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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)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

| FINANCIAL HIGHLIGHTS | | | |
|---|--------------------|-------------------------------|------------------------|
| | <i>Change in %</i> | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
| Revenue | 16.9% | 7,702,150 | 6,591,043 |
| Profit before income tax | 21.5% | 1,919,867 | 1,579,850 |
| Profit for the year | 20.6% | 1,003,012 | 831,982 |
| Profit for the year attributable to owners of the Company | 20.0% | 950,900 | 792,258 |
| Earnings per share | | | |
| – Basic | 19.6% | RMB0.122 | RMB0.102 |
| – Diluted | 19.8% | RMB0.121 | RMB0.101 |
| Total assets | 27.2% | 29,061,741 | 22,851,765 |

FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Skyfame Realty (Holdings) Limited (the “**Company**”) announces the consolidated final results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020, together with comparative figures for the corresponding year of 2019. The consolidated final results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | <i>Notes</i> | Year ended 31 December | |
|---|--------------|-------------------------|-----------------------|
| | | 2020 | 2019 |
| | | RMB'000 | RMB'000 |
| Revenue | 3 | 7,702,150 | 6,591,043 |
| Cost of sales and services | | <u>(5,534,120)</u> | <u>(4,691,703)</u> |
| Gross profit | | 2,168,030 | 1,899,340 |
| Other income | | 21,855 | 21,571 |
| Other gains – net | | 220,618 | 9,522 |
| Sales and marketing expenses | 5 | (285,377) | (249,765) |
| Administrative and other expenses | 5 | (443,067) | (367,894) |
| Impairment loss of trade and other receivables | | (25,961) | (15,383) |
| Fair value changes in investment properties | | <u>41,452</u> | <u>334,267</u> |
| Operating profit | | 1,697,550 | 1,631,658 |
| Share of losses of joint ventures, net of tax | | (3,177) | (20,629) |
| Finance income/(costs) – net | 4 | <u>225,494</u> | <u>(31,179)</u> |
| Profit before income tax | | 1,919,867 | 1,579,850 |
| Income tax expense | 6 | <u>(916,855)</u> | <u>(747,868)</u> |
| Profit for the year | | <u>1,003,012</u> | <u>831,982</u> |
| Other comprehensive income, items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | <u>643</u> | <u>2,211</u> |
| Total comprehensive income for the year | | <u>1,003,655</u> | <u>834,193</u> |
| Profit for the year attributable to: | | | |
| – Owners of the Company | | 950,900 | 792,258 |
| – Non-controlling interests | | <u>52,112</u> | <u>39,724</u> |
| | | <u>1,003,012</u> | <u>831,982</u> |
| Total comprehensive income for the year attributable to: | | | |
| – Owners of the Company | | 951,543 | 794,469 |
| – Non-controlling interests | | <u>52,112</u> | <u>39,724</u> |
| | | <u>1,003,655</u> | <u>834,193</u> |
| Earnings per share | 7 | | |
| – Basic | | <u>RMB0.122</u> | <u>RMB0.102</u> |
| – Diluted | | <u>RMB0.121</u> | <u>RMB0.101</u> |

CONSOLIDATED BALANCE SHEET

| | | 31 December | |
|---|--------------|--------------------------|--------------------------|
| | | 2020 | 2019 |
| | <i>Notes</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Non-current assets | | | |
| Property, plant and equipment | | 435,740 | 454,108 |
| Right-of-use assets | | 376,656 | 243,593 |
| Investment properties | | 3,584,405 | 3,512,291 |
| Financial assets at fair value through profit or loss | | – | 329,828 |
| Interest in joint ventures | | 43,897 | 46,295 |
| Deferred tax assets | | 189,110 | 84,311 |
| | | <u>4,629,808</u> | <u>4,670,426</u> |
| Current assets | | | |
| Properties under development | | 14,051,893 | 10,686,501 |
| Properties held for sale | | 2,080,204 | 2,307,057 |
| Financial assets at fair value through profit or loss | | 774,220 | – |
| Trade receivables | 9 | 400,899 | 440,184 |
| Other receivables and prepayments | 10 | 4,633,717 | 2,686,068 |
| Contract costs | | 187,798 | 152,882 |
| Restricted and pledged deposits | | 334,489 | 336,029 |
| Cash and cash equivalents | | 1,968,713 | 1,572,618 |
| | | <u>24,431,933</u> | <u>18,181,339</u> |
| Total assets | | <u><u>29,061,741</u></u> | <u><u>22,851,765</u></u> |
| Equity | | | |
| Share capital | | 24,680 | 24,670 |
| Other reserves | | 1,327,058 | 1,313,332 |
| Retained earnings | | 2,995,966 | 2,201,171 |
| | | <u>4,347,704</u> | <u>3,539,173</u> |
| Equity attributable to owners of the Company | | <u>4,347,704</u> | <u>3,539,173</u> |
| Non-controlling interests | | <u>447,054</u> | <u>210,873</u> |
| | | <u>4,794,758</u> | <u>3,750,046</u> |
| Total equity | | <u><u>4,794,758</u></u> | <u><u>3,750,046</u></u> |

| | | 31 December | |
|-------------------------------------|--------------|--------------------------|-------------------|
| | | 2020 | 2019 |
| | <i>Notes</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Non-current liabilities | | | |
| Lease liabilities | | 162,772 | – |
| Bank and other borrowings | <i>11</i> | 6,037,941 | 4,330,684 |
| Deferred tax liabilities | | 542,298 | 585,051 |
| | | <u>6,743,011</u> | <u>4,915,735</u> |
| Current liabilities | | | |
| Lease liabilities | | 8,753 | – |
| Bank and other borrowings | <i>11</i> | 2,653,495 | 1,929,664 |
| Derivative financial liabilities | | – | 670 |
| Trade and other payables | <i>12</i> | 4,102,800 | 3,542,819 |
| Contract liabilities | | 9,429,225 | 8,050,565 |
| Income tax payable | | 1,329,699 | 662,266 |
| | | <u>17,523,972</u> | <u>14,185,984</u> |
| Total liabilities | | <u>24,266,983</u> | <u>19,101,719</u> |
| Total equity and liabilities | | <u>29,061,741</u> | <u>22,851,765</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. BASIS OF PREPARATION

(i) Compliance with HKFRSs and HKCO

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

(ii) Historical cost convention

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

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

| | |
|--|--|
| Amendments to HKAS 1 and HKAS 8 | Definition of material |
| Amendments to HKFRS 3 | Definition of a business |
| Amendments to HKFRS 7, HKAS 9 and HKFRS 39 | Interest rate benchmark reform |
| Revised Conceptual Framework | Revised Conceptual Framework for Financial Reporting |
| Amendments to HKFRS 16 | COVID-19-related Rent Concessions |

The adoption of new and amended standards and interpretation did not have any material impact on the consolidated financial statements of the Group.

