which currently do not bear operating results, assets or liabilities of significance to the Group, the principal activities of its subsidiaries are property development, property investment and property management.

These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

The outbreak of the 2019 Novel Coronavirus (COVID-19) had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of real estate including the construction and delivery of properties, rental revenue and occupancy rate of investment properties, allowance for expected credit losses on trade and other receivables, fair value of investment properties and so on. Since the outbreak of COVID-19, the Group kept continuous attention on. the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the condensed consolidated interim financial information is authorised for issue, COVID-19 does not have any material adverse impact on the financial position and operating result of the Group.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial information has been prepared in accordance with HKAS 34 "Interim Financial Reporting". The interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements, except the adoption of new and amended standards and interpretation as described below.

### (a) New and amended standards and interpretation adopted by the Group

| | |
|---|---|
| Amendments to HKAS 1 and HKAS 8 | Definition of material |
| Amendments to HKFRS 3 | Definition of a business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest rate benchmark reform |
| Amendments to HKFRS 16 | COVID-19-related rent concessions |
| Conceptual Framework for Financial Reporting 2018 | Revised conceptual framework for financial reporting |

The adoption of new and amended standards and interpretation did not have any material impact on the interim financial information.

### (b) New standards and amendments not yet adopted

The following new standards and amendments have been published that are not mandatory for the six months ended 30 June 2020 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

| | | **Effective for accounting periods beginning on or after** |
|---|---|---|
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate and joint venture | Effective date to be determined |
| HKFRS 17 | Insurance contracts | 1 January 2021 |

The Group's assessment of these new standards and amendments did not identify a significant impact on the Group's financial performance and position.

## 3 SEGMENT INFORMATION

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 operations. Revenue of the period consists of the following:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Sale of properties | **3,819,999** | 3,687,260 |
| Property management services | **43,063** | 23,642 |
| Rental income | **11,801** | 14,495 |
| Commercial operations | **3,228** | 3,875 |
| | **3,878,091** | 3,729,272 |

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 six months ended 30 June 2020 are as follows:

| | Property development *RMB'000* (Unaudited) | Property investment *RMB'000* (Unaudited) | Property management *RMB'000* (Unaudited) | Commercial operation *RMB'000* (Unaudited) | Elimination *RMB'000* (Unaudited) | Total *RMB'000* (Unaudited) |
|---|---|---|---|---|---|---|
| **Segment revenue** | | | | | | |
| External revenue | 3,819,999 | 11,801 | 43,063 | 3,228 | – | 3,878,091 |
| Inter-segment revenue | – | 7,594 | 68,619 | – | (76,213) | – |
| | 3,819,999 | 19,395 | 111,682 | 3,228 | (76,213) | 3,878,091 |
| **Timing of revenue recognition** | | | | | | |
| At a point in time | 3,819,999 | – | – | – | – | 3,819,999 |
| Transferred over time | – | – | 111,682 | 3,228 | (68,619) | 46,291 |
| Revenue from other sources | – | 19,395 | – | – | (7,594) | 11,801 |
| **Total** | 3,819,999 | 19,395 | 111,682 | 3,228 | (76,213) | 3,878,091 |
| **Segment results** | 896,761 | 6,653 | 21,974 | 394 | – | 925,782 |
| *Reconciliation:* | | | | | | |
| Unallocated corporate net expenses | | | | | | 2,240 |
| | | | | | | 928,022 |
| Impairment loss of trade and other receivables | | | | | | (14,573) |
| Fair value changes in investment properties | – | 31,000 | – | – | – | 31,000 |
| Share of loss of joint ventures, net of tax | | | | | | (4,865) |
| Finance costs – net | | | | | | (67,520) |
| Consolidated profit before income tax | | | | | | 872,064 |
| **Other segment information:** | | | | | | |
| Depreciation and amortisation | (1,764) | (116) | (72) | (511) | – | (2,463) |

The segment results and other segment items for the six months ended 30 June 2019 are as follows:

| | Property development *RMB'000* (Unaudited) | Property investment *RMB'000* (Unaudited) | Property management *RMB'000* (Unaudited) | Commercial operation *RMB'000* (Unaudited) | Elimination *RMB'000* (Unaudited) | Total *RMB'000* (Unaudited) |
|---|---|---|---|---|---|---|
| **Segment revenue** | | | | | | |
| External revenue | 3,687,260 | 14,495 | 23,642 | 3,875 | – | 3,729,272 |
| Inter-segment revenue | – | 4,410 | 24,957 | – | (29,367) | – |
| | 3,687,260 | 18,905 | 48,599 | 3,875 | (29,367) | 3,729,272 |
| **Timing of revenue recognition** | | | | | | |
| At a point in time | 3,687,260 | – | – | – | – | 3,687,260 |
| Transferred over time | – | – | 48,599 | – | (24,957) | 23,642 |
| Revenue from other sources | – | 18,905 | – | 3,875 | (4,410) | 18,370 |
| **Total** | 3,687,260 | 18,905 | 48,599 | 3,875 | (29,367) | 3,729,272 |
| **Segment results** | 802,336 | 5,618 | (1,194) | 3,150 | – | 809,910 |
| *Reconciliation:* | | | | | | |
| Unallocated corporate net expenses | | | | | | (35,996) |
| | | | | | | 773,914 |
| Impairment loss of trade and other receivables | | | | | | (512) |
| Fair value changes in investment properties | – | 14,310 | – | – | – | 14,310 |
| Share of loss of joint ventures, net of tax | | | | | | (7,740) |
| Finance costs – net | | | | | | (9,674) |
| Consolidated profit before income tax | | | | | | 770,298 |
| **Other segment information:** | | | | | | |
| Depreciation and amortisation | (1,344) | (377) | (871) | (7) | – | (2,599) |

