

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



天譽置業(控股)有限公司
SKYFAME REALTY (HOLDINGS) LIMITED
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
(Incorporated in Bermuda with limited liability)
(Stock Code: 00059)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022, together with comparative figures for the corresponding period of 2021.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	799,135	4,683,172
Cost of sales and services	5	(847,476)	(3,560,134)
Gross (loss)/profit		(48,341)	1,123,038
Other income		1,722	5,035
Other gains - net	4	1,456	6,037
Sales and marketing expenses	5	(56,131)	(105,535)
Administrative and other expenses	5	(180,552)	(208,601)
Impairment loss of trade and other receivables		(229,110)	(10,095)
Impairment loss of properties under development		(681,551)	–
Loss on disposal of a subsidiary		(77,360)	–
Fair value changes in investment properties		(137,099)	15,412
Operating (loss)/profit		(1,406,966)	825,291
Finance costs	6	(451,840)	(10,137)
Finance income	6	13,357	51,144
Finance (costs)/income - net	6	(438,483)	41,007
Share of (losses)/profits of joint ventures, net of tax		(3,727)	2,076
(Loss)/profit before income tax		(1,849,176)	868,374
Income tax credit/(expense)	7	218,113	(403,435)
(Loss)/profit for the period		(1,631,063)	464,939
(Loss)/profit for the period attributable to:			
– Owners of the Company		(1,622,300)	197,627
– Non-controlling interests		(8,763)	267,312
		(1,631,063)	464,939

		Six months ended 30 June	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive (loss)/income, item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		<u>(77,222)</u>	<u>2,579</u>
Total comprehensive (loss)/income for the period		<u>(1,708,285)</u>	<u>467,518</u>
Total comprehensive (loss)/income for the period attributable to:			
– Owners of the Company		<u>(1,699,522)</u>	<u>200,206</u>
– Non-controlling interests		<u>(8,763)</u>	<u>267,312</u>
		<u>(1,708,285)</u>	<u>467,518</u>
(Loss)/earnings per share			
– Basic (expressed in RMB)	8	<u>(0.200)</u>	<u>0.025</u>
– Diluted (expressed in RMB)	8	<u>(0.200)</u>	<u>0.025</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2022	As at 31 December 2021
	<i>Note</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		120,014	538,580
Right-of-use assets		221,666	362,425
Investment properties		3,526,484	3,658,458
Interest in a joint venture		40,584	44,311
Other investment		90,000	–
Deferred tax assets		505,062	286,170
		4,503,810	4,889,944
Current assets			
Properties under development		13,744,862	14,272,226
Properties held for sale		1,903,216	1,692,505
Financial asset at fair value through profit or loss		225,896	226,956
Trade receivables	<i>10</i>	234,396	198,106
Other receivables and prepayments	<i>11</i>	5,746,193	4,987,771
Contract costs		351,746	298,342
Restricted cash		862,324	2,879,579
Cash and cash equivalents		255,062	1,331,042
		23,323,695	25,886,527
Total assets		27,827,505	30,776,471

		As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
EQUITY			
Share capital		26,092	26,092
Other reserves		1,731,093	1,693,396
Retained earnings		770,860	2,507,856
Equity attributable to owners of the Company			
		2,528,045	4,227,344
Non-controlling interests		1,204,410	1,392,364
Total equity		<u>3,732,455</u>	<u>5,619,708</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		182,035	172,354
Bank and other borrowings	12	4,895,702	4,698,797
Deferred tax liabilities		381,758	429,635
		<u>5,459,495</u>	<u>5,300,786</u>
Current liabilities			
Lease liabilities		17,507	17,507
Bank and other borrowings	12	5,722,968	6,777,010
Trade and other payables	13	5,463,724	6,005,184
Contract liabilities		5,817,876	5,387,594
Income tax payable		1,613,480	1,668,682
		<u>18,635,555</u>	<u>19,855,977</u>
Total liabilities		<u>24,095,050</u>	<u>25,156,763</u>
Total equity and liabilities		<u>27,827,505</u>	<u>30,776,471</u>

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**”), unless otherwise stated.

2 BASIS OF PREPARATION AND SIGNIFICANT 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 2021, 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 2021, 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 on 1 January 2022

HKAS 16 (Amendment)	Property, Plant and Equipment: Proceeds before Intended Use
HKAS 37 (Amendment) HKFRSs	Onerous Contracts- Cost of Fulfilling a Contract Annual Improvements 2018-2020 Reporting Cycle
HKFRS 3 (Amendment)	Business Combinations
HKFRS 16 (Amendment)	COVID-19 Related Rent Concessions beyond 30th June 2021

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 2022 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
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendment)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

(c) **Going concern basis**

On 4 July 2022, the Company filed a winding up petition (the “**Petition**”) together with an application for the appointment of “light touch” joint provisional liquidators (the “**JPL Application**”) of the Company with the Commercial Court of the Supreme Court Bermuda (“**Bermuda Court**”) for debt restructuring purposes.

On 15 August 2022 (Bermuda time), upon the hearing at the Bermuda Court of the JPL Application, an order (the “**Order**”) in favour of the Company was granted, Joel Edwards of EY Bermuda Ltd. in Bermuda, So Kit Yee Anita and Lau Wun Man both of Ernst & Young Transactions Limited in Hong Kong were appointed as the joint provisional liquidators (the “**JPLs**”) on a light touch approach with limited powers for restructuring purposes. For the Petition filed by the Company, the Bermuda Court adjourned the hearing of the Petition to 28 October 2022 (Bermuda time).

The Group incurred a loss attributable to owners of the Company of approximately RMB1,622 million for the six months ended 30 June 2022. As at 30 June 2022, the Group had total bank and other borrowings of RMB10,619 million, of which RMB5,723 million were current bank and other borrowings repayable within 12 months, while the Group's cash and cash equivalents amounted to RMB255 million and restricted cash was RMB862 million.