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

The following new standards and amendments have been published that are not mandatory for the year ended 31 December 2020 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

| | | Effective for annual periods beginning on or after |
|--|---|---|
| Amendments to HKFRS 9, HKAS 39, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 | 1 January 2021 |
| Amendments to HKAS 16 | Property, Plant and Equipment: Proceeds before intended use | 1 January 2022 |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| Annual Improvements | Annual Improvements to HKFRS Standards 2018-2020 Cycle | 1 January 2022 |
| Revised Accounting Guideline 5 | Merger Accounting for Common Control Combination | 1 January 2022 |
| HKFRS 17 | Insurance Contracts | 1 January 2023 |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Noncurrent | 1 January 2023 |
| Hong Kong Interpretation 5 (2020) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause | 1 January 2023 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

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

3. SEGMENT REPORTING

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

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

| | Year ended 31 December | |
|------------------------------|-------------------------------|-------------------------|
| | 2020 | 2019 |
| | <i>RMB’000</i> | <i>RMB’000</i> |
| Sale of properties | 7,572,595 | 6,502,557 |
| Property management services | 97,840 | 51,021 |
| Rental income | 25,128 | 28,537 |
| Commercial operation | 6,587 | 8,928 |
| | <u>7,702,150</u> | <u>6,591,043</u> |

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 year ended 31 December 2020 and 2019 are as follows:

| | Property development RMB'000 | Property management RMB'000 | Property investment RMB'000 | Commercial operation RMB'000 | Elimination RMB'000 | Total RMB'000 |
|--|------------------------------------|-----------------------------------|-----------------------------------|------------------------------------|-------------------------|-------------------------|
| Year ended 31 December 2020 | | | | | | |
| Segment revenue | | | | | | |
| External revenue | 7,572,595 | 97,840 | 25,128 | 6,587 | - | 7,702,150 |
| Inter-segment revenue | - | 101,300 | 15,537 | 1,188 | (118,025) | - |
| | <u>7,572,595</u> | <u>199,140</u> | <u>40,665</u> | <u>7,775</u> | <u>(118,025)</u> | <u>7,702,150</u> |
| Timing of revenue recognition | | | | | | |
| At a point in time | 7,572,595 | - | - | - | - | 7,572,595 |
| Transferred over time | - | 199,140 | - | 7,775 | (102,488) | 104,427 |
| Revenue from other sources | - | - | 40,665 | - | (15,537) | 25,128 |
| | <u>7,572,595</u> | <u>199,140</u> | <u>40,665</u> | <u>7,775</u> | <u>(118,025)</u> | <u>7,702,150</u> |
| Total | <u>7,572,595</u> | <u>199,140</u> | <u>40,665</u> | <u>7,775</u> | <u>(118,025)</u> | <u>7,702,150</u> |
| Segment results | 1,525,223 | 27,967 | 8,153 | 939 | - | 1,562,282 |
| Reconciliation: | | | | | | |
| Unallocated corporate net expenses | | | | | | <u>(90,771)</u> |
| | | | | | | 1,471,511 |
| Impairment loss of trade and other receivables | | | | | | (25,961) |
| Fair value changes in investment properties | - | - | 41,452 | - | - | 41,452 |
| Remeasurement gain resulting from a joint venture transferred to a subsidiary | | | | | | 123,674 |
| Interest income from financial asset at FVTPL | | | | | | 35,566 |
| Fair value gain/loss on Financial assets | | | | | | 51,308 |
| Share of losses of joint ventures, net of tax | | | | | | (3,177) |
| Finance income – net | | | | | | <u>225,494</u> |
| Consolidated profit before income tax | | | | | | <u><u>1,919,867</u></u> |
| Other segment information: | | | | | | |
| Depreciation and amortisation | (18,766) | (368) | (6,116) | (45) | - | (25,295) |
| Additions to properties under development | 8,522,357 | - | - | - | - | 8,522,357 |
| Capital expenditure | | | | | | <u>(7,340)</u> |

| | Property development <i>RMB'000</i> | Property management <i>RMB'000</i> | Property investment <i>RMB'000</i> | Commercial operation <i>RMB'000</i> | Elimination <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|---|--|--|---|-------------------------------|-------------------------|
| As at 31 December 2020 | | | | | | |
| Assets and liabilities | | | | | | |
| Assets | | | | | | |
| Reportable segment assets | 20,738,044 | 57,991 | 3,965,221 | 18,282 | - | 24,779,538 |
| Reconciliation: | | | | | | |
| Interest in joint ventures | | | | | | 43,897 |
| Financial assets at fair value through profit or loss | | | | | | 774,220 |
| Deferred tax assets | | | | | | 189,110 |
| Cash and cash equivalents | | | | | | 1,968,713 |
| Unallocated corporate assets | | | | | | |
| – Property, plant and equipment | | | | | | 294,931 |
| – Other receivables and prepayments | | | | | | 361,204 |
| – Restricted and pledged deposits | | | | | | 192,129 |
| – Other corporate assets | | | | | | 457,999 |
| Consolidated total assets | | | | | | <u>29,061,741</u> |
| Liabilities | | | | | | |
| Reportable segment liabilities | 16,673,490 | 137,251 | 418,204 | 2,897 | - | 17,231,842 |
| Reconciliation: | | | | | | |
| Deferred tax liabilities | | | | | | 542,298 |
| Income tax payable | | | | | | 1,329,699 |
| Unallocated corporate liabilities | | | | | | |
| – Bank and other borrowings | | | | | | 5,096,577 |
| – Other corporate liabilities | | | | | | 66,567 |
| Consolidated total liabilities | | | | | | <u>24,266,983</u> |