Segment assets and liabilities as at 30 June 2020 are as follows:

| | **Property development** *RMB'000* **(Unaudited)** | **Property investment** *RMB'000* **(Unaudited)** | **Property management** *RMB'000* **(Unaudited)** | **Commercial operation** *RMB'000* **(Unaudited)** | **Elimination** *RMB'000* **(Unaudited)** | **Total** *RMB'000* **(Unaudited)** |
|---|---|---|---|---|---|---|
| Segment assets | **16,497,160** | **3,676,141** | **53,147** | **3,452** | **–** | **20,229,900** |
| Other assets | | | | | | **3,141,386** |
| Total assets | | | | | | **23,371,286** |
| Including: | | | | | | |
| Interests in joint ventures | | | | | | **41,430** |
| Segment liabilities | **11,766,726** | **9,919** | **44,459** | **7,607** | **–** | **11,828,711** |
| Other liabilities | | | | | | **7,540,417** |
| Total liabilities | | | | | | **19,369,128** |

Segment assets and liabilities as at 31 December 2019 are as follows:

| | Property development *RMB'000* (Audited) | Property investment *RMB'000* (Audited) | Property management *RMB'000* (Audited) | Commercial operation *RMB'000* (Audited) | Elimination *RMB'000* (Audited) | Total *RMB'000* (Audited) |
|---|---|---|---|---|---|---|
| Segment assets | 16,191,429 | 3,615,680 | 40,634 | 3,636 | – | 19,851,379 |
| Other assets | | | | | | 3,000,386 |
| Total assets | | | | | | 22,851,765 |
| Including: | | | | | | |
| Interests in joint ventures | | | | | | 46,295 |
| Segment liabilities | 12,206,407 | 10,343 | 41,091 | 7,829 | – | 12,265,670 |
| Other liabilities | | | | | | 6,836,049 |
| Total liabilities | | | | | | 19,101,719 |

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

Sales between segments are carried out in accordance with the terms of the underlying agreements. The revenue from external parties reported to the Board is measured in a manner consistent with that in the interim condensed consolidated statement of comprehensive income.

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the interim condensed consolidated balance sheet. These assets and liabilities are allocated based on the operations of the segment.

Segment assets consist primarily of property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, contract assets, receivables and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

## 4 OTHER INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest income on loan receivables | **27,477** | – |
| Others | **5,154** | 6,347 |
| | **32,631** | 6,347 |

## 5 OTHER GAINS/(LOSSES) – NET

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest income from financial assets at fair value through profit or loss ("**FVTPL**") | **17,454** | – |
| Fair value changes in financial assets at FVTPL | **11,132** | – |
| Others | **2,504** | (9,047) |
| | **31,090** | (9,047) |

## 6 EXPENSES BY NATURE

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Cost of properties sold – including construction cost, land cost and interest cost | **2,636,752** | 2,767,144 |
| Advertising costs | **103,882** | 65,335 |
| Staff costs (including directors' emoluments) | **138,862** | 54,216 |
| Taxes and levies | **33,273** | 3,604 |
| Other direct costs | **26,350** | 12,869 |
| Depreciation and amortisation | **13,249** | 11,143 |
| Auditor's remunerations | **1,200** | 1,251 |
| Others | **60,222** | 37,096 |
| | **3,013,790** | 2,952,658 |

## 7 FINANCE COSTS – NET

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest expense for bank and other borrowings | **390,371** | 314,501 |
| Less: amount capitalised | **(389,094)** | (312,053) |
| | **1,277** | 2,448 |
| Foreign exchange losses on financing activities – net | **70,167** | 15,061 |
| | **71,444** | 17,509 |
| Finance income: | | |
| Bank interest income | **3,924** | 5,799 |
| Others | **–** | 2,036 |
| | **3,924** | 7,835 |
| Finance costs – net | **(67,520)** | (9,674) |

## 8 INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Current income tax: | | |
| – Corporate income tax | **347,032** | 179,477 |
| – Land appreciation tax | **178,296** | 230,014 |
| | **525,328** | 409,491 |
| Deferred income tax | | |
| – Corporate income tax | **(85,461)** | 9,542 |
| Total income tax expenses | **439,867** | 419,033 |

**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 period, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Group's 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.

**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 the Interim Financial Information as the Company and the Group did not have assessable profit in Hong Kong for the period. The profit of the Group's entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

## 9 EARNINGS PER SHARE

The calculation of basic earnings per share amounts for the periods ended 30 June 2020 and 2019 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 resulting to new shares issued due to the exercises of share options during the periods.

The calculation of the diluted earnings per share amounts for the periods ended 30 June 2020 and 2019 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 dilutive potential ordinary shares in respect of the Company's share options schemes and share award scheme.

| | **Six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Profit for the purposes of basic and diluted earnings per share | **268,668** | 326,474 |
| | **Number of shares** | |
| | ***'000*** | *'000* |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 7,768,928 | 7,923,995 |
| Effect of dilutive potential ordinary shares in respect of the Company's share options schemes and share award scheme | 123,127 | 122,400 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 7,892,055 | 8,046,395 |
| Basic | RMB0.035 | RMB0.041 |
| Diluted | RMB0.034 | RMB0.041 |

## 10 DIVIDENDS

The 2019 final dividend amounting to RMB166,564,000 (equivalent to HK Dollar ("HK$")182,356,000) was approved by the Company's shareholders at the annual general meeting of the Company held on 16 June 2020.

No interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil) has been proposed by the Board of Directors of the Company.

## 11 TRADE RECEIVABLES

| | **As at 30 June 2020** *RMB'000* **(Unaudited)** | As at 31 December 2019 *RMB'000* (Audited) |
|---|---|---|
| Trade receivables | **578,405** | 458,547 |
| Less: loss allowance | **(31,785)** | (18,363) |
| | **546,620** | 440,184 |

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:

| | **As at 30 June 2020** *RMB'000* **(Unaudited)** | As at 31 December 2019 *RMB'000* (Audited) |
|---|---|---|
| Within one year | **307,380** | 437,867 |
| Over one year | **271,025** | 20,680 |
| | **578,405** | 458,547 |

## 12 OTHER RECEIVABLES AND PREPAYMENTS

| | **As at 30 June 2020** | As at 31 December 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Other receivables: | | |
| Sale proceeds kept by a monitoring governmental authority | **427,517** | 458,768 |
| Loan receivable | **388,681** | 361,204 |
| Maintenance funds paid on behalf of properties owners | **99,398** | 53,858 |
| Tender deposit in development project | **65,510** | 40,000 |
| 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 |
| Others | **269,987** | 181,017 |
| | **1,275,993** | 1,143,245 |
| Less: loss allowance | **(7,825)** | (6,910) |
| Subtotal | **1,268,168** | 1,136,335 |
| Prepayment: | | |
| Prepayment for proposed projects | **931,187** | 923,106 |
| Prepaid taxes and surcharges | **267,801** | 414,788 |
| Prepaid construction costs | **238,541** | 211,839 |
| | **1,437,529** | 1,549,733 |
| | **2,705,697** | 2,686,068 |

## 13 BANK AND OTHER BORROWINGS, AND DERIVATIVE FINANCIAL LIABILITIES

| | **As at 30 June 2020** *RMB'000* **(Unaudited)** | As at 31 December 2019 *RMB'000* (Audited) |
|---|---|---|
| Borrowings included in non-current liabilities: | | |
| Bank borrowings | **1,541,012** | 1,277,390 |
| Secured notes | **2,039,783** | 2,005,986 |
| Unsecured bonds | **1,614,816** | 1,485,360 |
| Other borrowings-secured | **2,303,013** | 1,491,612 |
| Less: current portion of non-current borrowings | **(1,673,211)** | (1,929,664) |
| | **5,825,413** | 4,330,684 |
| Borrowings included in current liabilities: | | |
| Current portion of long-term borrowings | **1,673,211** | 1,929,664 |
| | **1,673,211** | 1,929,664 |
| Total borrowings | **7,498,624** | 6,260,348 |
| Derivative financial liabilities included in current liabilities | **–** | 670 |

## 14 TRADE AND OTHER PAYABLES

| | **As at 30 June 2020** | As at 31 December 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Trade payables | **9,338** | 9,000 |
| Construction costs payable | **2,197,721** | 2,222,869 |
| Other payables and accruals | **1,066,082** | 1,087,163 |
| – A joint venture | **845,532** | 941,532 |
| – Third parties | **220,550** | 145,631 |
| Dividend payable | **166,564** | – |
| Accrued taxes and surcharges | **112,413** | 76,706 |
| Salaries and bonuses accruals | **55,397** | 61,606 |
| Tender payable to the suppliers | **43,365** | 56,895 |
| Receipt in advance, rental and other deposits from residents and tenants | **28,999** | 28,580 |
| – Related parties | **–** | 213 |
| – Third parties | **28,999** | 28,367 |
| | **3,679,879** | 3,542,819 |

As at 30 June 2020 and 31 December 2019, the ageing analysis of trade payables of the Group based on invoice date was as follows:

| | **As at 30 June 2020** | As at 31 December 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Within one year | **9,326** | 8,975 |
| Over one year | **12** | 25 |
| | **9,338** | 9,000 |

## 15 OTHER COMMITMENTS

| | **As at 30 June 2020** | As at 31 December 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Expenditure contracted but not provided for in respect of | | |
| – Property construction and development costs | **2,374,594** | 1,701,740 |

## 16 SUBSEQUENT EVENTS

On 16 June 2020, a special resolution was passed by the shareholders of the Company at its annual general meeting approving the reduction of an amount of HK$1,200,000,000 standing to the credit of the share premium account of the Company with the credit arising therefrom to be transferred to the contributed surplus account of the Company and be applied in such manner as permitted under the laws of Bermuda and the Company's bye-laws (the "**Capital Reorganisation**"). As all of the conditions of Capital Reorganisation have been fulfilled, the Capital Reorganisation becomes effective on 17 July 2020. For details of the Capital Reorganisation, please refer to the Company's circular dated 29 April 2020.

On 14 July 2020, Skyfame International Holdings Limited, a wholly-owned subsidiary of the Company issued 13.0%, one-year senior notes with an aggregate principal amount of US$87,500,000 at 100.00% of the face value.

## MANAGEMENT DISCUSSION AND ANALYSIS

*FOR THE SIX MONTHS ENDED 30 JUNE 2020*

### A. Business review

The global economy has been volatile with the impact of the outbreak of the coronavirus disease ("**COVID-19 pandemic**"). Since then, strict steps have been taken by various countries, including the central government of PRC, to advise citizens to avoid non-essential travel, to implement quarantines and lockdowns measures to contain the spread of the virus. Despite the challenging conditions, the Group's business remain stable with contracted sales of RMB5,170 million in the first half-year in 2020 as the Group's project portfolio are mainly located in the Greater Bay Area and big second-tier and surrounding cities with strong rigid housing demand and are most resilient to turbulences.