These conditions along with other events and conditions that disclosed elsewhere, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial liabilities as and when they fall due given that (i) the Group will be able to successfully complete the debt restructuring with the creditors; (ii) the Group will be able to maintain a level sufficient to finance the working capital requirements of the Group; (iii) the Group is actively implementing cost-control and cost saving measures to improve operating cash flows and (iv) the Group is actively involved in the disposal of non-core assets, to lessen the liquidity pressure confronted by the Group.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on the going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the condensed consolidated financial statements, to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the condensed consolidated financial statements.

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sale of properties	700,198	4,589,322
Property management services	84,435	79,495
Rental income	13,009	12,867
Commercial operation	1,493	1,488
	799,135	4,683,172

Segment results represent the profit earned by each segment without fair value gains/losses on financial assets, gains/losses on disposal of financial assets, interest income and 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 2022 are as follows:

	Property development RMB'000 (Unaudited)	Property management RMB'000 (Unaudited)	Property investment RMB'000 (Unaudited)	Commercial operation RMB'000 (Unaudited)	Elimination RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue						
External revenue	700,198	84,435	13,009	1,493	-	799,135
Inter-segment revenue	-	10,381	7,526	-	(17,907)	-
	<u>700,198</u>	<u>94,816</u>	<u>20,535</u>	<u>1,493</u>	<u>(17,907)</u>	<u>799,135</u>
Timing of revenue recognition						
At a point in time	700,198	-	-	-	-	700,198
Transferred over time	-	94,816	-	1,493	(10,381)	85,928
Revenue from other sources	-	-	20,535	-	(7,526)	13,009
	<u>700,198</u>	<u>94,816</u>	<u>20,535</u>	<u>1,493</u>	<u>(17,907)</u>	<u>799,135</u>
Total	<u>700,198</u>	<u>94,816</u>	<u>20,535</u>	<u>1,493</u>	<u>(17,907)</u>	<u>799,135</u>
Segment results	(253,842)	12,388	(3,533)	(103)	-	(245,090)
<i>Reconciliation:</i>						
Unallocated corporate net expenses						<u>(36,756)</u>
						(281,846)
Impairment loss of trade and other receivables						(229,110)
Impairment loss of properties under development	(681,551)	-	-	-	-	(681,551)
Fair value changes in investment properties	-	-	(137,099)	-	-	(137,099)
Share of loss of joint ventures, net of tax						(3,727)
Loss on disposal of a subsidiary						(77,360)
Finance costs - net						<u>(438,483)</u>
Consolidated loss before income tax						<u>(1,849,176)</u>
Other segment information:						
Depreciation and amortisation	<u>(13,860)</u>	<u>(163)</u>	<u>(42)</u>	<u>(1)</u>	<u>-</u>	<u>(14,066)</u>

The segment results and other segment items for the six months ended 30 June 2021 are as follows:

	Property development <i>RMB'000</i> (Unaudited)	Property management <i>RMB'000</i> (Unaudited)	Property investment <i>RMB'000</i> (Unaudited)	Commercial operation <i>RMB'000</i> (Unaudited)	Elimination <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue						
External revenue	4,589,322	79,495	12,867	1,488	-	4,683,172
Inter-segment revenue	-	39,195	7,171	-	(46,366)	-
	<u>4,589,322</u>	<u>118,690</u>	<u>20,038</u>	<u>1,488</u>	<u>(46,366)</u>	<u>4,683,172</u>
Timing of revenue recognition						
At a point in time	4,589,322	-	-	-	-	4,589,322
Transferred over time	-	118,690	-	1,488	(39,195)	80,983
Revenue from other sources	-	-	20,038	-	(7,171)	12,867
	<u>-</u>	<u>-</u>	<u>20,038</u>	<u>-</u>	<u>(7,171)</u>	<u>12,867</u>
Total	<u>4,589,322</u>	<u>118,690</u>	<u>20,038</u>	<u>1,488</u>	<u>(46,366)</u>	<u>4,683,172</u>
Segment results	817,983	30,220	6,541	476	-	855,220
<i>Reconciliation:</i>						
Unallocated corporate net expenses						<u>(35,246)</u>
						819,974
Impairment loss of trade and other receivables						(10,095)
Fair value changes in investment properties	-	-	15,412	-	-	15,412
Share of profit of joint ventures, net of tax						2,076
Finance income - net						<u>41,007</u>
Consolidated profit before income tax						<u>868,374</u>
Other segment information:						
Depreciation and amortisation	<u>(13,552)</u>	<u>(198)</u>	<u>(1,503)</u>	<u>(512)</u>	<u>-</u>	<u>(15,765)</u>

Segment assets and liabilities as at 30 June 2022 are as follows:

	Property development <i>RMB'000</i> (Unaudited)	Property management <i>RMB'000</i> (Unaudited)	Property investment <i>RMB'000</i> (Unaudited)	Commercial operation <i>RMB'000</i> (Unaudited)	Elimination <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment assets	20,848,921	120,897	3,617,458	3,452	–	24,590,728
Other assets						<u>3,236,777</u>
Total assets						<u><u>27,827,505</u></u>
Including:						
Interest in a joint venture						<u><u>40,584</u></u>
Segment liabilities	15,589,993	163,900	515,232	3,652	–	16,272,777
Other liabilities						<u>7,822,273</u>
Total liabilities						<u><u>24,095,050</u></u>

Segment assets and liabilities as at 31 December 2021 are as follows:

	Property development <i>RMB'000</i> (Audited)	Property management <i>RMB'000</i> (Audited)	Property investment <i>RMB'000</i> (Audited)	Commercial operation <i>RMB'000</i> (Audited)	Elimination <i>RMB'000</i> (Audited)	Total <i>RMB'000</i> (Audited)
Segment assets	20,944,787	49,881	4,334,950	17,235	–	25,346,853
Other assets						<u>5,429,618</u>
Total assets						<u><u>30,776,471</u></u>
Including:						
Interest in a joint venture						<u><u>44,311</u></u>
Segment liabilities	17,200,687	91,063	505,334	4,541	–	17,801,625
Other liabilities						<u>7,355,138</u>
Total liabilities						<u><u>25,156,763</u></u>

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, properties held for sale, contract costs, receivables, financial assets at fair value through profit or loss and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