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

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

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

| | Year ended 31 December | |
|------------|-------------------------------|-----------------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Customer A | – | 1,042,957 |

4. FINANCE (INCOME)/COSTS – NET

| | Year ended 31 December | |
|--|-------------------------|----------------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Interest expense for bank and other borrowings | 868,645 | 643,448 |
| Interest on lease liabilities | 33,985 | – |
| Less: amount capitalised | <u>(866,203)</u> | <u>(633,226)</u> |
| | 36,427 | 10,222 |
| Foreign exchange (gain)/loss on financing activities – net | <u>(246,176)</u> | <u>38,903</u> |
| | <u>(209,749)</u> | <u>49,125</u> |
| Finance income: | | |
| Bank interest income | 15,745 | 13,885 |
| Others | – | 4,061 |
| | <u>15,745</u> | <u>17,946</u> |
| Finance (income)/costs – net | <u><u>(225,494)</u></u> | <u><u>31,179</u></u> |

5. EXPENSES BY NATURE

| | Year ended 31 December | |
|---|------------------------|-----------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Cost of properties sold – including construction cost, land cost and interest cost | 5,388,861 | 4,643,818 |
| Staff costs (including directors' emoluments) | 277,161 | 196,048 |
| Advertising costs | 256,740 | 229,433 |
| Taxes and levies | 75,405 | 15,083 |
| Other direct costs | 65,068 | 36,517 |
| Depreciation and amortisation | 40,689 | 31,434 |
| Auditor's remunerations | 6,680 | 4,275 |
| – audit services | 5,080 | 2,880 |
| – non-audit services | 1,600 | 1,395 |

The short-term leases fees of RMB2,674,000 are recognised as expenses for the year ended 31 December 2020 (2019: RMB1,780,000).

6. INCOME TAX EXPENSE

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

| | Year ended 31 December | |
|----------------------------|------------------------|-----------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| PRC corporate income tax | 685,720 | 427,675 |
| PRC land appreciation tax | 480,977 | 365,160 |
| | <u>1,166,697</u> | <u>792,835</u> |
| Deferred tax | | |
| – PRC corporate income tax | (249,842) | (44,967) |
| | <u>(249,842)</u> | <u>(44,967)</u> |
| Total income tax expenses | <u>916,855</u> | <u>747,868</u> |

PRC corporate income tax

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

PRC withholding income tax (“WHT”)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. The relevant overseas holding companies have successfully obtained endorsement from the PRC tax bureau to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the PRC subsidiaries of the Group. During the year ended 31 December 2020, the Group has not accrued any withholding income tax for the undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings out of the Mainland China in the foreseeable future.

PRC land appreciation tax (“LAT”)

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

Hong Kong profits tax

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

7. EARNINGS PER SHARE

The calculation of basic earnings per share amounts for the years ended 31 December 2020 and 2019 is based on the profit for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue and participating equity instruments resulting to new shares issued due to the exercises of share options during the years.

The calculation of the diluted earnings per share amounts for the years ended 31 December 2020 and 2019 is based on the profit for the year attributable to equity holders of the Company and the weighted average number of ordinary shares after adjustment for the effect of the exercise of the Company's outstanding share option and share award scheme, and assuming the exercise is made at no consideration at the beginning of the periods.

| | Year ended 31 December | |
|---|------------------------|------------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Profit for the purposes of basic and diluted earnings per share | <u>950,900</u> | <u>792,258</u> |
| | Number of shares | |
| | '000 | '000 |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 7,795,114 | 7,772,357 |
| Effect of dilutive potential ordinary shares in respect of the Company's share options schemes and share award scheme | <u>87,042</u> | <u>88,407</u> |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | <u>7,882,156</u> | <u>7,860,764</u> |
| Basic | <u>RMB0.122</u> | RMB0.102 |
| Diluted | <u>RMB0.121</u> | <u>RMB0.101</u> |

8. DIVIDENDS

(a) Final dividends

The dividend paid in 2020 was the payment of the 2019 final cash dividend of HK\$0.023 per ordinary share totaling HK\$182,356,000 (equivalent to RMB166,564,000) (The dividend paid in 2019 was the payment of the 2018 final cash dividend of HK\$0.023 per ordinary share totaling HK\$182,322,000).

(b) Dividends not recognised at the end of the reporting period

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Final dividend proposed after the end of the year of HK\$0.030 (approximately RMB0.025) per ordinary share (2019: HK\$0.023 approximately RMB0.021) | 200,000 | 160,000 |

At the meeting held on 19 March 2021, the directors proposed a final dividend of HK\$0.030 (approximately RMB0.025) (2019: HK\$0.023 approximately RMB0.021) per ordinary share of the Company for the year ended 31 December 2020. This proposed final dividend, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting, is expected to be paid on or before 31 August 2021, is not reflected as a dividend payable in the consolidated financial statements for the year ended 31 December 2020, but will be reflected as an appropriation for the year ending 31 December 2021.

9. TRADE RECEIVABLES

| | 31 December | |
|----------------------|-----------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade receivables | 429,704 | 458,547 |
| Less: loss allowance | (28,805) | (18,363) |
| | 400,899 | 440,184 |

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

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

| | 31 December | |
|----------------------------------|--------------------|----------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Within 30 days | 62,756 | 112,253 |
| Over 30 days and within 90 days | 8,444 | 3,277 |
| Over 90 days and within 365 days | 145,552 | 322,337 |
| Over 365 days | 212,952 | 20,680 |
| | 429,704 | 458,547 |

10. OTHER RECEIVABLES AND PREPAYMENTS

| | 31 December | |
|--|--------------------|----------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Other receivables: | | |
| Amounts due from minority shareholders of subsidiary companies | 1,185,119 | 23,498 |
| Sale proceeds kept by a monitoring governmental authority | 516,333 | 458,768 |
| Tender deposit in development project | 401,510 | 40,000 |
| Loan receivables | 361,204 | 361,204 |
| Maintenance funds paid on behalf of properties owners | 79,450 | 53,858 |
| Accruals of interests from FVTPL | 27,070 | 7,021 |
| Unpaid up capital to be contributed by a non-controlling shareholder of a subsidiary | 24,900 | 24,900 |
| Others | 330,344 | 173,996 |
| | 2,925,930 | 1,143,245 |
| Less: loss allowance | (22,429) | (6,910) |
| Subtotal | 2,903,501 | 1,136,335 |
| Prepayment: | | |
| Prepaid construction costs | 796,192 | 211,839 |
| Prepaid taxes and surcharges | 530,442 | 414,788 |
| Prepayment for proposed projects | 403,582 | 923,106 |
| | 1,730,216 | 1,549,733 |
| Total | 4,633,717 | 2,686,068 |