In the first half year of 2020, we recorded contracted sales totaling RMB5,170 million (six months ended 30 June 2019: RMB5,316 million) at GFA of 521,000 sq.m. (six months ended 30 June 2019: 392,000 sq.m.) at overall before-tax average selling price of RMB10,000 per sq.m. (six months ended 30 June 2019: RMB13,600 per sq.m.). The GFA contracted covered fourteen projects under development and completed projects. 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 2020 to 2022 when the subject properties are delivered.

During the current period, we had seven projects (six months ended 30 June 2019: five) with properties delivered, namely Guangzhou Skyfame Byland, Zhongshan Skyfame Rainbow, Nanning Skyfame Garden, Nanning Skyfame ASEAN Maker Town, Xuzhou Skyfame Time City, Nanchang Skyfame Fenghuangyue and Chongqing Skyfame • Smart City. The Group delivered an aggregate GFA of 371,000 sq.m. (six months ended 30 June 2019: 569,000 sq.m.) and recorded property sale revenue before direct taxes of RMB4,146 million (six months ended 30 June 2019: RMB3,958 million). Comparing with the corresponding period last year, there is an increase of 4.7% in revenue mainly due to the GFA delivered during the current period carried a higher average selling prices due to different mixtures in products and markets.

The Group's recognized sales of properties (gross amount before direct taxes) and saleable GFA by projects for the period are as follows:

| Project | Recognized Sales of Properties Gross Amount | GFA Delivered |
|---|---|---|
| | *RMB'million* | *sq.m.* |
| Guangzhou Skyfame Byland | 232 | 4,000 |
| Zhongshan Skyfame Rainbow | 915 | 57,000 |
| Nanning Skyfame Garden | 23 | 3,000 |
| Nanning Skyfame ASEAN Maker Town | 392 | 30,000 |
| Xuzhou Skyfame Time City | 1,083 | 148,000 |
| Nanchang Skyfame Fenghuangyue | 156 | 30,000 |
| Chongqing Skyfame • Smart City | 1,345 | 99,000 |
| Total in first half of year 2020 | 4,146 | 371,000 |
| Total in first half of year 2019 | 3,958 | 569,000 |

## B. Property Portfolio

As at 30 June 2020, 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 and Guilin in the Southern Region of China, Xuzhou and Nanchang in the Eastern Region of China, and Chongqing, Kunming and Guiyang in the Southwestern Region of China. 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*

During the period, we held sixteen real estate development projects in mainland China of which five have been completed and the others are under construction or for imminent development, 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 30 June 2020, all these nineteen projects renders a total GFA of approximately 8.86 million sq.m., of which GFA of 6.94 million sq.m are saleable. Excluding GFA of 2.20 million sq.m. that have been delivered in prior periods, aggregate GFA of 4.74 million sq.m. will be ready for deliveries to buyers or to be held by the Company for investment properties throughout the periods from 1 July 2020 and up till 2023.

The table below sets out details of property 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 | 122,000 | 2017–19 | 100% |
| Shenzhen Dachitdat Project | Shenzhen | Residential & commercial | 169,000 | 120,000 | – | 2022 | 100% |
| Zhongshan Skyfame Rainbow | Zhongshan | Residential & ancillary commercial | 105,000 | 90,000 | 57,000 | 2020 | 51% |
| Skyfame Zhuhai Bay | Zhuhai | Residential & ancillary commercial | 295,000 | 211,000 | – | 2022 | 100% |
| Guangzhou Luogang Project | Guangzhou | Residential & ancillary commercial | 122,000 | 101,000 | – | 2023 | 100% |
| Nanning Skyfame Garden | Nanning | Residential & ancillary commercial | 1,211,000 | 949,000 | 905,000 | 2016–18 | 80% |
| Nanning Skyfame ASEAN Maker Town | Nanning | Composite development | 1,307,000 | 1,040,000 | 438,000 | 2018–23 | 100% |
| Guilin Lipu Skyfame Jade Valley | Guilin | Villas, residential & serviced apartments | 234,000 | 230,000 | – | 2021–23 | 100% |
| Xuzhou Skyfame Time City | Xuzhou | Residential & ancillary commercial | 473,000 | 388,000 | 363,000 | 2019–20 | 70% |
| Xuzhou Skyfame Elegance Garden | Xuzhou | Residential & ancillary commercial | 207,000 | 158,000 | – | 2021 | 78% |
| Xuzhou Skyfame Smart City | Xuzhou | Composite development | 533,000 | 408,000 | – | 2022–23 | 100% |
| Nanchang Skyfame Fenghuangyue | Nanchang | Residential & ancillary commercial | 119,000 | 110,000 | 40,000 | 2013 | 66% |
| Chongqing Skyfame • Smart City | Chongqing | Composite development | 1,195,000 | 973,000 | 271,000 | 2017–22 | 100% |
| Chongqing Skyfame Linxifu | Chongqing | Residential & ancillary commercial | 450,000 | 357,000 | – | 2021–22 | 100% |
| Kunming Anning Linxi Valley | Kunming | Residential & ancillary commercial | 295,000 | 255,000 | – | 2021 | *(note c)* |
| Kunming Skyfame City | Kunming | Residential & ancillary commercial | 517,000 | 398,000 | – | 2021–22 | 90% |
| **Sub-total – developed by subsidiaries** | | | **7,552,000** | **5,948,000** | **2,196,000** | | |
| Nanning Spiritual Mansions *(note b)* | Nanning | Residential & ancillary commercial | 749,000 | 582,000 | | 2020–22 | 40% |
| Guiyang Royal Spring *(note b)* | Guiyang | Residential & ancillary commercial | 336,000 | 222,000 | | 2020 | 51% |
| Huiyang Poly Champagne Chorus | Huizhou | Residential & ancillary commercial | 223,000 | 185,000 | | 2021–22 | *(note d)* |
| **Sub-total – developed by joint ventures or act as project manager** | | | **1,308,000** | **989,000** | | | |
| **Total** | | | **8,860,000** | **6,937,000** | | | |