4 OTHER GAINS - NET

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income and fair value changes from financial assets at FVTPL	(7,410)	10,070
Others	<u>8,866</u>	<u>(4,033)</u>
	<u>1,456</u>	<u>6,037</u>

5 EXPENSES BY NATURE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of properties sold – including construction cost, land cost and interest cost	807,286	3,478,016
Staff costs (including directors' emoluments)	100,831	128,499
Advertising costs	12,314	98,856
Other direct costs	27,607	49,742
Taxes and levies	12,583	32,376
Depreciation and amortisation	14,066	15,765
Auditor's remunerations	–	1,197
Others	<u>109,472</u>	<u>69,819</u>
	<u>1,084,159</u>	<u>3,874,270</u>

6 FINANCE (COSTS)/INCOME - NET

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance costs:		
Interest expense for bank and other borrowings	575,977	491,034
Interest on lease liabilities	9,680	9,168
Less: amount capitalised	(305,855)	(490,065)
	279,802	10,137
Foreign exchange losses on financing activities – net	172,038	–
	451,840	10,137
Finance income:		
Foreign exchange gains on financing activities – net	–	43,206
Bank interest income	13,357	7,938
	13,357	51,144
Finance (costs)/income - net	(438,483)	41,007

7 INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
– Corporate income tax	5,387	323,488
– Land appreciation tax	40,298	208,440
	45,685	531,928
Deferred income tax		
– Corporate income tax	(263,798)	(128,493)
Total income tax (credit)/expense	(218,113)	403,435

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 Enterprise Income Tax (“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.

8 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for the periods ended 30 June 2022 and 2021 is based on the (loss)/profit for the period attributable to owners 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 (loss)/earnings per share for the periods ended 30 June 2022 and 2021 is based on the (loss)/profit for the period attributable to owners 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 and share award scheme. As the Group incurred loss attributable to the owners of the Company for the period ended 30 June 2022, the potential ordinary shares were not included in the calculation of dilutive (loss)/earnings per share, as their inclusion would be anti-dilutive.

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the purposes of basic and diluted (loss)/earnings per share	(1,622,300)	197,627
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	8,099,032	7,840,670
Effect of dilutive potential ordinary shares in respect of the Company's share options schemes and share award scheme	–	51,015
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	8,099,032	7,891,685
Basic (expressed in RMB)	(0.200)	0.025
Diluted (expressed in RMB)	(0.200)	0.025

9 DIVIDENDS

No interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil) has been proposed by the Board of Directors of the Company.

10 TRADE RECEIVABLES

	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	252,375	224,790
Less: loss allowance	(17,979)	(26,684)
	234,396	198,106

The majority of the Group's sales are derived from sales of properties, property management services and rental income. Proceeds in respect of sales of properties, property management services 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 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Within one year	70,948	39,665
Over one year	181,427	185,125
	252,375	224,790

11 OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Other receivables:		
Amounts due from non-controlling interests	1,062,876	1,076,846
Guarantee deposit of a urban redevelopment project kept by a monitoring governmental authority	889,949	596,850
Sale proceeds kept by a monitoring governmental authority	424,282	574,901
Loan receivables	361,204	361,204
Consideration receivable for disposal of a subsidiary	130,500	–
Maintenance funds paid on behalf of properties owners	64,000	64,022
Tender deposit in development project	45,510	45,510
Unpaid up capital to be contributed by a non-controlling shareholder of a subsidiary	24,900	24,900
Others	632,414	479,724
	3,635,635	3,223,957
Less: loss allowance – net	(303,408)	(67,637)
Subtotal	3,332,227	3,156,320
Prepayment:		
Prepaid construction costs	1,039,756	1,025,126
Prepaid taxes and surcharges	1,010,382	417,112
Prepayment for proposed projects	363,828	389,213
	2,413,966	1,831,451
Total	5,746,193	4,987,771

12 BANK AND OTHER BORROWINGS

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Borrowings included in non-current liabilities:		
Bank borrowings		
– Secured	3,506,289	2,838,428
Notes/bonds		
– Secured	1,552,712	1,469,479
– Unsecured	3,627,392	3,272,700
	<u>5,180,104</u>	4,742,179
Other borrowings		
– Secured	1,659,334	1,336,033
	<u>10,345,727</u>	8,916,640
Less: current portion of non-current borrowings	<u>(5,450,025)</u>	<u>(4,217,843)</u>
	<u>4,895,702</u>	<u>4,698,797</u>
Borrowings included in current liabilities:		
Current portion of long-term borrowings		
– Current portion of long-term bank and other borrowings	1,758,958	890,691
– Current portion of long-term notes/bonds	3,691,067	3,327,152
	<u>5,450,025</u>	4,217,843
Bank borrowings		
– Secured	136,887	130,872
Notes/bonds		
– Secured	136,056	128,295
Other borrowings		
– Secured	–	2,300,000
	<u>5,722,968</u>	<u>6,777,010</u>
Total borrowings	<u><u>10,618,670</u></u>	<u><u>11,475,807</u></u>

Breach of loan agreement by the Company

As disclosed in the announcements of the Company dated 26 June 2022 and 5 July 2022, the Company has a secured loan (the “**Loan**”) from a financial institution (the “**Lender**”) in Hong Kong with an outstanding principal of HK\$340 million. As the Lender finally did not approve the extension of the Loan after the grace period on 24 June 2022, the Company was unable to repay the outstanding principal of the secured Loan together with the accrued but unpaid interest thereon which has triggered the cross-default of all offshore debts of the Group. If the relevant creditors of the other offshore financing arrangements of the Group choose to accelerate the payment in accordance with the terms of such financing arrangements, such financing arrangements may become due and payable immediately and are presented as current liabilities in the consolidated balance sheet. Up to the date of this interim financial statement, taking into consideration of the acceleration by certain other offshore loans, the bank and other borrowings of the Group included in current liabilities and non-current liabilities as at 30 June 2022 were approximately RMB5,723 million and RMB4,896 million respectively.