11. BANK AND OTHER BORROWINGS

| | 31 December | |
|--|--------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Borrowings included in non-current liabilities: | | |
| Bank borrowings | 1,124,968 | 1,277,390 |
| – secured | 883,330 | 1,277,390 |
| – unsecured | 241,638 | – |
| Secured notes | 1,885,872 | 2,005,986 |
| Unsecured notes/bonds | 1,859,151 | 1,485,360 |
| Other secured borrowings | 1,455,368 | 1,491,612 |
| Less: current portion of non-current borrowings | (287,418) | (1,929,664) |
| | 6,037,941 | 4,330,684 |
| Borrowings included in current liabilities: | | |
| Current portion of long-term borrowings | 287,418 | 1,929,664 |
| Secured bank borrowings | 641,007 | – |
| Unsecured notes/bonds | 803,380 | – |
| Other secured borrowings | 921,690 | – |
| | 2,653,495 | 1,929,664 |
| Total borrowings | 8,691,436 | 6,260,348 |

12. TRADE AND OTHER PAYABLES

| | 31 December | |
|--|------------------|------------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade payables | 43,774 | 9,000 |
| Construction costs payable | 2,852,229 | 2,222,869 |
| Accrued taxes and surcharges | 523,941 | 76,706 |
| Other payables and accruals | 432,862 | 1,087,163 |
| – A joint venture | – | 941,532 |
| – Third parties | 432,862 | 145,631 |
| Tender payable to the suppliers | 161,540 | 56,895 |
| Salaries and bonuses accruals | 58,471 | 61,606 |
| Receipt in advance, rental and other deposits from residents and tenants | 29,983 | 28,580 |
| – Related parties | 213 | 213 |
| – Third parties | 29,770 | 28,367 |
| | 4,102,800 | 3,542,819 |

The ageing analysis of trade payables as at 31 December 2020 and 2019 is as follows:

| | 31 December | |
|----------------------------------|----------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 30 days | 24,097 | – |
| Over 30 days and within 90 days | 11,773 | 7,598 |
| Over 90 days and within 365 days | 7,882 | 1,377 |
| Over 365 days | 22 | 25 |
| Total trade payables | 43,774 | 9,000 |

13. OTHER COMMITMENTS

| | 31 December | |
|---|----------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Expenditure contracted but not provided for in respect of | | |
| – Property construction and development costs | 5,029,047 | 1,701,740 |

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED 31 DECEMBER 2020

A. Business review

It's an extraordinary year in 2020, the widespread of COVID-19 and the accelerated turbulence of the global order caused the most serious global recession in the past one hundred years. Fortunately, our country's pandemic prevention measures work effectively, as a result of which the slow but robust recovery has gradually taken place. Facing difficult external environment, the Group has forged ahead steadily amid various challenges and minimized the impact of the COVID-19. Our project portfolio is mainly located in regions in the Greater Bay Area and big second-tier and around cities with strong rigid housing demand and are most resilient to turbulences. The Group has achieved a turnover of RMB7.7 billion and a core net profit of RMB1 billion, while the contracted sales reached RMB16.5 billion for the year.

In the year of 2020, we recorded contracted sales totaling RMB16.5 billion (2019: RMB12.1 billion) at GFA of 1.7 million sq.m. (2019: 1.2 million sq.m.) at overall before-tax average selling price of RMB9,500 per sq.m. (2019: RMB10,000 per sq.m.). The GFA contracted, covering 24 projects under development or completed projects. Other than contracted sales that were delivered and recognized during the current year, these contracted sales will be recognized as property sales in the later years in 2021 to 2023 when the subject properties are delivered.

During the current year, we had eight projects (2019: five projects) with properties delivered, namely Guangzhou Skyfame Byland, Zhongshan Skyfame Rainbow, Nanning Skyfame Garden, Nanning Skyfame ASEAN Maker Town, Nanning Spiritual Mansions, Xuzhou Skyfame Time City, Nanchang Skyfame Fenghuangyue and Chongqing Skyfame • Smart City. The Group delivered aggregate GFA of 659,000 sq.m. (2019: 897,000 sq.m.) and recorded property sale revenue before direct taxes of RMB8,218 million (2019: RMB6,937 million). Comparing with last year, there is an increase of 18% in revenue mainly due to the GFA delivered during the current year carried a higher average selling prices due to different mixtures in products and markets.

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

| Project | Recognized Sales | |
|----------------------------------|---|--|
| | Gross Amount <i>RMB'million</i> | GFA Delivered <i>sq.m.</i> |
| Guangzhou Skyfame Byland | 309 | 4,900 |
| Zhongshan Skyfame Rainbow | 1,063 | 69,000 |
| Nanning Skyfame Garden | 58 | 7,600 |
| Nanning Skyfame ASEAN Maker Town | 2,309 | 202,000 |
| Nanning Spiritual Mansions | 1,052 | 96,000 |
| Xuzhou Skyfame Time City | 3 | 500 |
| Nanchang Skyfame Fenghuangyue | 293 | 56,000 |
| Chongqing Skyfame • Smart City | 3,131 | 223,000 |
| | <hr/> | <hr/> |
| Total in year 2020 | 8,218 | 659,000 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Total in year 2019 | 6,937 | 897,000 |
| | <hr/> <hr/> | <hr/> <hr/> |

B. Property Portfolio

As at 31 December 2020, we have project portfolio and potential land reserves in aggregate GFA of 31.0 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 year, we have eighteen real estate development projects in mainland China of which four have been completed and the others under construction or for imminent development, together with the joint venture project we participated in and other projects held by third parties that we are acting as project manager, all in all, we are holding interests in twenty-seven projects, either completed, under construction or for future development. As at 31 December 2020, all these projects renders a total GFA of approximately 13.3 million sq.m..

