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天譽置業（控股）有限公司
SKYFAME REALTY (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)
(Stock Code: 00059)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

		Six months ended 30 June	
	Change in %	**2017**	2016
		RMB'000	*RMB'000*
Revenue	122.6%	**2,667,385**	1,198,118
Profit before income tax	354.7%	**699,366**	153,812
Profit for the period	300.2%	**384,066**	95,973
Profit for the period attributable to owners of the Company	313.4%	**400,357**	96,840
Earnings per share – Basic and diluted	255.8%	**RMB0.153**	RMB0.043
		At 30 June 2017	At 31 December 2016
Total assets	-1.9%	**13,650,525**	13,920,633

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 2017, together with comparative figures for the corresponding period of 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	3	**2,667,385**	1,198,118
Cost of sales and services		**(1,876,504)**	(921,284)
Gross profit		**790,881**	276,834
Other income and gains, net		**1,725**	877
Sales and marketing expenses		**(50,109)**	(29,340)
Administrative and other expenses		**(87,902)**	(72,604)
Exchange gain/(loss)		**49,665**	(28,539)
Write-down of value of properties under development		**(46,504)**	–
Fair value changes in derivative financial asset/liabilities		**37,734**	2,229
Loss on derecognition of a term loan due to early repayment		**(8,544)**	–
Finance costs	4	**(1,731)**	(3,372)
Finance income	4	**14,151**	7,727
Profit before income tax	5	**699,366**	153,812
Income tax expense	6	**(315,300)**	(57,839)
PROFIT FOR THE PERIOD		**384,066**	95,973
Other comprehensive income:			
Exchange differences arising on foreign operations		**1,756**	(655)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**385,822**	95,318
Profit for the period attributable to:			
– Owners of the Company		**400,357**	96,840
– Non-controlling interests		**(16,291)**	(867)
		384,066	95,973
Total comprehensive income for the period attributable to:			
– Owners of the Company		**402,113**	96,185
– Non-controlling interests		**(16,291)**	(867)
		385,822	95,318
Earnings per share	7		
– *Basic*		**RMB0.153**	RMB0.043
– *Diluted*		**RMB0.153**	RMB0.043

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**246,265**	251,390
Investment properties		**584,434**	588,370
Goodwill		**13,554**	13,554
Interest in associate		**10,050**	–
Available-for-sale investment		**10,000**	10,000
Derivative financial asset		**45,587**	9,022
Deferred tax assets		**–**	57,353
		909,890	929,689
Current assets			
Properties held for development		**–**	161,160
Properties under development		**6,106,724**	7,971,027
Properties held for sale		**1,617,727**	177,228
Consideration receivable		**9,820**	277,401
Loan to a non-controlling shareholder of a subsidiary		**52,900**	52,900
Trade and other receivables	*9*	**1,685,238**	1,476,130
Short-term investment		**200,000**	–
Prepaid taxation		**–**	93,368
Restricted and pledged deposits		**1,174,943**	987,290
Cash and cash equivalents		**1,893,283**	1,794,440
		12,740,635	12,990,944

	Notes	**30 June 2017** ***RMB'000*** **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Current liabilities			
Trade and other payables	*10*	**1,222,473**	1,190,525
Properties pre-sale deposits		**5,835,239**	7,290,196
Bank and other borrowings – current portion		**1,530,986**	1,067,634
Derivative financial liabilities – current portion		**–**	11,177
Taxation payable		**141,331**	–
		8,730,029	9,559,532
Net current assets		**4,010,606**	3,431,412
Total assets less current liabilities		**4,920,496**	4,361,101
Non-current liabilities			
Bank and other borrowings – non-current portion		**2,539,566**	2,388,429
Derivative financial liabilities – non-current portion		**7,644**	2,182
Deferred tax liabilities		**129,952**	170,522
		2,677,162	2,561,133
Net assets		**2,243,334**	1,799,968
Capital and reserves			
Share capital		**24,456**	24,456
Reserves		**2,147,182**	1,740,653
Equity attributable to owners of the Company		**2,171,638**	1,765,109
Non-controlling interests		**71,696**	34,859
Total equity		**2,243,334**	1,799,968

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 June 2017 (the "**Interim Financial Statements**") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The Interim Financial Statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

2. SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment, the Group is currently organised into three operating divisions – property development, property investment and property management services. As management of the Group considers that nearly all consolidated revenue are attributable to the markets in the PRC and consolidated non-current/current assets are substantially located in the PRC, no geographical information is presented. The Group's reportable segments are as follows:

Property development	—	Property development and sale of properties
Property investment	—	Property leasing
Property management	—	Property management services

During the period, the Group commenced activities involving the provision of community services to residents of the youth communities projects being developed by the Group. The operations did not have operating results in material aspects for the period but are expected to become another operating division of the Group in the coming years.

The Group's senior executive management monitors the results attributable to each reportable segment on the basis that revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses directly incurred by those segments. In addition to the segment performance in terms of segment results, management also provides other segment information concerning depreciation and amortisation, impairment loss on trade and other receivables, additions to properties under development and capital expenditure.

Segment assets/liabilities include all assets/liabilities attributable to those segments with the exception of cash and bank balances, unallocated bank and other borrowings, derivative financial asset/liabilities and taxes. Investment properties are included in segment assets but the related fair value changes in investment properties are excluded from segment results because the Group's senior executive management considers that they are not generated from operating activities.