13 TRADE AND OTHER PAYABLES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade payables	36,848	43,275
Construction costs payable	3,017,572	3,818,059
Accrued taxes and surcharges	1,451,674	1,061,330
Other payables and accruals	822,290	927,241
– Related parties	2,779	4,006
– Third parties	819,511	923,235
Tender payable to the suppliers	64,833	66,225
Receipt in advance, rental and other deposits from residents and tenants	53,308	60,488
– Related parties	213	213
– Third parties	53,095	60,275
Salaries and bonuses accruals	17,199	28,566
	<u>5,463,724</u>	<u>6,005,184</u>

As at 30 June 2022 and 31 December 2021, the ageing analysis of trade payables of the Group based on invoice date was as follows:

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Within one year	19,426	29,478
Over one year	17,422	13,797
	<u>36,848</u>	<u>43,275</u>

14 OTHER COMMITMENTS

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Expenditure contracted but not provided for in respect of – Property construction and development costs	<u>6,873,858</u>	<u>8,293,205</u>

15 SUBSEQUENT EVENT

In relation to a winding up petition and an application for the appointment of “light touch” joint provisional liquidators for debt restructuring purposes filed by the Company, upon the hearing at the Bermuda Court on 15 August 2022 (Bermuda time) of the JPL Application, an Order in favour of the Company was granted, Joel Edwards of EY Bermuda Ltd. in Bermuda, So Kit Yee Anita and Lau Wun Man both of Ernst & Young Transactions Limited in Hong Kong were appointed as the joint provisional liquidators on a light touch approach with limited powers for debt restructuring purposes. For the Petition filed by the Company, the Bermuda Court adjourned the hearing of the Petition to 28 October 2022 (Bermuda time).

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

A. Business review

During the first half of 2022, the macro environment of the China's real estate industry has undergone tremendous downturn. Property buyers stayed away from the property market in China due to economic and home price uncertainties, concerns over the unpredictable repeated COVID-19 outbreaks, economic recession risk, certain property developers' failure to deliver the properties on time as well as the increasing risk of unemployment. Buyer sentiment has broadly sagged and nationwide home price fell late last year for the first time since 2015. Fitch Ratings in April 2022 lowered its forecast on the property sales by value. Overall, the sale of property industry in China slowed down dramatically and prices fell. Alongside, the real estate developers began to encounter difficulties in raising fund through traditional channels in the capital market which has created tremendous pressure on the liquidity of most market players.

Although the Group's projects are mainly located in the Greater Bay Area and first and second-tier cities with the most resilient to turbulences, the Company has in recent months experienced a sharp decline in property sales in the midst of the complicated and volatile business environment. In the first half of 2022, the Group achieved contracted sales totaling RMB1.2 billion, declined by 80% compared to the last period. The market downturn has had a material adverse effect on the Company's ability to realize its inventories or implement any disposal plan of its assets.

Further, since early 2022, the Group's access to new financing has not been notably improved which has further exacerbated the Group's current liquidity constraints.

Since late June 2022, in the aftermath of the failure to repay certain loans and notes that were mature, the Group encountered financial difficulties to meet its liabilities falling due. With the intention to implement an orderly administered restructuring program with creditors, the Company has applied to the Bermuda Court for the appointment of "light touch" provisional liquidators for debt restructuring purposes in July 2022 that was approved by the Bermuda Court on 15 August 2022 (Bermuda time).

Despite the current difficulties encountered, the management expects that the various supportive and comprehensive policies recently issued by the local government to real estate developers will have a positive effect on overall market conditions, leading the business environment relatively stable and healthy.

In the first half of 2022, the Group recorded contracted sales totaling RMB1.2 billion (six months ended 30 June 2021: RMB6.0 billion). The GFA contracted, covered 14 Projects under development and completed projects. Other than contracted sales that were delivered and recognized during the current period, the remaining will be recognized as property sales in the later years in 2022 to 2025 when the subject properties are delivered.

The turnover of properties delivered in the first half of 2022 was RMB762 million, declined by 84.8% compared to the figures of the first half of last year. The Group had eight projects (six months ended 30 June 2021: seven) with properties delivered, namely Guangzhou Skyfame Byland, Zhongshan Skyfame Rainbow, Chongqing Skyfame • Smart City, Nanning Skyfame Garden, Nanning Skyfame ASEAN Maker Town, Nanning Spiritual Mansions, Xuzhou Skyfame Time City, and Kunming Anning Linxi Valley. The Group delivered aggregate GFA of 66,920 sq.m. (six months ended 30 June 2021: 537,200 sq.m.) and recorded property sale revenue before direct taxes of RMB762 million (six months ended 30 June 2021: RMB5,019 million).

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

Project	Recognized Sales	
	Gross Amount <i>RMB'million</i>	GFA Delivered <i>sq.m.</i>
Guangzhou Skyfame Byland	6	160
Zhongshan Skyfame Rainbow	85	6,360
Chongqing Skyfame•Smart City	280	29,040
Nanning Skyfame Garden	18	7,040
Nanning Skyfame ASEAN Maker Town	28	7,660
Nanning Spiritual Mansions	229	2,870
Xuzhou Skyfame Time City	1	1,230
Kunming Anning Linxi Valley	115	12,560
	762	66,920
Total in first half of year 2022	762	66,920
Total in first half of year 2021	5,019	537,200

B. Property portfolio

As at 30 June 2022, we have project portfolio and potential land reserves in aggregate GFA of 33.0 million sq.m. mainly 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 Guizhou 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”, group 2 as “co-operation projects” and group 3 as “potential land reserves” as below:

1. Properties completed, under or held for development

During the current period, we held eighteen real estate development projects in mainland China of which six have been completed and the others under construction or for imminent development, together with projects that we have minority interests or in joint venture arrangement in which we participated other projects held by third parties that we are acting as project manager. All in all, we are holding interests in thirty-one projects, either completed, under construction or for future development. As at 30 June 2022, all these projects renders a total GFA of approximately 15 million sq.m..

The table below sets out details of property portfolio.