The table below sets out details of property portfolio.

| Project | Location | Property type | Estimated total GFA (sq.m.) | Estimated total saleable GFA (Note a) (sq.m.) | Accumulated saleable GFA delivered (sq.m.) | Actual/ Estimated completion year | The Group's interest |
|--|-----------|---|--------------------------------|--|---|-----------------------------------|----------------------|
| Guangzhou Skyfame Byland | Guangzhou | Residential & commercial | 314,000 | 159,000 | 123,000 | 2017-19 | 100% |
| Guangzhou Fengwei Village Project | Guangzhou | Residential & ancillary commercial | 1,922,000 | 735,000 | - | 2023-27 | 100% |
| Guangzhou Luogang Project | Guangzhou | Serviced apartment & ancillary commercial | 122,000 | 101,000 | - | 2023 | 100% |
| Skyfame Health Smart City | Shenzhen | Serviced apartment & commercial | 185,000 | 120,000 | - | 2024 | 100% |
| Zhongshan Skyfame Rainbow | Zhongshan | Residential & ancillary commercial | 105,000 | 86,000 | 69,000 | 2020 | 51% |
| Skyfame Zhuhai Bay | Zhuhai | Residential & ancillary commercial | 295,000 | 209,000 | - | 2022-23 | 100% |
| Nanning Skyfame Garden | Nanning | Residential & ancillary commercial | 1,202,000 | 949,000 | 909,000 | 2016-18 | 80% |
| Nanning Skyfame ASEAN Maker Town | Nanning | Composite development | 1,305,000 | 1,047,000 | 610,000 | 2018-23 | 100% |
| Nanning Spiritual Mansions | Nanning | Residential and ancillary commercial | 749,000 | 582,000 | 96,000 | 2020-22 | 40% |
| Guilin Lipu Skyfame Jade Valley | Guilin | Villas, residential & serviced apartments | 236,000 | 230,000 | - | 2022-24 | 100% |
| Xuzhou Skyfame Time City | Xuzhou | Residential & ancillary commercial | 468,000 | 387,000 | 216,000 | 2019-21 | 70% |
| Xuzhou Skyfame Elegance Garden | Xuzhou | Residential & ancillary commercial | 205,000 | 158,000 | - | 2021 | 78% |
| Xuzhou Skyfame Smart City | Xuzhou | Residential & ancillary commercial | 533,000 | 398,000 | - | 2022-24 | 100% |
| Nanchang Skyfame Fenghuangyue | Nanchang | Residential & ancillary commercial | 119,000 | 110,000 | 66,000 | 2013 | 66% |
| Chongqing Skyfame • Smart City | Chongqing | Composite development | 1,195,000 | 921,000 | 395,000 | 2017-23 | 100% |
| Chongqing Skyfame Linxifu | Chongqing | Residential & ancillary commercial | 448,000 | 359,000 | - | 2022-23 | 100% |
| Kunming Anning Linxi Valley | Kunming | Residential & ancillary commercial | 297,000 | 255,000 | - | 2021-22 | (note b) |
| Kunming Skyfame City | Kunming | Residential & ancillary commercial | 491,000 | 388,000 | - | 2021-24 | 90% |
| Sub-total-developed by subsidiaries | | | 10,191,000 | 7,194,000 | 2,484,000 | | |
| Co-operation projects (note c) | | | 3,104,000 | | | | |
| Total | | | 13,295,000 | | | | |

Note:

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

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 314,000 sq.m. (total saleable GFA of 159,000 sq.m.), consisting of seven towers comprising residential apartments, offices, serviced apartments, municipal and other facilities, underground car parking facilities and supporting commercial facilities.

The entire project had been completed in 2019. 800 car parking spaces and the entire block of tower A1 in aggregate GFA of 20,000 sq.m. are retained by the Group for long-term leasing purpose.

(2) *Guangzhou Fengwei Village Project*

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 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 1,922,000 sq.m.. The plot-ratio gross floor area of the commodity housing is estimated to be 763,000 sq.m.

In late of 2020, an indirect wholly-owned subsidiary of the Company namely Nanning Tianyu Jurong Realty Company Limited (“Tianyu Hurong”), 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, it has been agreed that Tianyu Hurong became the cooperative entity for the project.

(3) *Guangzhou Luogang Project*

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

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 of the Company.

(4) *Skyfame Health Smart City*

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 185,000 sq.m. (total saleable GFA of 120,000 sq.m.) for innovative industrial premises, serviced apartments and offices. We have completed the demolition works on the land and the construction will be commenced in 2021.

(5) *Zhongshan Skyfame Rainbow*

The project, named as Zhongshan Skyfame Rainbow and located on Cui Sha Road (翠沙路), Rainbow Planning Zone at the north of West Zone, Zhongshan, Guangdong province, is a residential development with ancillary commercial properties. Total GFA is about 105,000 sq.m. (saleable GFA of 86,000 sq.m.). Up to 31 December 2020, a total saleable GFA of 69,000 sq.m. has been delivered to buyers.

(6) *Skyfame Zhuhai Bay*

In 2019, the Group entered into an agreement with two third parties to acquire the entire equity interest in a company engaged in a development project in Economic Zone of Gaolan Harbour, Pingshan New Town, Zhuhai, Guangdong province. The project will be built up to feature a residential development with total GFA of 209,000 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.

In Southern Region of China:

(7) *Nanning Skyfame Garden*

Nanning Skyfame Garden and Skyfame Nanning ASEAN Maker Town, are collectively branded as “Nanning Skyfame City” (“南寧天譽城”). The project is located in the business hub of Wuxiang New District (五象新區) at the southeast of the downtown of Nanning, the capital of Guangxi province.

The project has been developed into a residential community, namely “Nanning Skyfame Garden”, with a total GFA of 1,202,000 sq.m. (saleable GFA of approximately 949,000 sq.m.), covering 65 towers for residential and retail properties, car parking facilities, public and municipal facilities, and residential and commercial units for the resettlement of original occupants. Up to 31 December 2020, a total saleable GFA of 909,000 sq.m. has been delivered to buyers, the remaining GFA of 40,000 sq.m. are on sale or held for the operation of our second “Yuwu Startup” co-work place.