*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) Nanning Spiritual Mansions 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 ("廣州天譽半島")*

The project, named as Guangzhou Skyfame Byland, is held by 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 eight 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. (total saleable GFA of 160,000 sq.m.), consisting of seven 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 in 2019. 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 ("深圳大捷達項目")*

During the year 2019, 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 169,000 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 ("中山天譽虹悅")*

The project, named as Zhongshan Skyfame Rainbow 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 90,000 sq.m.). Construction has been completed with saleable GFA of 57,000 sq.m. delivered during the period ended 30 June 2020.

*(4) Skyfame Zhuhai Bay ("天譽珠海灣")*

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 subsidied housing for talents and public rental housing. Construction is in progress and the management expects to complete the project in 2022.

*(5) Huiyang Poly Champagne Chorus ("惠陽保利香檳頌")*

In 2019, a subsidiary of the Company 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 two phases with a total GFA of 223,000 sq.m. residential and ancillary commercial properties (saleable GFA of 185,000 sq.m.). Construction will be completed by phases up to 2022.

*(6)* *Guangzhou Luogang Project ("廣州蘿崗項目")*

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.

*In Southern Region of China:*

*(7)* *Nanning Skyfame Garden ("南寧天譽花園")*

Nanning Skyfame Garden and Nanning Skyfame 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, with a total GFA of 1,211,000 sq.m. (saleable GFA of approximately 949,000 sq.m.), covering 65 towers for residential and retail properties, car parking facilities, public and municipal facilities, and residential and commercial units for the resettlement of original occupants.

The entire project was completed in 2018. Up to 30 June 2020, remaining GFA of 31,000 sq.m. are on sale or held for the operation of our second "Yuwu Startup" co-work place opened in 2019.

*(8)* *Nanning Skyfame ASEAN Maker Town ("南寧天譽東盟創客城")*

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 1,307,000 sq.m. (saleable GFA of approximately 1,040,000 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 30 June 2020, residential and commercial units of saleable GFA of 438,000 sq.m. have been delivered. For the undelivered saleable GFA of 602,000 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 552,000 sq.m are scheduled to be delivered in 2020 onwards until 2023, the expected year of delivery of Skyfame ASEAN Tower.

*(9) Nanning Spiritual Mansions ("南寧檀府 • 印象")*

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 "Nanning Spiritual Mansions", 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.

*(10) Guilin Lipu Skyfame Jade Valley ("桂林荔浦天譽翡翠谷")*

The land of the project was acquired through a public auction in 2019. The project, named as Guilin Lipu Skyfame Jade Valley, 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 234,000 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 Eastern Region of China:*

*(11) Xuzhou Skyfame Time City ("徐州天譽時代城")*

Xuzhou Skyfame Time City 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 388,000 sq.m.). Construction works commenced in 2017 and the project has been completed in 2020.

Up to 30 June 2020, residential and ancillary commercial units of saleable GFA of 363,000 sq.m. have been delivered.

*(12) Xuzhou Skyfame Elegance Garden ("徐州天譽雅園")*

The project, named as Xuzhou Skyfame Elegance Garden, is located at 1 km apart from Xuzhou Skyfame Time City. The land plot was acquired through a land auction in 2017. The project is being developed into a residential and ancillary commercial development and construction works are expected to be completed in 2021. Total GFA is about 207,000 sq.m. (saleable GFA of 158,000 sq.m.).

*(13) Xuzhou Skyfame Smart City ("徐州廣譽智慧城")*

The land of the project was acquired through a land auction in 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 Skyfame Smart City, is a mixed development in a total GFA of 533,000 sq.m. (saleable GFA of 408,000 sq.m.), consisting of residential, serviced apartments, commercial properties and a hotel. Construction has been commenced in 2020, the pre-sale is scheduled in 2020 with construction works expected to be completed in 2022 to 2023.

*(14) Nanchang Skyfame Fenghuangyue ("南昌天譽鳳凰樾")*

The equity interest of the project was acquired in 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 Fenghuangyue, 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 30 June 2020, GFA of 40,000 sq.m have been delivered to buyers, and the remaining GFA of 48,000 sq.m. are on sale.

*<u>In Southwestern Region of China:</u>*

*(15) Chongqing Skyfame • Smart City ("重慶天譽 • 智慧城")*

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 starting in 2018 and completed in 2019. 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.). Up to 30 June 2020, aggregate saleable GFA of 176,000 sq.m. have been delivered.

Phase 2, named as Chongqing Skyfame•Smart City, is a mixed development consisting of residences, serviced apartments, offices, shopping mall and carparking spaces, in total GFA of 882,000 sq.m. (saleable GFA of 719,000 sq.m.), of which GFA of 249,000 sq.m. are developed for commercial properties to be held on long term and remaining 470,000 sq.m. for sale. Construction commenced in mid-2018 and pre-sale in late 2018. Up to 30 June 2020, aggregate saleable GFA of 95,000 sq.m. have been delivered whilst saleable GFA of 231,000 sq.m. remain on sale. Delivery is scheduled to take place by phases starting from 2020 to 2022.