Project	Location	Property type	Estimated total GFA (sq.m.)	Estimated	Accumulated	Actual/	The Group's effective interest
				total saleable GFA (Note a) (sq.m.)	saleable GFA delivered (sq.m.)	Estimated completion year	
Guangzhou Skyfame Byland	Guangzhou	Residential & commercial	315,000	160,000	125,000	2017 - 19	100%
Guangzhou Fengwei Village Project	Guangzhou	Residential & ancillary commercial	2,104,000	901,000	-	2024 - 30	78%
Guangzhou Luogang Project	Guangzhou	Serviced apartment & ancillary commercial	122,000	101,000	-	2024	99.1%
Shenzhen Skyfame Health Smart City	Shenzhen	Serviced apartment & commercial	183,000	128,000	-	2024	98%
Zhongshan Skyfame Rainbow	Zhongshan	Residential & ancillary commercial	105,000	86,000	86,000	2020	50%
Skyfame Zhuhai Bay	Zhuhai	Residential & ancillary commercial	298,000	212,000	-	2022 - 23	78%
Nanning Skyfame Garden	Nanning	Residential & ancillary commercial	1,202,000	960,000	933,000	2016 - 18	78%
Nanning Skyfame ASEAN Maker Town	Nanning	Composite development	1,305,000	1,047,000	757,000	2018 - 24	78%
Nanning Spiritual Mansions	Nanning	Residential and ancillary commercial	749,000	584,000	559,000	2020 - 22	39%
Guilin Lipu Skyfame Jade Valley	Guilin	Villas, residential & serviced apartments	236,000	230,000	-	2022 - 25	98%
Xuzhou Skyfame Time City	Xuzhou	Residential & ancillary commercial	470,000	395,000	371,000	2019 - 21	70%
Xuzhou Skyfame Elegance Garden	Xuzhou	Residential & ancillary commercial	205,000	153,000	131,000	2021 - 22	78%
Xuzhou Skyfame Smart City	Xuzhou	Residential & ancillary commercial	538,000	428,000	-	2022 - 24	89%
Nanchang Skyfame Fenghuangyue	Nanchang	Residential & ancillary commercial	119,000	110,000	75,000	2013	64%
Chongqing Skyfame Smart City	Chongqing	Composite development	1,195,000	962,000	454,000	2017 - 24	98%
Chongqing Skyfame Linxifu	Chongqing	Residential & ancillary commercial	448,000	347,000	-	2022 - 24	74%
Kunming Anning Linxi Valley	Kunming	Residential & ancillary commercial	295,000	255,000	13,000	2022	(note b)
Kunming Skyfame City	Kunming	Residential & ancillary commercial	507,000	389,000	-	2022- 25	90%
Sub-total - developed by subsidiaries			<u>10,396,000</u>	<u>7,448,000</u>	<u>3,504,000</u>		
Co-operation projects (note c)			<u>5,061,000</u>				
Total			<u>15,457,000</u>				

Note:

- (a) Total saleable GFA excludes un-saleable area for municipal facilities, area allocated to a cooperative partner and resettlement housing to be provided without sale considerations in certain projects.
- (b) For Kunming Anning Linxi Valley, a project being developed through a right under a contractual arrangement, the above project profile refers to GFAs under development by the project company.
- (c) Co-operation projects refer to the projects which are developed that we have joint venture arrangement, or we act as project manager pursuant to the relative agreements. The above projects profile refers to the GFAs under development by the project companies.

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 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 315,000 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.

As at the period end, the entire project had been completed with 800 car parking spaces and the entire block of tower A1 in aggregate GFA of 20,000 sq.m. have been retained by the Group for investment purpose.

(2) *Guangzhou Fengwei Village Project* (“廣州鳳尾村項目”)

The project is an old village redevelopment project located in Fengwei Village, Jiufu Street (九佛街), Huangpu District, Guangzhou. The project is adjacent to the Hongwei metro station, which is about one-hour driving distance away from Tianhe District, the centre of Guangzhou, and close to the International Biomedical Innovation Park. The project covers a land for a total GFA of 2,104,000 sq.m. (total saleable GFA of 901,000 sq.m.).

In late of 2020, an indirect wholly-owned subsidiary of the Company namely Nanning Tianyu Jurong Realty Company Limited (“**Tianyu Jurong**”), was notified by Fengwei Village Economic Cooperative Society that, following the open tender process for the introduction of cooperative entity on the Guangzhou Public Resources Trading Service Platform, Tianyu Jurong became the cooperative entity for the project. The demolition works on the land and the construction has been commenced.

(3) *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.

Guangzhou Luogang Project has development right enabling the Group to commence development subject to obtaining government approval on conversion of land uses. Investment costs paid on the project are presented as prepayments for proposed projects grouped into “Other receivables and prepayments” of the consolidated balance sheet.

(4) *Skyfame Health Smart City* (“天譽大健康智慧工業園”)

The project, named as Skyfame Health Smart City is 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 183,000 sq. m.(total saleable GFA of 128,000 sq.m.) for innovative industrial premises, serviced apartments and offices. We have completed the demolition works on the land and the construction has been commenced during 2021.

(5) *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. The total GFA of the project is about 105,000 sq.m. (saleable GFA of 86,000 sq.m.). The entire project had been completed in 2021, and a total saleable GFA of 86,000 sq.m. has been delivered to buyers.

(6) *Skyfame Zhuhai Bay* (“天譽珠海灣”)

The Group has interest in a company engaged in a development project in Economic Zone of Gaolan Harbour, Pingshan New Town, Zhuhai, Guangdong province. The project has been developed into a residential development with total GFA of 212,000 sq.m. for sale and GFA 22,000 sq.m. to be surrendered to the local government as social subsidized housing for talents and public rental housing. Construction is in progress and the management expects to complete the project in 2022 and 2023.

In Southern Region of China:

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

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”, with a total GFA of 1,202,000 sq.m. (saleable GFA of approximately 960,000 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 had been completed and up to 30 June 2022, a total saleable GFA of 933,000 sq.m. has been delivered to buyers, the remaining GFA are on sale or held for the youth community operation of the “Yuwu Startup” co-work place.

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

The development covers three land plots of 194,222 sq.m. 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 1,305,000 sq.m. (saleable GFA of approximately 1,047,000 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 up to 2024. The development, when completed, will then be a landmark in Wuxiang New District.