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance in the Interim Financial Statements is set out below:

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Total** *RMB'000*
Six months ended 30 June 2017 (Unaudited)				
Segment revenue				
Reportable segment revenue	**2,646,690**	**11,874**	**22,331**	**2,680,895**
Elimination of intra-segment revenue	**–**	**(3,944)**	**(9,566)**	**(13,510)**
Consolidated revenue from external customers	**2,646,690**	**7,930**	**12,765**	**2,667,385**
Segment results	**700,506**	**4,105**	**(3,705)**	**700,906**
Reconciliation:				
Unallocated corporate net expenses				**3,354**
				704,260
Write-down of value of properties under development	**(46,504)**	**–**	**–**	**(46,504)**
Fair value changes in derivative financial asset/liabilities				**37,734**
Loss on derecognition of a term loan due to early repayment				**(8,544)**
Finance costs				**(1,731)**
Finance income				**14,151**
Consolidated profit before income tax				**699,366**
Other segment information:				
Depreciation and amortisation	**(877)**	**(383)**	**(885)**	**(2,145)**
Additions to properties under development	**1,170,789**	**–**	**–**	**1,170,789**
Capital expenditure	**2,412**	**–**	**138**	**2,550**

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
As at 30 June 2017 (Unaudited)				
Assets and liabilities				
Assets				
Reportable segment assets	**8,862,795**	**1,438,958**	**41,168**	**10,342,921**
Reconciliation:				
Interest in associate				**10,050**
Derivative financial asset				**45,587**
Short-term investments				**200,000**
Available-for-sale investment				**10,000**
Cash and cash equivalents				**1,893,283**
Unallocated restricted and pledged deposits				**817,693**
Unallocated corporate assets				
– Leasehold land and building				**198,165**
– Other corporate assets				**132,826**
Consolidated total assets				**13,650,525**
Liabilities				
Reportable segment liabilities	**8,555,896**	**13,669**	**11,021**	**8,580,586**
Reconciliation:				
Income tax payable				**141,331**
Deferred tax liabilities				**129,952**
Derivative financial liabilities				**7,644**
Unallocated bank and other borrowings				**2,538,153**
Unallocated corporate liabilities				**9,525**
Consolidated total liabilities				**11,407,191**

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Total RMB'000
Six months ended 30 June 2016 (Unaudited)				
Segment revenue				
Reportable segment revenue	1,180,846	12,320	14,728	1,207,894
Elimination of intra-segment revenue	–	(4,067)	(5,709)	(9,776)
Consolidated revenue from external customers	1,180,846	8,253	9,019	1,198,118
Segment results	194,236	5,217	(4,619)	194,834
Reconciliation:				
Unallocated corporate net expenses				(47,606)
				147,228
Fair value changes in derivative financial asset/liabilities				2,229
Finance costs				(3,372)
Finance income				7,727
Consolidated profit before income tax				153,812
Other segment information:				
Depreciation and amortisation	(816)	(415)	(876)	(2,107)
Impairment loss on trade and other receivables	–	–	(83)	(83)
Additions to properties under Tianhe project	6,595	–	–	6,595
Additions to properties under development	699,902	–	–	699,902
Capital expenditure	254	–	23	277

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
As at 31 December 2016 (Audited)				
Assets and liabilities				
Assets				
Reportable segment assets	9,927,387	1,283,999	41,697	11,253,083
Reconciliation:				
Derivative financial asset				9,022
Available-for-sale investment				10,000
Prepaid income tax				93,368
Deferred tax assets				57,353
Cash and cash equivalents				1,794,440
Unallocated restricted and pledged deposits				375,382
Unallocated corporate assets				
– Leasehold land and building				205,778
– Other corporate assets				122,207
Consolidated total assets				13,920,633
Liabilities				
Reportable segment liabilities	9,670,023	12,733	12,273	9,695,029
Reconciliation:				
Deferred tax liabilities				170,522
Derivative financial liabilities				13,359
Unallocated bank and other borrowings				2,232,665
Unallocated corporate liabilities				9,090
Consolidated total liabilities				12,120,665

Information about major customers

None of the customers of the Group contributed more than 10% of the Group's revenue for the period ended 30 June 2017 and HNA Hotel contributed more than 10% (RMB1,115,600,000 revenue from sale of properties) of the Group' revenue for the period ended 30 June 2016.

3. REVENUE

Revenue includes the net invoiced value of goods sold, contract revenue and rental income earned by the Group, and net of sales related taxes. The amounts of each significant category of revenue recognised during the period are as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sale of properties	**2,646,690**	1,180,783
Rental income	**7,930**	8,316
Property management services	**12,765**	9,019
	2,667,385	1,198,118

4. FINANCE COSTS AND INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance costs:		
Interest on bank and other borrowings	**162,846**	82,389
Less: Amount capitalised as properties under development	**(161,128)**	(80,960)
	1,718	1,429
Other borrowing costs	**6,015**	2,443
Less: Amount capitalised as properties under development	**(6,002)**	(500)
	13	1,943
Finance costs charged to profit or loss	**1,731**	3,372
Finance income:		
Bank interest income	**10,363**	5,978
Interest income on short-term investments	**2,600**	808
Interest income on loan to a non-controlling shareholder of a subsidiary	**1,188**	941
Finance income credited to profit or loss	**14,151**	7,727

5. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**1,870,794**	921,284
Write-down of value of properties under development	**46,504**	–
Cost of inventories recognised in profit or loss	**1,917,298**	921,284
Staff costs (including directors' emoluments) comprise:		
– Basic salaries and other benefits	**69,170**	52,299
– Equity-settled share-based payment expenses	**3,592**	5,882
– Contributions to defined contribution pension plans	**2,888**	2,711
Total staff costs (including directors' emoluments)	**75,650**	60,892
Less: Amount capitalised as properties under development	**(24,661)**	(20,197)
Staff costs charged to profit or loss	**50,989**	40,695
Auditor's remuneration – current period	**542**	417
Depreciation of property, plant and equipment	**6,772**	6,887
Less: Amount capitalised as properties under development	**(69)**	(64)
Depreciation charged to profit or loss	**6,703**	6,823
Amortisation of leasehold land	**1,703**	1,703
Depreciation and amortisation charged to profit or loss	**8,406**	8,526
Impairment loss on trade and other receivables	**–**	83
Unrealised exchange (gain)/loss	**(49,665)**	28,539

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong profits tax	**–**	–
PRC corporate tax		
– current period	**171,414**	57,877
– write-off of provisional corporate income taxes	**(3,312)**	(1,973)
PRC land appreciation tax		
– current period	**130,415**	2,064
	298,517	57,968
Deferred tax		
– current period	**16,783**	(129)
Total income tax expense	**315,300**	57,839

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil) as the Group has no estimated assessable profits in respect of operation in Hong Kong. The applicable Hong Kong profits tax rate is 16.5% (six months ended 30 June 2016: 16.5%) for the six months ended 30 June 2017.

Enterprise income tax arising from other regions of the PRC is calculated at 25% (six months ended 30 June 2016: 25%) of the estimated assessable profits.

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

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company and the following data:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the purposes of calculating basic and diluted earnings per share	**400,357**	96,840

	Number of shares	
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**2,616,531**	2,271,476
Basic	**RMB0.153**	RMB0.043
Diluted	**RMB0.153**	RMB0.043

The weighted average number of ordinary shares in issue during the period ended 30 June 2016 was adjusted to reflect the effect of issuing and allotment of placing shares in June 2016.

For the six months ended 30 June 2017 and 2016, basic earnings per share is the same as diluted earnings per share as any effect arising from the exercise of Company's options and convertible bonds is no dilutive.

8. DIVIDENDS

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

9. TRADE AND OTHER RECEIVABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current or less than 1 month	**1,479**	588
1 to 3 months	**716**	1,741
More than 3 months but less than 12 months	**623**	629
More than 1 year	**438**	387
Trade receivables from tenants and property occupants, net of impairment	**3,256**	3,345
Refundable earnest money or payments made in project acquisitions	**202,593**	156,463
Progress payments made on acquisition of projects	**696,112**	454,900
Receivable from district government for resettlement housing in a project	**52,272**	52,272
Unpaid-up capital to be contributed by a non-controlling shareholder of a subsidiary	**–**	13,800
Refundable construction costs	**66,321**	57,730
Tender deposit in development project	**30,800**	30,800
Prepaid construction costs	**158,318**	240,032
Prepaid finance costs	**5,007**	9,750
Prepaid business taxes and surcharges	**164,429**	280,866
Maintenance funds paid on behalf of properties owners	**48,802**	45,943
Interest receivable on bank deposits/short-term investments	**3,424**	8,706
Others	**253,904**	121,523
	1,685,238	1,476,130

The Group has a policy of allowing an average credit period of 8 to 30 days to its trade customers. The Group's formal credit policy in place is to monitor the Group's exposure to credit risk through regular reviews of receivables and follow-up actions taken on overdue accounts. Credit evaluations are performed on all customers requiring credit over a certain amount.

10. TRADE AND OTHER PAYABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current or less than 1 month	**–**	–
1 to 3 months	**812**	1,012
More than 3 months but less than 12 months	**584**	5
More than 1 year	**2**	2
Total trade payables	**1,398**	1,019
Construction costs payable	**973,958**	875,480
Tender receivable from the suppliers	**34,437**	49,287
Receipts in advance, rental and other deposits from buyers, customers and/or tenants	**16,428**	16,745
Receipts in advance from government on a project clearance	**68,297**	68,297
Compensation payable	**33,750**	26,250
Accrued business taxes, value-added taxes and surcharges	**20,706**	62,840
Interest payable on bank and other borrowings	**4,651**	3,542
Other accrued expenses and other payables	**68,848**	87,065
	1,222,473	1,190,525

11. COMMITMENTS

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Expenditure contracted but not provided for in respect of		
– Property construction and other development costs	**2,967,733**	2,246,094
– Acquisition of land use rights	**382,099**	–
	3,349,832	2,246,094

MANAGEMENT DISCUSSION AND ANALYSIS

A. Business review

The first six months in 2017 achieved record-breaking revenue thanks to the delivery of completed properties in Zhoutouzui Project to buyers during the period. The Group had recognized property sales (net of direct taxes) of RMB2.65 billion for the first six months ended 30 June 2017, bringing a 124.2% increase in revenue from the last corresponding period. Together with the higher prices achieved in the property sold, marked improvement in profitability was seen.