(8) *Nanning Skyfame ASEAN Maker Town*

The development covers three land plots of 194,222 sq.m. (equivalent to 291.33 mu) located at the north of Wuxiang Da Road, Wuxiang New Zone (五象新區), Liangqing District, Nanning, Guangxi. The project is within walking distance from Nanning Skyfame Garden.

The project is a development complex divided into east and west zone and is developed in phases. Planned total GFA is 1,305,000 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 in the years between 2018 and 2023. The development, when completed, will then be a landmark in Wuxiang New District.

Up to 31 December 2020, residential and commercial units of saleable GFA of 610,000 sq.m. have been delivered to buyers. For the undelivered saleable GFA of 437,000 sq.m., the management plans to retain GFA of 50,000 sq.m. to be held for long-term purpose for leasing to tenants engaged in retailing and distribution businesses, and the remaining GFA of 387,000 sq.m are scheduled to be delivered in 2021 onwards until 2023, the expected year of delivery of Skyfame ASEAN Tower.

(9) *Nanning Spiritual Mansions*

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 582,000 sq.m.), covering residential and commercial properties, school and municipal facilities. Construction works has been completed in phases starting from 2020. Up to 31 December 2020, a total saleable GFA of 96,000 sq.m. has been delivered to buyers.

(10) Guilin Lipu Skyfame Jade Valley

The land of the project was acquired through a public auction in 2019. The project, named as Guilin Lipu Skyfame Jade Valley, is located in Lipu City (荔浦市) at the south of Guilin City. Lipu is the transportation hub to Guilin (桂林), Liaozhou (柳州), Wuzhou (梧州) and Hezhou (賀州) cities in Guangxi. The plot is rich of natural scenery resources making the project an attractive culture and tourism development. We plan to develop the project into villas, residences and serviced apartments, a hotel and tourist scenic spot. Total GFA to be developed is 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 2024.

In Eastern Region of China:

(11) Xuzhou Skyfame Time City

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 has a total GFA of 468,000 sq.m. (saleable GFA of 387,000 sq.m.) with saleable GFA of 216,000 sq.m. delivered up to 31 December 2020. The project will be completed in phases by year 2021.

(12) Xuzhou Skyfame Elegance Garden

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 157,000 sq.m.). The project is being developed into residential and ancillary commercial development and construction works are expected to be completed in 2021.

(13) Xuzhou Skyfame Smart City

The land of the project was acquired through a land auction in the third quarter of 2019. The site is located in the north of the downtown of Xuzhou in Jiulihu district (九里湖) , next to the Zhangxiaolou (張小樓) river and a wetland park under plan. The project, namely Xuzhou Skyfame Smart City, is a mixed development in a total GFA of 533,000 sq.m. (saleable GFA of 398,000 sq.m.), consisting of residential, serviced apartments, commercial properties and a hotel. Construction and pre-sale has been commenced in 2020 with construction works expected to be completed in 2022 to 2024.

(14) *Nanchang Skyfame Fenghuangyue*

The equity interest of the project was acquired in late 2019. The site, located in An Yi Xian (安義縣), a national graded eco-friendly living showcase at the northwest from the city of Nanchang, Jiangxi province. The project, named as Skyfame Fenghuangyue, with a total saleable GFA of 110,000 sq.m. to be developed into GFA of 78,000 sq.m. for villas and residential properties, GFA of 6,000 sq.m. for street-level shops and a hotel of 26,000 sq.m. The entire project has been completed on acquisition but subject to certain minor rectification and upgrading works. As of 31 December 2020, GFA of 66,000 sq.m has been delivered to buyers.

In Southwestern Region of China:

(15) *Chongqing Skyfame • Smart City*

The project is located in Nanan District of Chongqing, one of the city's three major CBDs embracing the central government district, at the river shore of the Yangtze river. The location is one of the top ten key development zones in Chongqing. Total GFA of approximately 1.2 million sq.m. are being developed in two phases into residential, LOFT apartments and commercial properties. The equity interests in the project company were acquired in phases starting in 2018 and completed in 2019. Phase 1 of the project, named as “Gold Purple” (“紫金一品”), was completed upon our acquisition of the project. Phase 1 consists of GFA 313,000 sq.m. (saleable GFA 254,000 sq.m.). Up to 31 December 2020, aggregate saleable GFA of 179,000 sq.m. have been delivered.

Phase 2, named as “Chongqing Skyfame•Smart City”, is a mixed development consisting of residences, serviced apartments, offices, shopping mall and carparking spaces, in total GFA of 882,000 sq.m. (saleable GFA of 667,000), of which GFA of 249,000 sq.m. are developed for commercial properties to be held on long term and remaining 418,000 sq.m. for sale. Construction commenced in mid-2018 and pre-sale in late 2018. Up to 31 December 2020, aggregate saleable GFA of 216,000 sq.m. have been delivered. Delivery is scheduled to take place by phases starting from 2020 to 2023.

(16) *Chongqing Skyfame Linxifu*

The entire equity interest in the project company was acquired in late 2019. The main asset of the project company is a bare land, located at the gateway of Chongqing in the west. The land will be developed into residential and ancillary commercial properties of GFA of 448,000 sq.m. (saleable GFA of 359,000 sq.m.). Construction has been commenced in 2020 and pre-sale in late of 2020.

(17) *Kunming Anning Linxi Valley*

In 2018, 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 297,000 sq.m. (saleable GFA of 255,000 sq.m.), which will be developed into villas, residential and ancillary commercial properties. First phase of pre-sale was launched in 2019. Construction commenced in late 2018 and will be completed in 2022.

(18) *Kunming Skyfame City*

The land of this project was acquired through a land auction in late 2019. The plot is situated in the northeast of Anning city of Kunming. The project, named as Kunming Skyfame City, is the first phase of a youth community project and is a residential development with total GFA of 491,000 sq.m. (saleable GFA of 388,000 sq.m.). Construction commenced in early 2020 and pre-sale was launched in July 2020. Completion of construction is expected in the years 2021 and 2024.

2. *Co-operation projects*

As of 31 December 2020, our property portfolio consists of a number of projects jointly developed by our joint ventures or we act as project manager pursuant to the relative agreements. The total GFA of these projects are approximately 3.1 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 13.0 million sq.m. The lands will be launched for auctions when the conditions set out in the agreements have been fulfilled.