*(16) Chongqing Skyfame Linxifu ("重慶天譽林溪府")*

The entire equity interest in the project company was acquired in 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 450,000 sq.m. (saleable GFA of 357,000 sq.m.). Construction has commenced in 2020 and pre-sale in late 2020.

*(17) Kunming Anning Linxi Valley ("昆明安寧林溪谷")*

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), is erected on a plot of approximately 190,800 sq.m. with a planned GFA of approximately 295,000 sq.m. (saleable GFA of 255,000 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.

*(18) Kunming Skyfame City ("昆明天譽城")*

The land of this project was acquired through a land auction in 2019. The plot is situated in the northeast of Anning city of Kunming. The project, named as Kunming Skyfame City, 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 commenced in early 2020 and pre-sale was launched in July 2020. Completion of construction is expected in the years 2021 and 2022.

*(19) Guiyang Royal Spring ("貴陽溫泉御景")*

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, is situated on two plots, provides a total developable GFA of approximately 336,000 sq.m. and saleable GFA of 222,000 sq.m. The project will start to hand-over in 2020-2021.

## 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 13.23 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 the urban redevelopment programs being implemented by local governments in Guangzhou. These remodelling projects will provide an aggregated estimated GFA of approximately 6.0 million sq.m.. Investments made on these projects are included as 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 capacity of additional land bank in estimated GFA of 19.23 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. As at 30 June 2020, the Group holds seven investment properties in an aggregate GFA of approximately 339,000 sq.m. at aggregated fair values of RMB3,580 million in Chongqing, Nanning, Guangzhou and Hong Kong for current and future leasing income with details as follows:

### *1. Commercial properties under development in Chongqing Skyfame • Smart City*

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 RMB1,313 million as at 30 June 2020 (31 December 2019: RMB1,297 million).

### *2. Commercial properties in Nanning Skyfame ASEAN Maker Town*

Total GFA of 50,200 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 RMB572 million as at 30 June 2020 (31 December 2019: RMB527 million).

### *3. Hotel in Guangzhou Skyfame Byland*

A tower, consisting of GFA of 9,900 sq.m., is contracted with a renowned hotel operator under a tenancy agreement for a term of 20 years at fixed monthly rentals. The construction was completed in 2019. The fair value of the property is RMB531 million as at 30 June 2020 (31 December 2019: RMB528 million).

### *4. 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 RMB537 million as at 30 June 2020 (31 December 2019: RMB536 million).

5. ***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 million as of 30 June 2020 (31 December 2019: RMB444 million).

6. ***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 30 June 2020. The open market values of the premises as of 30 June 2020 are RMB55 million (31 December 2019: RMB55 million).

7. ***Office premises at Capital Centre***

   Office premises in GFA of 6,200 sq.ft. at Capital Centre in Wanchai, Hong Kong is fully leased. The open market value of the property as of 30 June 2020 is RMB128 million (HK$140 million) (31 December 2019: HK$140 million).

## D. Business Outlook

Along with the COVID-19 pandemic came under control in China first, the Chinese society and economy are gradually returning to normal, and more proactive fiscal and monetary policies are set. With the impact of the COVID-19 pandemic that is to come still needing observation, we remain cautiously optimistic about the property market for the second half of 2020.

In terms of real estate policy, we expect that the government will still adhere to the general keynote that "housing is for living in, not for speculation". Having city-specific policies will ensure the stable and healthy development of the real estate market. It will also promote the rebuilding of old urban neighbourhoods and shantytowns, and strive to solve the housing problem of new citizens and young people in cities.

In terms of development strategy, the Group continues to closely follow the direction of the state's real estate regulation and control policy, and continues to adopt a dual-engine development strategy of urban renewal and regional penetration. At the same time, the Group will strengthen its property management and youth community businesses. The Group will help the government to solve the housing and employment problems of young people by working on youth community projects in response to the rigid demand and will adhere to the product structure of having residential products as its main product. It will strive to be an operator that works for young people's better living and continue to maintain a generally steady development rhythm. With regard to urban renewal, the Group will focus on the realization of a major conversion project in Guangzhou and aim to build it into the largest youth community in the Guangdong-Hong Kong-Macao Greater Bay Area. As for regional penetration, the Group will decisively seize the land opportunities on the market in many cities in which we have made good development progress and continue to increase the Group's land bank. However, the Group will insist on patiently and carefully selecting good projects to achieve quality growth rather than blindly pursue quantity.

In specific business and financial terms, in the second half of 2020, some of the new projects acquired by the Group in the second half of 2019 will successively enter the pre-sale stage. The total number of the Group's projects in the country has reached 19, and the Group has already entered 12 cities. All of the projects are located in the Guangdong-Hong Kong-Macao Greater Bay Area and second-tier and surrounding cities in China. The geographical distribution of our projects has been further optimized. The Group will continue to adhere to our sound financial management strategy, strengthen contracted sales and payment collection, strictly control various costs and expenses, and spend with due regard to our revenue. It will also strive to explore more means of financing, and continue to maintain a safe financial margin, so that the Group can still cope with ease even when there is any extreme change in the external environment.

## E. Financial Review

***Sales Turnover and Margins***

Property sales, net of direct taxes, recorded RMB3,820.0 million for the period, an increase of 3.6% from last period. The Group had delivered GFA totaling approximately 371,000 sq.m. of properties in seven projects (six months ended 30 June 2019: five projects), which are Guangzhou Skyfame Byland, Zhongshan Skyfame Rainbow, Nanning Skyfame Garden, Nanning Skyfame ASEAN Maker Town, Xuzhou Skyfame Time City, Nanchang Skyfame Fenghuangyue and Chongqing Skyfame • Smart City, at an overall average selling price of RMB11,200 per sq.m. (six months ended 30 June 2019: 7,000 per sq.m).