As of 30 June 2017, in addition to the recently completed Zhoutouzui Project that are on sale, the Group is also in presales of apartments in the initial phase in Skyfame Nanning ASEAN Maker Town Project and apartments in the later phase in Nanning Skyfame Garden Project. During the first six months in 2017, the Group met its monthly target contracted sales in aggregate of approximately RMB1.86 billion. Contracted sales, accumulated to RMB6.13 billion up till 30 June 2017, will be recognized as sales in the periods throughout the second half of 2017 till 2020, according to the construction timelines of the projects.

The average selling prices ("**ASP**") in all the three projects on sale are on the rise. ASP of the contracted sales of Zhoutouzui Project during the period increased to RMB62,300 per sq.m., a 55% rise from that in 2016. Similarly, ASP achieved in the sales of properties in the two Nanning projects also shows a year-on-year average rise of 65% to RMB10,800 per sq.m..

B. Property Portfolio

1. Properties under development

The Group underwent the development of six real estate development projects in mainland China during the period under review. As at 25 July 2017, the Group's development projects on hand renders a total GFA of approximately 3,662,000 sq.m. and a total saleable GFA of approximately 2,950,000 sq.m. Excluding GFA of 931,000 sq.m. which have been contracted for sales, remaining 2,019,000 sq.m. will be on the pipeline for sale in the coming years.

The details about the Group's projects on hand as at 25 July 2017 are summarised below:

Project	Location	Property type	Estimated project total developable GFA *(sq.m.)* *(Note a)*	Estimated project total saleable GFA *(sq.m.)* *(Note a)*	Estimated completion year	The Group's interest
Zhoutouzui Project	Haizhu, Guangzhou	Residential and commercial	320,000	152,000 *(Note b)*	2017	100%
Nanning Skyfame Garden Project	Liangqing, Nanning	Residential and ancillary commercial	1,212,000	945,000 *(Note c)*	2016 to 2018	80%
Skyfame Nanning ASEAN Maker Town Project	Liangqing, Nanning	Composite development	1,405,000	1,204,000	2018 to 2022	100%
Xuzhou Time City Project	Quanshan, Xuzhou	Residential and ancillary commercial	437,000	402,000	2019 to 2020	51% *(Note d)*
Xuzhou Skyfame Maker Town Project	Quanshan, Xuzhou	Residential and ancillary commercial	184,000	159,000	2020	78%
Zhongshan Project	Zhongshan	Residential and ancillary commercial	104,000	88,000	2019	51%
Total			3,662,000	2,950,000		

Notes:

(a) Project total developable/saleable GFAs presented here represent the total developable/saleable area in the project, including the area sold and delivered in the period and previous years.

(b) Excluded the 28% saleable GFA that are allocated to the cooperative partner of Zhoutouzui Project. Total saleable GFA of approximately 71,000 sq.m. of the project has been sold and delivered up to 30 June 2017.

(c) Included saleable GFA of 245,000 sq.m. for resettlement housing in Nanning Skyfame Garden Project. Total saleable GFA of approximately 51,000 sq.m. of the project has been sold and delivered up to 30 June 2017.

(d) Under a financing arrangement, the Group and a non-controlling shareholder transferred respective holding of 39% and 10% equity interests in the project company of the project to an independent financing company. The transfers resulted in the Group's holding interest of 51% in the project company.

Zhoutouzui Project

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

The site, opposite to the renowned White Swan Hotel, offers a full waterfront view of the Pearl River. The project, situated on a site of 43,609 sq.m., is a mixed-use development with a total developable GFA of approximately 320,000 sq.m., consisting of 7 towers comprising residential apartments, offices, serviced apartments, and municipal and other facilities, underground car parking facilities and supporting commercial facilities.

Except for a total saleable GFA of approximately 81,000 sq.m. in tower A4 and A5 and some car parking spaces that are being handed over to the Port Authority, it is currently planned that all other towers are developed for sales. The entire project, other than tower A1 which is under interior decoration works, was completed in June 2017. Up to 25 July 2017 and excluding property sales that are recorded as sales for the period up to 30 June 2017, contracted sales of RMB1.18 billion have been made which will be recognized as sales upon delivery of properties GFA of approximately 31,000 sq.m. in tower A2 and A3 and GFA of approximately 9,500 sq.m. in tower A1 remain unsold.

Nanning Skyfame City

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

Nanning Skyfame Garden Project

Nanning Skyfame Garden Project is situated in Wuxiang New District (五象新區), a new zone in Nanning, Guangxi province. Commenced construction since the Group acquired the land use right from a land auction in the first quarter of 2014, the project is being developed into a residential district, namely "Nanning Skyfame Garden" ("南寧天譽花園"), with a total developable GFA of approximately 1,212,000 sq.m., consisting of developable GFA of approximately 927,000 sq.m. (saleable GFA 700,000 sq.m.) for residential and retail properties and car parking facilities for sale and developable GFA of approximately 285,000 sq.m. (saleable GFA 245,000 sq.m.) of residential and commercial units for compensated housing for the resettlement of the original occupants. The project is divided into five zones, namely Zone 3, 4, 5, 6 and 7.

As of 25 July 2017, all of the five zones are under construction. 62 out of a total 65 towers have been roof-topped. Pre-sales of an aggregated saleable GFA of approximately 593,000 sq.m. achieved contracted sales totaling approximately RMB3.58 billion (total saleable GFA of approximately 568,000 sq.m., representing 95.7% of the available GFA for sale of residential units). Physical delivery to buyers are scheduled to take place by phases through late 2016 to 2018 for which an aggregated GFA of approximately 51,000 sq.m. have been delivered up till 30 June 2017. In addition to the commodity properties, aggregated saleable GFA of 245,000 sq.m. are to be delivered to original land occupants for resettlement housing for which sale proceeds totaling RMB0.99 billion have been received from the district government according to the terms of the land transfer. The hand-over of resettlement housing will take place in the second half of 2017 and 2018.