Up to 30 June 2022, residential and commercial units of saleable GFA of 757,000 sq.m. have been delivered to buyers. For the undelivered saleable GFA of 290,000 sq.m., the management retains 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 are scheduled to be delivered in 2022 onwards until 2024, the expected year of delivery of Skyfame ASEAN Tower.

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

The Group participates in an 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 584,000 sq.m.), covering residential and commercial properties, school and municipal facilities. Construction works has been completed in phases starting from 2020. Up to 30 June 2022, a total saleable GFA of 559,000 sq.m. has been delivered to buyers.

(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. 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), Liao Zhou (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 236,000 sq.m. of which 230,000 sq.m is saleable. Construction commenced in late 2019 and delivery is expected to be in 2022 to 2025.

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 with residential and ancillary commercial units. The project was completed in 2021, with a total GFA of 470,000 sq.m. (saleable GFA of 395,000 sq.m.) of which saleable GFA of 371,000 sq.m. were delivered up to 30 June 2022.

(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 with a total GFA of about 205,000 sq.m. (saleable GFA of 153,000 sq.m.). Up to 30 June 2022, saleable GFA of 131,000 sq.m. has been delivered to buyers. The project is being developed into residential and ancillary commercial development and construction works are expected to be completed in 2022.

(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 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 538,000 sq.m. (saleable GFA of 428,000 sq.m.), consisting of residential, serviced apartments, commercial properties and a hotel. Construction and pre-sale has commenced with construction works expected to be completed in 2022 to 2024.

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

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 Nanchang Skyfame Fenghuangyue, with a total saleable GFA of 110,000 sq.m. to be developed into villas and residential properties, street-level shops and a hotel. The entire project has been completed and but subject to certain minor rectification and upgrading works. As of 30 June 2022, GFA of 75,000 sq.m has been delivered to buyers.

In Southwestern Region of China:

(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.

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.). 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 708,000), of which GFA of 249,000 sq.m. are developed for commercial properties to be held for long term and remaining 459,000 sq.m. for sale.

Up to 30 June 2022, aggregate saleable GFA of 454,000 sq.m. has been delivered to the buyers. Delivery of Phase 2 is scheduled to take place by phases starting from 2020 to 2024.

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

The site located at the gateway of Chongqing in the west. The land will be developed into residential and ancillary commercial properties of GFA of 448,000 sq.m. (saleable GFA of 347,000 sq.m.). Construction and pre-sale has been commenced and it is expected to be completed by around 2024.

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

The Group obtained a right through a contractual arrangement entered with a third party. 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. Pre-sale was launched and the construction is expected to be completed in 2022-23. As at 30 June 2022, saleable GFA of 13,000 sq.m. has been delivered to buyers.

(18) *Kunming Skyfame City* (“昆明天譽城”)

The land of this project was acquired through a land auction. 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 507,000 sq.m. (saleable GFA of 389,000 sq.m.). Pre-sale was launched in 2020 and the completion of construction is expected in the years between 2022-2025.

2. *Co-operation projects*

As of 30 June 2022, our property portfolio consists of a number of projects that we have joint venture arrangement or we act as project manager pursuant to the relative agreements.

The total GFA of these projects are approximately 5 million sq.m..

3. *Potential land reserves*

3.1 *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 million sq.m. The lands will be launched for auctions when the conditions set out in the agreements have been fulfilled.

3.2 *Urban redevelopment projects*

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 4.7 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 redevelopment and completion of pending land auctions, the Group has capacity of additional land bank in estimated GFA of 17.7 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 2022, the Group holds seven investment properties in an aggregate GFA of approximately 339,000 sq.m. at aggregated fair values of RMB3,526.5 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*

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, 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 RMB1,303.0 million as at 30 June 2022 (31 December 2021: RMB1,308.0 million).

2. *Commercial properties 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 RMB683.0 million as at 30 June 2022 (31 December 2021: RMB686.0 million).

3. *Guangzhou Skyfame Byland*

A tower, consisting of GFA of 9,900 sq.m., is contracted with a renowned hotel operator of serviced apartments under a tenancy agreement. The open market value of the property is RMB455.0 million as at 30 June 2022 (31 December 2021: RMB532.0 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 an open market value of RMB497.0 million as at 30 June 2022 (31 December 2021: RMB538.0 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 RMB423.0 million as at 30 June 2022 (31 December 2021: RMB429.0 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 2022. The open market values of the premises as of 30 June 2022 are RMB53.3 million (31 December 2021: RMB54.0 million).

7. *Office premises at Capital Centre*

Office premises in GFA 6,200 sq.ft. (570 sq.m.) at Capital Centre in Wanchai, Hong Kong is leased. The open market value of the property as of 30 June 2022 is RMB112.2 million (HK\$131.2 million) (31 December 2021: RMB111.5 million (HK\$136.3 million)).

D. Business Outlook

The Group is cautious about the second half of 2022 given the current challenges in China's real estate industry. Although local governments of many cities provide supporting policies on the demand side to boost buying sentiment and gradually loosen the supply side restrictions, the management believes it takes time to restore the confidence of creditors and home buyers. In the short term, the pressure of deleveraging inventories still exists and the suppressed buying sentiments will take time to recover.

Delivery of properties on time is the priority target of the Group at this stage. The Group adopts the strategies of geographic focus in the Guangdong-Hong Kong-Macao Greater Bay Area centered in Guangzhou, enhancing project operation efficiency, accelerating the construction of Guangzhou urban renewal projects, strict control costs and expenses, resolutely taking measures to execute non-core asset disposal and downsize the business to optimal scale to enable a successful debts restructuring with creditors. The Group believes the above strategies will enhance its resilience to overcome the difficulties.

Although China's real estate industry still needs time to navigate the difficulties in the short term, in the long run, the real estate industry will still be one of the pillar industries of China's economy. The Group has a firm belief in its glorious future and will continue to closely follow the national development policy, try its utmost to help the government solve the housing problems of young people, and provide high-quality and affordable accommodation for the better life of young people.