Gross margin on property sales for the period is 30.2% (six months ended 30 June 2019: 25.0%). The gross margin for the period is higher compared to last period as the gross margin of last period included sales of properties in Nanning Skyfame Garden that were contracted with district government in Nanning with low gross margin.

The leasing of properties revenue amounted to RMB11.8 million (six months ended 30 June 2019: RMB14.5 million) 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. The Group entered into a tenancy agreement for a term of 20 years and expected to generate stable rental income to the Group from next year onwards. The two major investment properties under development of the Group, namely 50,200 sq. m. retail units in Nanning Skyfame ASEAN Maker Town at Nanning and serviced apartments on Chongqing Skyfame Smart City at Chongqing are in progress and expected to be completed on 2021 and 2022 respectively.

The property management business provides income of RMB43.1 million for the period (six months ended 30 June 2019: RMB23.6 million), representing an 82.6% growth of income mainly caused by the growing area, currently standing at GFA of 2.7 million sq.m, managed by our property management team. The operation enjoys a margin of 43.9% (six months ended 30 June 2019: 51.9%).

The Group's commercial operations in three Yuwo Startup co-work spaces generated income amounting RMB3.2 million during the period (six months ended 30 June 2019: 3.9 million). The commercial operations segment enjoys a margin of 95.4%.

***Other income and gains – net***

Other income mainly represents income amounted to RMB27.5 million (six months ended 30 June 2019: nil) from a loan to an independent third party.

Other gains – net mainly represents the income from financial assets at fair value through profit or loss amounted to RMB17.5 million (six months ended 30 June 2019: nil) and fair value changes of the financial assets at fair value through profit or loss amounted to RMB11.1 million (six months ended 30 Jun 2019: nil) as at the balance sheet date. The Group entered investment in fixed income funds from time-to-time for cashflow management purpose whenever with surplus cash.

***Operating expenses***

Sales and marketing expenses amounted to RMB114.9 million for the period, an increase of 57.2% compared to RMB73.1 million for the last period. The increase in sales and marketing expenses mainly due to increase in number of projects in the property sale portfolio from eight to sixteen (excluding projects developed by joint ventures and act as project manager) and led to increase in marketing expenses from RMB22.3 million last period to RMB46.1 million for the current period.

Administrative and other operating expenses, amounting to RMB202.5 million (six months ended 30 June 2019: RMB99.6 million), an increase of 103.3% compared to last period. Total staff costs, a major administrative and other operating expenses, totalling RMB155.8 million for the period (six months ended 30 June 2019: RMB69.7 million) of which RMB16.9 million (six months ended 30 June 2019: RMB15.5 million) were capitalized as development cost of properties under development. The increase in staff cost expenses was mainly due to 1) increase in headcount as a result of expansion of business 2) amortization cost of share option scheme and share award scheme granted amounted to RMB23.7 million (six months ended 30 June 2019: RMB2.3 million) and 3) reversal of overprovision of staff cost amounted to RMB39.4 million in 2019.

***Finance costs***

Finance costs, representing mainly the arrangement fees, interests incurred on indebtedness and foreign exchange changes on financing activities amounted to RMB390.4 million (six months ended 30 June 2019: RMB314.5 million) for the period. The rise in costs is in pace with the increase indebtedness of the Group during the period. RMB389.1 million (six months ended 30 June 2019: RMB312.1 million) finance costs incurred related to the development of projects and hence are capitalized as costs of projects under development. Exchange loss amounted to RMB70.2 million (six months ended 30 June 2019: RMB15.1 million) mainly related to unrealized exchange loss of borrowings denominated in HKD or USD against RMB, the functional currency of the Company, was charge to profit and loss as a result of depreciation of RMB against HKD and USD during the period. The overall annualized borrowing cost, representing interests and arrangement fees divided by total indebtedness, is 11.8% (the full year in 2019: 10.8%).

***Income tax expense***

Income tax expense mainly includes land appreciation tax of RMB178.3 million (six months ended 30 June 2019: RMB230.0 million) on properties sold in the period and provision of RMB347.0 million (six months ended 30 June 2019: RMB179.5 million) for corporate income taxes on assessable earnings for the period. Also included is deferred tax credit totaling RMB85.5 million (six months ended 30 June 2019: deferred tax expenses of RMB9.5 million).

***Profit for the period***

For the six months ended 30 June 2020, profit for the period was approximately RMB432.2 million (six months ended 30 June 2019: RMB351.3 million), representing an increase of approximately 23.0% as compared to the corresponding period last year as a result of the expansion of the Group with increase in number of property development projects delivered.

Profit for the period included RMB268.7 million (six months ended 30 June 2019: RMB326.5 million) profit attributable to owners of the Company and RMB163.5 million (six months ended 30 June 2019: RMB24.8 million) attributable to non-controlling interest.

***Liquidity and Financial Resources***

| | *Change in %* | **As at 30 June 2020** ***RMB'000*** | As at 31 December 2019 *RMB'000* |
|---|---|---|---|
| Total assets | 2.3% | **23,371,286** | 22,851,765 |
| Net assets | 6.7% | **4,002,158** | 3,750,046 |

As at 30 June 2020, net assets increased to RMB4,002.2 million (31 December 2019: RMB3,750.0 million).