Skyfame Nanning ASEAN Maker Town Project

In February 2015, the Group acquired through public auction for the land use rights of three land plots of site area 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, PRC.

The development is planned to be a complex divided into east and west zone and will be developed in phases. The east zone consists of A-class offices, retail properties and an international 5-star hotel proposed to be branded as the Westin Nanning in a skyscraper named as the Skyfame ASEAN Tower ("天譽東盟塔") with a planned height of approximately 530 meter, serviced apartments, retail properties, and ancillary facilities for youngsters named as "the World of Mr. Fish" ("魚先生的世界") while the west zone consists of residential and retail properties named as "Skyfame Byland" ("天譽半島"). Construction works of properties in all zones are expected to be completed between the years from 2018 to 2022. The development, when completed, will be surely a landmark in Wuxiang New District.

Up to 25 July 2017, residential and commercial units of saleable GFA of approximately 261,000 sq.m. are on presale, for which sales of approximately RMB2.31 billion (total saleable GFA of approximately 232,000 sq.m.) have been contracted.

Xuzhou Time City Project

The plot of Xuzhou Time City Project, a site of 173,000 sq.m. (equivalent to 259 mu), was acquired through a public auction in December 2016, the land is located at the Xuzhou Quanshan Jiangsu Economic Development Zone (江蘇徐州泉山經濟開發區) of Xuzhou, Jiangsu province, the PRC. It is situated in Times Avenue South and Xufeng Highway West in Xuzhou and will become an eco-residential and commercial development. Total developable GFA is about 437,000 sq.m., inclusive of an underground area of about 57,000 sq.m.. Construction works are expected to be completed in three phases by end of 2019.

Construction works commenced in early 2017 with the first phase of pre-sale launched in July 2017. Up to 25 July 2017, residential units of saleable GFA of approximately 53,000 sq.m. are on presale, for which sales of approximately RMB235 million (total saleable GFA of approximately 39,000 sq.m.) have been contracted.

Xuzhou Skyfame Maker Town Project

The plot of Xuzhou Skyfame Maker Town Project, a site of 74,000 sq.m. (equivalent to 110 mu), was acquired in June 2017 and is located at 1 km apart from Xuzhou Time City Project. It is planned to become a residential and commercial development. Total developable GFA is about 184,000 sq.m., inclusive of an underground area of about 36,000 sq.m.. Construction works are expected to be completed in 2020.

Zhongshan Project in Guangdong Province

Newly acquired 51% equity interest in the project company in May 2017 to which the subject land, a site of approximately 35,000 sq.m. (equivalent to 53 mu), will be transferred upon construction works having been completed up to 25% of investment value of the development.

It is planned to become a residential and commercial development. Total developable GFA is about 104,000 sq.m., inclusive of an underground area of about 16,000 sq.m. Construction works are expected to be completed in 2019.

2. Land bank reserves

In addition to the seeking of lands or projects which are ready for real estate development, the Group has also been participating in undertaking development works to redevelop industrial districts in first and second tier cities as strategic actions to expand its land reserves. The obtaining of the land use rights for the anticipated development are subject to the completion of certain milestones that are expected to materialize in the foreseeable timelines whereupon construction works of the projects will commence.

The details of the land bank reserves are as follows:

Project	**Location**	**Property type**	**Estimated project total developable GFA** *(sq.m.)*	**Pending milestone for development**	**The Group's interest**
Luogang Project	Luogang, Guangzhou	Serviced apartments and ancillary commercial	122,000	Government approval for the conversion of the land use from industrial to commercial	100%
Shenzhen Chitat Project	Guangming New Zone, Shenzhen	SOHO offices and serviced apartments	142,000	Development right to the project company	100%
Total			264,000		

3. Potential land reserves

The Group has been actively participating certain urban redevelopment projects in Guangzhou, Nanning and Shenzhen. As of 25 July 2017, such redevelopment projects may provide the Group's land reserves areas of approximately 6,653,000 sq.m., which is located at 6,045,000 sq.m. in Guangzhou, 490,000 sq.m. in Nanning and 118,000 sq.m. in Shenzhen. The Group is discussing terms for demolition with affected occupants and the development plans of the projects with the government authorities, pending the publicity of the renewal development plans. If the discussions are materialised, it is expected that these reserves can provide the Group a steady continuity in business development.

C. Investment properties

The Group also holds two investment properties for regular leasing income with details as follows:

A 17,300 sq.m. commercial podium at Tianyu Garden Phase II in Tianhe District, Guangzhou was revalued at directors' estimated open market values totaling RMB456.0 million as at 30 June 2017. An area of 4,700 sq.m. of contemporary co-working places and serviced offices have been leased out to start-up enterprises and small tenants. The other 12,600 sq.m. retail and offices units, were fully occupied as at 30 June 2017.

A 8,700 sq.ft. office premise at AXA Centre in Wanchai, Hong Kong was fully occupied and was revalued at directors' estimated open market value of RMB124.5 million (approximately HK$143.0 million) as at 30 June 2017.