3.2 *Refurbishment of old urban areas*

The Group also holds potential land reserves through its participation in the redevelopment of some old districts that are subject to the urban redevelopment programs being implemented by local governments in 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 area refurbishment 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 31 December 2020, the Group holds seven investment properties in an aggregate GFA of approximately 339,000 sq.m. at aggregated fair values of RMB3,584.0 million in Chongqing, Nanning, Guangzhou and Hong Kong for current and future leasing income with details as follows:

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

The properties under development in Chongqing Skyfame • Smart City, aggregate GFA of 248,800 sq.m. is to be built into commercial properties for long-term investment purpose. These properties, when completed in 2023, will become part of an integrated complex development in a central business district at the Southern Shore District of Chongqing. The property, carries an open market value of RMB1,313 million as at 31 December 2020 (2019: RMB1,297 million).

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

Total GFA of 50,200 sq.m. is being built by the project company for leasing to tenants engaged in retail and distribution businesses. This investment property is situated in the east zone of the land plot where grade-A offices, an international hotel and a skyscraper are being built. The property, carries an open market value of RMB590 million as at 31 December 2020 (2019: RMB527 million).

3. *A tower in 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 for a term of 20 years at fixed monthly rentals. The construction was completed in 2019. The fair value of the property is RMB532 million as at 31 December 2020 (2019: RMB528 million).

4. *Car parking spaces in Guangzhou Skyfame Byland*

800 car parking spaces in the completed premises were leased to a management company for fixed monthly rentals. These car parking spaces carry a fair value of RMB538 million as at 31 December 2020 (2019: RMB536 million).

5. *Commercial podium at Tianyu Garden Phase II*

Commercial podium in GFA of 17,300 sq.m. at Tianyu Garden Phase II in Tianhe District, Guangzhou are leased to tenants. The open market value of the property is RMB444 million as of 31 December 2020 (2019: RMB444 million).

6. *Office premises at Huancheng HNA Plaza*

Office premises in GFA of 1,500 sq.m. in Huancheng HNA Plaza, Tianhe District, Guangzhou were mostly tenanted as at 31 December 2020. The open market values of the premises as of 31 December 2020 are RMB55 million (2019: RMB55 million).

7. *Office premises at Capital Centre*

Office premises in GFA 6,200 sq.ft. at Capital Centre in Wanchai, Hong Kong is fully leased. The open market value of the property as of 31 December 2020 is RMB112 million (HK\$133 million) (2019: HK\$140 million).

D. Business Outlook

The Group continues to closely follow the direction of the state's real estate regulation and control policy, and continues to adopt a dual-engine development strategy of urban renewal and regional penetration. At the same time, the Group will help the government to solve the housing and employment problems of young people by working on residential youth community projects in response to the rigid demand and will adhere to the product structure of having residential products as its main product. It will strive to be an operator that works for young people's better living and continue to maintain a generally steady development rhythm.

In terms of urban renewal, the Group's urban renewal business is located in the Guangzhou and Shenzhen markets. In 2020, the Group achieved the development target it set and secured the realization of a conversion project of the entire village of Fengwei Village, Huangpu District, Guangzhou City. The project, with a total GFA of approximately 1,922,000 sq.m., is located at a prime location near a metro station. The Group plans to build it into the largest youth community in the Guangdong-Hong Kong-Macao Greater Bay Area. At the same time, the Group will take advantage of Guangzhou's favourable urban renewal policy environment to speed up the realization of major milestones of other urban renewal projects with an area of approximately 4,700,000 sq.m..

As for regional penetration, in 2021, the total number of the Group's projects in the country has reached 27. The Group will continue to increase its investments in the Guangdong-Hong Kong-Macao Greater Bay Area, especially new projects. However, the Group will insist on patiently and carefully selecting good projects and carrying through the goal of achieving quality growth rather than blindly pursue quantity.

E. Financial Review

Sales Turnover and Margins

Property sales, net of direct taxes, recorded RMB7,572.6 million for the year, a 16.5% rise from last year. During the year, the Group had delivered GFA totaling approximately 659,000 sq.m. of properties in eight projects (2019: five projects), which are Guangzhou Skyfame Byland, Zhongshan Skyfame Rainbow, Nanning Skyfame Garden, Nanning Skyfame ASEAN Maker Town, Nanning Spiritual Mansions, Xuzhou Skyfame Time City, Nanchang Skyfame Fenghuangyue and Chongqing Skyfame • Smart City, at an overall average selling price of RMB12,500 per sq.m. (2019: RMB10,100 per sq.m).

Gross margin on property sales for the year is 27.8% (2019: 28.4%). The lower margins for the year is due to the differences in the mixtures in products in the year than last year.

The leasing of properties revenue amounted to RMB25.1 million (2019: RMB28.5 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 two major investment properties under development of the Group, namely 50,200 sq.m. retail units in Nanning Skyfame ASEAN Maker Town at Nanning and serviced apartments on Chongqing Skyfame • Smart City at Chongqing are in progress and expected to be completed on 2021 and 2023 respectively.

The property management business provides income of RMB97.8 million for the year (2019: RMB51.0 million), representing an 91.8% growth of income caused by the growing area, currently standing at GFA of 4.7 million sq.m. (2019: 2.9 million sq.m.), managed by our property management team.

The Group's commercial operations in three Yuwo Startup co-work spaces generated income amounting RMB6.6 million during the year (2019: RMB8.9 million).

Other gains – net

Other gains – net mainly represents the income from financial assets at fair value through profit or loss amounted to RMB35.6 million (2019: RMB7.0 million) and fair value changes of the financial assets at fair value through profit or loss amounted to RMB51.3 million (2019: RMB4.4 million) as at the balance sheet date. The Group entered investment in fixed income funds from time-to-time for cashflow management purpose whenever with surplus cash. Also included remeasurement gains resulting from a joint venture transferred to a subsidiary of RMB123.7 million of Nanning Spiritual Mansions Project.

Operating expenses

Sales and marketing expenses amounted to RMB285.4 million for the year, an increase of 14.3% compared to RMB249.8 million for the last year, consisting of mainly advertising, promotions and commissions, an increase of 11.9% to 256.7 million as a result of the launching of pre-sale marketing activities and properties delivered.