Total assets of the Group amounted to RMB23,371.3 million, a 2.3% increase from last year-end. Properties under development, at carrying value of RMB10,748.0 million, is the biggest asset category, constituting 46.0% of the total assets of the Group. Total assets also include investment properties of RMB3,579.8 million, properties held for sale totaling RMB2,290.9 million, property and equipment, right-of-use assets totaling RMB667.7 million, financial assets at fair value through profit or loss totaling RMB381.2 million, trade receivables of RMB546.6 million, other receivables and prepayment totaling RMB2,705.7 million, restricted cash and pledged deposits of RMB501.9 million and cash and cash equivalents of RMB1,637.0 million.

*Capital structure and liquidity*

The indebtedness of the Group, aggregated to RMB7,498.6 million at the period-end date, increase 19.8% from the balance of RMB6,260.3 million as at 31 December 2019, as a result of increase in debts and other expenses amount to RMB1,771.7 million, net with repayment of debt amounted to RMB533.4 million 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 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. 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 newly acquisition of several projects and land acquisitions in late of 2019, 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**"), increased to RMB5,849.6 million (31 December 2019: RMB4,675.7 million). Notwithstanding, cash level at the period-end date maintain in steady level amounted to RMB2,138.9 million at 30 June 2020 (31 December 2019: RMB1,908.7 million). Despite the increase in indebtedness and relatively steady level of cash position, the net gearing ratio (calculated as Net Debt divided by the total equity plus Net Debt) is slightly increased to 59.4% as at 30 June 2020 (31 December 2019: 55.5%).

As a result of the expanded portfolio of property under development, current assets aggregated to RMB18,956.1 million as at the period-end, an increase of 4.3% from last year-end. Current liabilities at the period-end amounted to RMB13,002.1 million (31 December 2019: RMB14,186.0 million).

The current ratio is slightly improved to 1.46 times as at 30 June 2020 (31 December 2019: 1.28 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.

***Borrowings and pledge of assets***

As at 30 June 2020, certain investment properties, self-use properties, properties for sale and properties under development are mortgaged in favor 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 30 June 2020, aggregate outstanding balances of these secured indebtedness amounted to RMB5,883.8 million. The pledged assets or the underlying assets represented by these securities carry an aggregate estimated realizable value of approximately RMB12,319.3 million as at 30 June 2020. 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 2020 (31 December 2019: 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 corporate 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 2020, the Group has Hong Kong and US dollar denominated borrowings equivalent to RMB4,542.4 million, representing 61% of total indebtedness, financial assets at fair value of RMB381.2 million and overseas properties for self-use and leasing in Hong Kong with carrying value of HK$222.9 million (equivalent to RMB203.6 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 period ended 30 June 2020, RMB has depreciated 2.0% and 1.5% against HK and US dollars respectively. The depreciation of RMB has led to foreign exchange losses of RMB70.2 million. Exchange differences arising from consolidation of assets and liabilities of subsidiaries operating in Hong Kong results to exchange gain of RMB3.4 million and were recorded in exchange reserve forming part of the equity of the Company.

In the backdrop of the COVID-19 pandemic and global slowing economy, RMB may 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.

## 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 resulting from these regulations and restrictions, our management is placing specific care about the controlling 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.

## I. Employees

The Group recruits suitable staff in capable caliber to fill vacancies created as a result of the growing business. As at 30 June 2020, including four executive directors of the Company, the Group employed a total of 1,197 full-time staff, of which 264 work in site offices, 250 in the head office in Guangzhou and Hong Kong for central management and supporting work for the property development business, and 683 full-time staff in the property management offices in Chongqing, Guangdong province, Xuzhou, Nanning, Yongzhou and Kunming. Employees are remunerated according to qualifications and experience, job nature and performance. They are incentivized by cash bonuses and shares awards benchmarked on performance targets, and options to acquire shares of the Company. Besides, training programs are offered to management trainees and staff at all levels. Remuneration packages are aligned with job markets in the business territories where the staff are located.

## 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 these interim financial statements, in compliance with the code provisions in 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 (the "**Stock Exchange**") 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.

## SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDER

Pursuant to the terms of various bonds instruments and certain facility agreements entered into between the Company and various lenders, a change of control event (a "**Change of Control Event**") happens if Mr. Yu and his associates (as defined under the Listing Rules) cease to (i) collectively be the beneficial owners (directly or indirectly through wholly owned subsidiaries) of at least 30% or 50%, as applicable, of the issued share capital of the Company, or (ii) be the largest shareholder of the Company. Upon the occurrence of a Change of Control Event, the lenders will declare the outstanding loan together with accrued interest and all other amounts accrued to be immediately due and payable.

## 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

During the period from 1 January to 30 June 2020, 15,476,000 Shares were repurchased under the general mandate granted by the shareholders of the Company at the general meeting of the Company held on 31 May 2019, of which 7,488,000 and 7,988,000 repurchased Shares were cancelled on 7 February and 16 July 2020 respectively.

Details of Shares repurchased during the from 1 January 2020 to 30 June 2020 is as follows:

| Month | Number of Shares Repurchased | Highest Price Per Share *(HK$)* | Total Consideration *(HK$)* |
|---|---|---|---|
| January | 7,488,000 | 1.06 | 7,815,040 |
| April | 1,838,000 | 1.02 | 1,874,460 |
| May | 6,150,000 | 1.01 | 6,210,760 |
| TOTAL | 15,476,000 | | 15,900,260 |

Save as the aforesaid, 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 2020.

**REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENTS**

The Audit Committee has reviewed with the management of the Company the accounting policies and practices adopted by the Group and discussed, among other things, internal control and financial reporting matters including a review of the unaudited interim results of the Group for the six months ended 30 June 2020. In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2020 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

**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 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, 26 August 2020