D. Business Outlook

Amid the city-specific tightening policies that contain demand for properties in many first-tier and hot second-tier cities, property markets in many regions across the country were stabilized in the recent months. We see solid demand from end-users and upgraders in the general market. In contract with 2016 when property sales were strong in first and second-tier cities, the tightening policies have affected some regions which have been pinpointed. The management expects the property market in general will become stable. However, the tightening policies have not rendered big impact on the markets in second and third-tier or satellite cities. Having said so, the management achieved contracted sales as targeted up to the current period-end in all three projects currently on sale. We expect that the solid and strong contracted sales in projects in Nanning and Xuzhou in the coming months of the year will remain whilst sales in high-end apartments in Zhoutouzui Project in Guangzhou may turn flat. In general, we believe the average sale prices in second-tier and strong third-tier cities or satellite markets will still be on a rise trend despite markets in first-tier and some hot second-tier cities show slowing signs.

Counted in the contracted sales in the coming months of 2017, the management has set an annual sale target of RMB4.6 billion. Up till 30 June 2017, total contracted sales of the Group reached RMB1.86 billion, representing 40.4% of the annual target. The management expects the annual target can be reached in the peak months in second half of 2017 when more saleable apartments are launched to the market.

To keep the momentum in property sales of the Group for sustaining growth in its revenue and earnings, the management has developed well-defined business strategies in land bank building and the product types to be developed to cater for market demand. For building land reserves, we aim to strike a balance between growth in land reserves and liquidity in financial resources, our budget for land acquisitions in the coming years will be set on a reasonable proportion to cash flow generated from contracted sales. As of 30 June 2017, the Group has committed in the lands acquired and estimated associated land premiums for projects under development and land reserves in an aggregated amount of approximately RMB2.18 billion which will be financed by internal resources and debts.

Our product development is prioritized to focus on the development of projects that specifically cater for young and first home buyers. To this end, the Group pays delicate attention on development of projects that are specifically designed to accommodate the living needs of young home buyers. To be a caring developer, we are committed to extend our after-sale care with word-of-mouth services to the occupants to satisfy their needs and wants in the communities, covering not only basic living needs, but also entertainment, education and medical care. To achieve such purposes, the Group is carefully selecting and collaborating with business providers who are expert players in the relevant fields. For better interactions with these business affiliates, the Group may participate in investments in the equity interests in selected affiliates to ensure satisfactory and all-rounded services are provided to occupants of our developments. Our group also encourages residents of the communities to mingle together in the co-working places provided by the Group in the youth communities to develop their entrepreneurism in which the Group may participate in equity interests in selected business as a token of encouragement.

Focusing in youth community developments, the Group will expand its developments into easily accessible and populated regions that are the outskirts of key cities on the mainland and in the frontline of urbanization. However, where appropriate, boutique developments for the youth community projects will also be grounded on smaller-sized plots in the central districts of selected regions.

E. Financial Review

Sales Turnover and Margins

Property sales of the Group climbed up a record high level to RMB2,646.7 million for the period, an increase of 124.2% compared with the corresponding period. During the period, the Group delivered residential units in Zhoutouzui Project in GFA of approximately 71,000 sq.m. and GFA of approximately 400 sq.m. in the 1st phrase of Nanning Skyfame Garden Project.

Gross margin on property sales is 29.3% (2016: 22.3%), The improvement is driven by the better margin in the high-end apartments sold in Zhoutouzui Project whilst properties sold in Tianhe Project and Yongzhou Project in the corresponding period in 2016 were at smaller margins due to variations in product types and regions concerned.

The leasing of properties at the commercial podium at Tianyu Garden Phase II in Guangzhou and offices at AXA Centre in Wanchai, Hong Kong, the Group's secondary line of business, contributed a total revenue of RMB7.9 million, a mild drop of 4.6% from last period due to vacancies caused by the turnover of tenants in Tianyu Garden. The leasing activities bring a stable margin of 89.7% to the Group (2016: 90.1%).

The property management company provides a relative stable income of RMB12.8 million for the period (2016: RMB9.0 million). The operation enjoys a margin of 61.7% (2016: 61.5%).

Due to the higher-margin of and bigger revenue contributed by property sales during the period that boosted both revenue and margin, overall gross margin of the Group for the period rose to 29.7% (2016: 23.1%).

Operating Expenses

In line with the high-rise contracted sales in particular in Zhoutouzui Project and Skyfame Nanning ASEAN Maker Town Project, sale commission paid on contracted sales for the period surged by 233.4% to RMB22.1 million. Altogether with other marketing expenses, selling and marketing expenses amounting to RMB50.1 million, rose 70.8% from the last corresponding period. Administrative and other operating expenses amounting to RMB87.9 million rose 21.1% from last period. The increase in expenses is mainly due to the rise in staff costs caused by the provision for bonus and the share-based payments. Total staff costs incurred during the period amounted to RMB75.1 million (2016: RMB60.9 million), of which costs charged against operating results for the period constituted RMB51.0 million and RMB24.1 million (2016: 20.2 million) were capialized as development costs of properties under development.

Finance Costs

Finance costs, including arrangement fees and interests, charged on indebtedness, amounted to RMB168.9 million for the period. The costs increased 99.1% in pace with the increase in indebtedness in the second half of last year. Most of the finance costs incurred were capitalized as costs of projects under development with only RMB1.7 million was charged against the operating results for the period. Despite the increased indebtedness in the current period, the Group has maintained stable finance costs with an annualized interest rate of 9.1% (31 December 2016: 9.0%).