E. Financial Review

Sales Turnover and Margins

Property sales, net of direct taxes, recorded RMB700.2 million for the period (six months ended 30 June 2021: RMB4,589.3 million). During the period, the Group had delivered GFA totaling approximately 66,920 sq.m. of properties in eight projects (six months ended 30 June 2021: seven projects), which are namely, Guangzhou Skyfame Byland, Zhongshan Skyfame Rainbow, Chongqing Skyfame • Smart City, Nanning Skyfame Garden, Nanning Skyfame ASEAN Maker Town, Nanning Spiritual Mansions, Xuzhou Skyfame Time City and Kunming Anning Linxi Valley, at an overall before-tax average selling price of RMB11,400 per sq.m. (six months ended 30 June 2021: RMB9,300 per sq.m).

Gross deficit on property sales for the period is 15.3% (six months ended 30 June 2021: Gross profit: 24.2%). The significant downward in gross margin was mainly due to intense market competition and the regulatory policies in the industry resulted in decline in the sale price, together with increase in development cost with certain portion contributed by the finance cost of the general borrowings capitalised in the projects.

The leasing of properties revenue amounted to RMB13.0 million (six months ended 30 June 2021: RMB12.9 million) 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. The major investment property under development of the Group, namely serviced apartments on Chongqing Skyfame • Smart City at Chongqing is in progress and expected to be completed in 2023-2024.

Operating expenses

Sales and marketing expenses amounted to RMB56.1 million for the period (six months ended 30 June 2021: RMB105.5 million), a decrease of 46.8% compared to the last period due to the Company's cost planning arrangement and the overall decline in the property sale environment.

Administrative and other expenses, amounting to RMB180.6 million (six months ended 30 June 2021: RMB208.6 million), decreased by 13.4% compared to last period. The decrease in administrative and other expenses was primarily a result of our cost and expenses control measures implemented during the period.

Total staff costs, one of the major administrative and other expenses, totalling RMB119.7 million for the period (six months ended 30 June 2021: RMB148.2 million) of which RMB18.9 million (six months ended 30 June 2021: RMB19.7 million) were capitalized as development cost of properties under development. As a result of the stringent cost and expense controls starting in late 2021, staff force is reduced by 19.1% and reflected by the reduction of number of staff to a total of 1,103 as at period end.

Finance costs – net

Finance costs, representing mainly the arrangement fees and interests incurred on borrowings amounted to RMB585.7 million (six months ended 30 June 2021: RMB500.2 million) for the period. Finance costs were mostly incurred for the development of projects and hence were capitalized as costs of projects under development, remaining RMB279.8 million (six months ended 30 June 2021: RMB10.1 million) charged against the operating results for the period related to general interest not qualified for capitalisation. The overall weighted average annualized borrowing cost, representing weighted average finance costs divided by total borrowings, is 10.8% (six months ended 30 June 2021: 11.3%). Finance costs also included interest incurred on lease liabilities amounted to RMB9.7 million (six months ended 30 June 2021: RMB9.2 million) and foreign exchange loss on financing activities of offshore loans denominated in HK\$ and US\$ booked at closing rates as a result of depreciation of RMB against the HK\$ and US\$ in the period.

Income tax credit/(expense)

Income tax credit mainly includes land appreciation tax of RMB40.3 million (six months ended 30 June 2021: RMB208.4 million) on properties sold in the period and provision of RMB5.4 million (six months ended 30 June 2021: RMB323.5 million) for corporate income taxes on assessable earnings for the period, netting off the deferred tax credit totaling RMB263.8 million (six months ended 30 June 2021: RMB128.5 million).

Loss for the period

Loss for the period was approximately RMB1,631.1 million (six months ended 30 June 2021: profit RMB464.9 million).

Loss for the period included RMB1,622.3 million loss attributable to owners of the Company (six months ended 30 June 2021: profit of RMB197.6 million) and RMB8.8 million (six months ended 30 June 2021: profit RMB267.3 million) loss attributable to non-controlling interests.

In the first half of 2022, the Group's net loss attributable to owners and the overall downward pressure on the Group's gross loss were mainly due to (i) the sharp decline in property sales recognized in the face of the complex and volatile external real estate environment in China; (ii) the downward on the gross profit margin in general as a result of intense market competition and the regulatory policies in the industry; (iii) the increase in finance cost; (iv) the increase in the provision of trade and other receivables and impairment of inventory due to the market uncertainties and the impact of the tough business environment in the real estate industry; (v) the expected net foreign exchange losses due to the fluctuations of foreign exchange rate and (vi) the continued impact of the COVID-19 epidemic. In view of the uncertainty of the current market conditions, the Group expedited the sales and marketing of the remaining units of the property projects to control the market risks and accelerate further expansion and development strategy of the urban renewal of Guangzhou Fengwei Village Project, based in the Guangdong-Hong Kong-Macao Greater Bay Area.

Financial Resources

		30 June 2022	31 December 2021
	<i>Change in%</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	decreased by 9.6%	27,827,505	30,776,471
Net assets	decreased by 33.6%	3,732,455	5,619,708

Total assets of the Group amounted to RMB27,827.5 million, a 9.6% decrease from last year-end. Properties under development, at carrying value of RMB13,744.9 million, is the biggest asset category, constituting 49.4% of the total assets of the Group. Total assets also include investment properties of RMB3,526.5 million, properties held for sale totaling RMB1,903.2 million, property, plant and equipment, right-of-use assets totaling RMB341.7 million, financial assets at fair value through profit or loss totaling RMB225.9 million, trade receivables of RMB234.4 million, other receivables and prepayments totaling RMB5,746.2 million, restricted cash of RMB862.3 million and cash and cash equivalents of RMB255.1 million.

In order to ease the short-term financial stress and to enhance the liquidity position, the Company will focus on improving the net cash from operating activities and debt restructuring and to meet its funding requirements in its normal course of operation, procuring the disposal of non-core or idle assets and implementing tighter control over costs, working capital and capital expenditures.