Non-operating Items

Non-operating items include the following items:

1. unrealized gain of RMB49.7 million on exchange of loans denominated in HK$ and US$ booked for the period;

2. the increase in net asset of RMB37.7 million in the fair values of the derivative financial liabilities and asset that are embedded in the rights attached to the Company's medium term bonds, unsecured bonds and convertible bond issued to investors;

3. write-down of approximately RMB46.5 million in the value of properties under development for resettlement properties built in Nanning Skyfame Garden Project; and

4. loss of RMB8.5 million on early repayment of a term loan.

Taxation

Provision in taxation included a provision of land appreciation tax levied on the property sales in Zhoutouzui Project and provision for corporate income taxes on assessable earnings for the period.

Profits Attributable to Shareholders

The Company had a consolidated after-tax profit of RMB384.1 million for the period of which profit of 400.4 million was attributable to the shareholders of the Company.

Liquidity and Financial Resources

1. Asset Base

	Change in %	**2017** *RMB'000*	2016 *RMB'000*
Total assets	-1.9%	**13,650,525**	13,920,633
Net assets	24.6%	**2,243,334**	1,799,968

Properties under development, with total carrying costs of RMB6,106.7 million, is the biggest asset category constituting 44.7% of the total assets of the Group. Total assets also include investment properties with fair market values totaling RMB584.4 million, properties held for sale in Zhoutouzui Project and Nanning Skyfame Garden Project of RMB1,617.7 million, properties for self-use, plant and equipment totalling RMB246.3 million, restricted cash and pledged deposits of RMB1,174.9 million, cash and cash equivalents of RMB1,893.3 million, and trade and other receivables of RMB1,685.2 million.

2. Capital structure and liquidity

The indebtedness of the Group are aggregated to RMB4,078.2 million at the period-end date, representing an increase of RMB608.8 million when compared with the last year-end. Indebtedness of the Company includes money market loans of RMB966.7 million which are secured by deposits or guaranteed by letters of credits issued by banks backed up by cash deposits and short-term investment of RMB1,017.7 million. Excluding these deposit backed-up loans, the indebtedness of the Group amounted to RMB3,111.5 million at the period-end, mild increase of 0.6% from last year-end. The details and maturity profile of the indebtedness are illustrated as follows:

	Within one year	1 to 2 years	2 to 5 years	Over 5 years	Total carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other borrowings					
– Secured bank borrowings	1,434,055	298,286	1,357,823	174,477	3,264,641
– Other secured borrowings	35,232	–	–	–	35,232
– Unsecured borrowings	–	–	157,049	613,630	770,679
	1,469,287	298,286	1,514,872	788,107	4,070,552
Derivative financial liabilities	–	–	5,723	1,921	7,644
	1,469,287	298,286	1,520,595	790,028	4,078,196
Excluding: money market loans	(966,698)	–	–	–	(966,698)
As at 30 June 2017	502,589	298,286	1,520,595	790,028	3,111,498
As at 31 December 2016	702,906	685,891	1,153,908	550,812	3,093,517

Gearing ratio, calculated as total indebtedness net of cash and cash equivalents (including a short-term investment in insurance policy) (the "**Net Debt**") divided by the equity attributable to shareholders of the Company plus Net Debt), drops to 35.0% as at 30 June 2017 (31 December 2016: 42.4%) as a reflection of the stronger equity base and lower net debt. Indebtedness includes short-term investment and deposit-backed money market loans of approximately RMB966.7 million which are due within one year. Excluding these money market loans, the Group's total indebtedness amounted to approximately RMB3,111.5 million, whilst indebtedness due within one year amounting to approximately RMB502.6 million represents 16.2% of the total indebtedness (31 December 2016: 22.7%). The decreased percentage indicated that the Group's liquidity position is improving and the Group bears less financial pressure to meet with the commitments to repay debts that are imminently due.

	Change in %	**30 June 2017** *RMB'000*	31 December 2016 *RMB'000*
Current assets			
Properties held for development	-100.0%	**–**	161,160
Properties under development	-23.4%	**6,106,724**	7,971,027
Properties held for sale	812.8%	**1,617,727**	177,228
Considerations receivable	-96.5%	**9,820**	277,401
Trade and other receivables	14.2%	**1,685,238**	1,476,130
Short-term investments	100.0%	**200,000**	–
Loan to non-controlling shareholder of subsidiary	0.0%	**52,900**	52,900
Prepaid taxation	-100.0%	**–**	93,368
Restricted and pledged deposits	19.0%	**1,174,943**	987,290
Cash and cash equivalents	5.5%	**1,893,283**	1,794,440
Sub-total (A)	-1.9%	**12,740,635**	12,990,944
Current liabilities			
Trade and other payables	2.7%	**1,222,473**	1,190,525
Properties pre-sale deposits	-20.0%	**5,835,239**	7,290,196
Bank and other borrowings – current portion	43.4%	**1,530,986**	1,067,634
Derivative financial liabilities – current portion	-100.0%	**–**	11,177
Taxation payable	100.0%	**141,331**	–
Sub-total (B)	-8.7%	**8,730,029**	9,559,532
Net current assets (A-B)	16.9%	**4,010,606**	3,431,412
Current ratios (A/B)	7.4%	**1.46**	1.36

Current assets were steadily maintained at RMB12,740.6 million as at the period-end. Cash, or its equivalents and restricted deposits constitute 24.1% (31 December 2016: 21.4%) to total current assets, indicating a stronger liquidity position.