Appointment of Joint Provisional Liquidators and Winding Up Petition and Possible Debt Restructuring of the Company

As disclosed in the announcement of the Company dated 16 August 2022 in relation to (i) a winding up petition and an application for the appointment of “light touch” joint provisional liquidators for debt restructuring purposes filed by the Company, upon the hearing at the Bermuda Court on 15 August 2022 (Bermuda time) of the JPL Application, an Order in favour of the Company was granted, Joel Edwards of EY Bermuda Ltd. in Bermuda, So Kit Yee Anita and Lau Wun Man both of Ernst & Young Transactions Limited in Hong Kong were appointed as the joint provisional liquidators on a light touch approach with limited powers for debt restructuring purposes. The Company will continue to maintain active communication with creditors and adopt practicable measures to unite the consensus of creditors in order to promote the implementation of the debt restructuring plan. For the Petition filed by the Company, the Bermuda Court adjourned the hearing of the Petition to 28 October 2022 (Bermuda time).

Management’s position and basis on the going concern assumption

As detailed above in relation to the appointment of JPLs and the proposed implementation of debt restructuring plan of the Company, conditions existed as at 30 June 2022 indicating the existence of material uncertainties which may cast significant doubt regarding the Group’s ability to continue as a going concern. The management of the Company is actively negotiating with the JPLs and the creditors for a viable debt restructuring plan.

As at the date of publication of the interim financial information, the debt restructuring plan has not been determined yet and the eventual outcome of the debt restructuring plan cannot be determined with reasonable certainty. Assuming the successful implementation of the proposed debt restructuring plan, the Board is of the view that the Group will have sufficient working capital to meet its financial obligation as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Capital structure and liquidity

The borrowings of the Group, aggregated to RMB10,618.7 million at the period-end date, decrease 7.5% from the balance of RMB11,475.8 million as at 31 December 2021, as a result of net decrease in borrowings after the repayment of borrowings during the period. Borrowings mainly comprises secured and unsecured borrowings from banks and financial institutions and corporate bonds issued to financial institutions and professional investors.

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 RMB10,351.6 million (31 December 2021: RMB7,832.8 million).

The cash level (exclude restricted cash secured for the payment of construction cost of related properties) at the period-end date decreased sharply to RMB267.1 million at 30 June 2022 (31 December 2021: RMB3,643.0 million), mainly due to the repayment of bank and other borrowings totally RMB2.6 billion and the sharply decline in the contracted sale performance. The net gearing ratio (calculated as Net Debt divided by the total equity plus Net Debt) increased to 73.5% as at 30 June 2022 (31 December 2021: 58.2%).

Current assets aggregated to RMB23,323.7 million as at 30 June 2022 (31 December 2021: RMB25,886.5 million), a decrease of 9.9% from last year-end. Current liabilities at the period-end date amounted to RMB18,635.6 million (31 December 2021: RMB19,856.0 million).

The current ratio is slightly decreased to 1.25 times as at 30 June 2022 (31 December 2021: 1.3 times). The management continues to pay 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 2022, certain investment properties, self-use properties, right-of-use assets, properties held 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 2022, aggregate outstanding balances of these secured borrowings amounted to RMB6,991.3 million.

The pledged assets or the underlying assets represented by these securities carry an aggregate estimated fair value of approximately RMB16.3 billion as at 30 June 2022. Management considers these securities provide sufficient coverage to serve the interests of our creditors.

F. Contingent Liabilities

As at 30 June 2022 and 2021, the Group has been involved in several lawsuits, provision has been made for the probable losses to the Group based on management's assessment on the outcome of the lawsuits taking into account the legal advice and none of these is expected to have a significant effect on the consolidated financial statements of the Group. Other than those disclosed, where appropriate, the Group has no other significant contingent liabilities.

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 2022, the Group has Hong Kong and US dollar denominated borrowings equivalent to RMB5,793.7 million, representing 54.6% of total borrowings, financial assets at fair value of RMB222.9 million and overseas properties for self-use and leasing in Hong Kong with carrying value of HK\$310.0 million (equivalent to RMB265.1 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.

Throughout the period ended 30 June 2022, RMB has depreciated 4.6% and 5.3% against HK and US dollars respectively. As a result, net unrealized foreign exchange losses of RMB172.0 million were recorded when assets and liabilities denominated in foreign currencies are converted into RMB in the financial accounts. In addition, exchange differences arising from consolidation of assets and liabilities of subsidiaries operating in Hong Kong as at 30 June 2022 results to an exchange loss of RMB77.2 million which is recorded in the exchange reserve that forms part of the equity of the Group.

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, with a perception of the extent of fluctuations in RMB. 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.

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

As at 30 June 2022, including three executive directors of the Company, the Group employed a total of 1,103 full-time staff, of which 211 work in site offices, 124 in the head office in Guangzhou and Hong Kong for central management and supporting work for the property development business, and 768 full-time staff in the property management offices in Greater Bay Area, Chongqing, Xuzhou, Nanning, Yongzhou and Kunming. Employees are remunerated according to qualifications and experience, job nature and performance. They are incentivized by cash bonuses 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 the 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 C.2.1 – 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 or its subsidiaries 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 51%, as applicable, of the issued share capital of the Company, or (ii) be the largest shareholder of the Company, or (iii) be employee of the Company or any Group company or any changes in the terms and conditions of employment of Mr. Yu has been made (other than any adjustment in the annual salary of Mr. Yu or any grant of discretionary bonus to Mr. Yu duly approved by the remuneration committee and board of directors 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 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 period under review.

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

During the six months ended 30 June 2022, the Group has in open market repurchased a principal amount of US\$500,000 13% senior notes due 2023 which are listed and traded on the Singapore Exchange Securities Trading Limited.

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 2022.

REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited interim financial information of the Group for the six months ended 30 June 2022 has not been reviewed nor audited by the Company's auditor, but 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 2022.

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.

By order of the Board
Skyfame Realty (Holdings) Limited
(Provisional Liquidators Appointed)
(For restructuring purposes)
YU Pan
Chairman

Hong Kong, 26 August 2022

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. YU Pan (Chairman), Mr. WANG Chenghua and Mr. JIN Zhifeng; one non-executive Director, namely Ms. WANG Kailing; and three independent non-executive Directors, namely Mr. WEN Xiaojing, Mr. CUI Yuan and Ms. TANG Yu.