Total current liabilities at the period-end amounted to RMB8,730.0 million, representing a drop of 8.7% from last year-end date. The decrease in current liabilities is caused by the presale deposits in respect of Zhoutouzui Project were reversed to revenue for the period when related properties were delivered to buyers during the period.

The current ratio, being 1.46 times at the period-end (31 December 2016: 1.36 times) indicates improvements in the Company's strength to liquidate the assets to meet with its loan repayment commitments.

3. Borrowings and pledge of assets

The office units at AXA Centre in Hong Kong and office premises at HNA Tower and certain commercial units at the commercial podium in Tianyu Garden Phase II in Guangzhou are mortgaged in favour of commercial banks to secure for financing facilities granted to the Group for its general working capital. In addition, cash deposits and a short-term investment in an insurance policy are placed with commercial banks to secure for the Group's repayment performance of the money market loans. The issued shares of GZ Zhoutouzui, a subsidiary holding the equity interest in Zhoutouzui Project, and 1,587,168,407 shares of the Company owned by the Company's controlling shareholder are charged as security in favor of financial institutions for a convertible bond issued. As at 30 June 2017, the outstanding balances of these secured indebtedness amounted to RMB3,299.9 million whilst the pledged assets and the underlying assets represented by these securities carried an aggregated realizable value estimated at approximately RMB10,813.3 million measured by open market values of the assets charged or mortgaged as at 30 June 2017. The securities provide the creditors with sufficient cover on their lending. Overall, adequate financial resources are in place to support the Group to serve the repayment of its indebtedness.

4. Use of Proceeds from Placing of 400,000,000 Shares completed in June 2016

Reference is made to the announcement of the Company dated 17 May 2016 in relation to the placing of 400,000,000 shares of the Company at a price of HK$0.48 per share (the "**Placing**"). The Placing was completed on 6 June 2016 and 400,000,000 shares were issued and allotted to seven placees, raising proceeds, net of direct expenses, totaling approximately HK$187,600,000.

The Company originally intended to apply the net proceeds from the Placing for general working capital. The entire net proceeds of the Placing was applied to repay a short-term loan advanced by a third party to the Group as a bridging loan to help the Group finance the costs of development and running costs incurred by the Group prior to the Placing. The repayment of the loan has, in effect, reduced the indebtedness and hence improved the working capital of the Group. The application of net proceeds raised from the Placing to repay the loan is consistent with the Group's intention to improve its working capital.

F. Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2017 (31 December 2016: Nil).

G. Treasury Management

The Group is principally engaged in property development activities which are all conducted in the PRC and denominated in RMB, the functional currency of the Company's principal subsidiaries. At the same time, certain financing, property leasing, investment holding and administrative activities of the Group are carried out and denominated in HK or US dollars. At the period-end date, the Group has foreign currency denominated borrowings and financial derivatives equivalent to RMB2,287.9 million, representing 56.1% of total indebtedness, and an overseas properties with carrying value equivalent to RMB189.1 million. The other material assets and liabilities are denominated in RMB.

In contrast with 2016, starting from 2017 RMB have strengthened against HK and US dollars by around 3.0%, easing the depreciation pressure experienced last year. As a result, unrealized foreign exchange gains of RMB49.7 million were unrealized when liabilities denominated in foreign currencies are converted at RMB in the financial accounts. In addition, exchange differences arising from the consolidation of assets and liabilities of a subsidiary operated in Hong Kong as at 30 June 2016 results to an exchange gain of RMB1.8 million which is included as exchange reserve that forms part of the equity of the Company.

We expect that the RMB will become stabilized in the coming months of the year. However, depreciation of RMB may still happen, bringing negative impacts on the profitability of the Group when losses may be incurred upon conversion of foreign currency denominated indebtedness into RMB on maturities or at reporting period-ends. Unfortunately, no natural hedge against the depreciation of RMB is available to the Group. The management will instead make possible effort to manage the exposure by reducing foreign currency debts or taking useful hedging instruments at reasonable costs.

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 (the "**CG Code**") as set out in Appendix 14 to the Listing Rules except for the following deviations:

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 has been dually performed by Mr. YU Pan, since 2004.

Due to the relatively small size of the management 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 between the chairman and chief executive to ensure a proper segregation of the management of the Board and the management of the Group's business.

Code Provision E.1.2 – Chairman Attending Annual General Meeting

Mr. YU Pan, the Chairman of the Board, was unable to attend the annual general meeting held on 1 June 2017 (the "**AGM**") due to other business engagement. Mr. WEN Xiaobing, an executive director of the Company and the Deputy Chief Executive Officer, acted as chairman of the AGM which was properly convened to ensure effective communication with the shareholders of the Company.

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 Companies as contained in Appendix 10 to the Listing Rules and the Code is updated from time to time in accordance with the Listing Rules requirements. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Code throughout the period under review.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2017.

AUDIT COMMITTEE

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

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

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

OTHER

As at the date of this announcement, the Board comprises three executive directors, namely Mr. YU Pan (Chairman), Mr. WEN Xiaobing and Mr. WONG Lok; one non-executive director, namely Mr. LI Weijing 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, 18 August 2017