Administrative and other operating expenses, amounting to RMB443.1 million (2019: RMB367.9 million), an increase of 20.4% compared to last year. Total staff costs, a major administrative and other operating expenses, totaling RMB310.9 million for the year (2019: RMB236.4 million) of which RMB33.7 million (2019: RMB40.4 million) were capitalized as development cost of properties under development. The increase in staff cost expenses was mainly due to increase in headcount as a result of expansion of business and amortization cost of share option scheme and share award scheme granted amounted to RMB33.4 million (2019: RMB30.8 million).

Finance costs

Finance costs, representing mainly the arrangement fees and interests incurred on indebtedness, amounted to RMB868.6 million for the year (2019: RMB643.4 million). Higher finance costs were incurred on new indebtedness created in the year. Finance costs were mostly incurred for the development of projects and hence were capitalized as costs of projects under development, remaining RMB2.4 million (2019: RMB10.2 million) charged against the operating results for the year. The overall annualized borrowing cost, representing finance costs divided by total indebtedness, is 11.8% (2019: 10.8%). Finance costs also included interest incurred on lease liabilities amounted to RMB34.0 million and foreign exchange gain on financing activities of RMB246.2 million (2019: foreign exchange loss of RMB38.9 million) recorded on conversion of offshore loans denominated in HK\$ and US\$ booked at closing rates as a result of appreciation of RMB against the HK\$ and US\$ in the year. Finance costs are netted off by finance income of RMB15.7 million (2019: RMB17.9 million).

Income tax expense

Income tax expense mainly includes land appreciation tax of RMB481.0 million (2019: RMB365.2 million) on properties sold in the year and provision of RMB685.7 million (2019: RMB427.7 million) for corporate income taxes on assessable earnings for the year. Also included is deferred tax credit totaling RMB249.8 million (2019: RMB45.0 million).

Profit for the year

Profit the year was approximately RMB1,003.0 million (2019: RMB832.0 million), representing an increase of approximately 20.6% as compared to last year as a result of the expansion of the Group with increase in number of property development projects delivered.

Profit for the year included RMB950.9 million (2019: RMB792.3 million) profit attributable to owners of the Company and RMB52.1 million (2019: RMB39.7 million) attributable to non-controlling interests.

Liquidity and Financial Resources

1. Asset Base

| | <i>Change in %</i> | 2020 RMB'000 | 2019 RMB'000 |
|--------------|--------------------|-------------------------------|-----------------|
| Total assets | 27.2% | 29,061,741 | 22,851,765 |
| Net assets | 27.9% | 4,794,758 | 3,750,046 |

Total assets of the Group amounted to RMB29,061.7 million (2019: RMB22,851.8 million), a 27.2% increase from last year. Properties under development, at carrying value of RMB14,051.9 million (2019: RMB10,686.5 million), is the biggest asset category, constituting 48.4% of the total assets of the Group. Total assets also include investment properties of RMB3,584.4 million (2019: RMB3,512.3 million), properties held for sale totaling RMB2,080.2 million (2019: RMB2,307.1 million), properties and equipment, right-of-use assets totaling RMB812.4 million (2019: RMB697.7 million), financial assets at fair value through profit or loss totaling RMB774.2 million (2019: RMB329.8 million), trade receivables of RMB400.9 million (2019: RMB440.2 million), other receivables and prepayment totaling RMB4,633.7 million (2019: RMB2,686.1 million), restricted cash and pledged deposits of RMB334.5 million (2019: RMB336.0 million) and cash and cash equivalents of RMB1,968.7 million (2019: RMB1,572.6 million).

2. *Capital structure and liquidity*

The indebtedness of the Group, aggregated to RMB8,691.4 million at the year-end date, increase 38.8% from the balance of RMB6,260.3 million as at 31 December 2019, as a result of increase in debts and other expenses amount to RMB3,764.1 million, net with repayment of debt amounted to RMB1,333.0 million during the year. Indebtedness comprises secured and unsecured borrowings from banks and financial institutions and corporate bonds issued to financial institutions and professional investors.

The Group endeavours to match the tenors of its indebtedness with the normal operating cycle of the projects. Besides, our management is more than cautious to ensure due debts are served and repaid on schedule. The short-tenor borrowings are mainly borrowings due to banks, financial institutions and issue of bonds, for which repayments have been scheduled to be financed by sale proceeds generated from the projects securing the borrowings. The management expects the sale proceeds are sufficient enough to serve the repayments.

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 RMB6,530.6 million (2019: RMB4,675.7 million).

Notwithstanding, cash level at the year-end date maintain in steady level amounted to RMB2,303.2 million at 31 December 2020 (2019: RMB1,908.6 million). Despite the increase in indebtedness and relatively steady level of cash position, the net gearing ratio (calculated as Net Debt divided by the total equity plus Net Debt) is slightly increased to 57.7% as at 31 December 2020 (2019: 55.5%).

As a result of the expanded portfolio of property under development, current assets aggregated to RMB24,431.9 million as at the year-end, an increase of 34.4% from last year-end. Current liabilities at the year-end amounted to RMB17,524.0 million (2019: RMB14,186.0 million).

The current ratio is slightly improved to 1.39 times as at 31 December 2020 (2019: 1.28 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 31 December 2020, certain investment properties, self-use properties, properties for sale and properties under development are mortgaged in favor of commercial banks and financial institutions to secure for financing facilities granted to the Group for general working capital and acquisition needs. In addition, equity interests in certain subsidiaries are charged as security for certain borrowings. As at 31 December 2020, aggregate outstanding balances of these secured indebtedness amounted to RMB5,787.3 million.

The pledged assets or the underlying assets represented by these securities carry an aggregate estimated realizable value of approximately RMB14,328.9 million as at 31 December 2020. Management considers these securities provide sufficient coverage to serve the interests of our creditors.

F. Contingent Liabilities

The Group had no other material contingent liabilities as at 31 December 2020 (2019: Nil).

G. Treasury Management

The Group is engaged in property development and other activities which are mainly conducted in the PRC and denominated in RMB, the functional currency of the Company's principal subsidiaries. Nonetheless, certain corporate financing, property leasing, investment holding and administrative activities are carried out in Hong Kong and denominated in HK or US dollars. As at 31 December 2020, the Group has Hong Kong and US dollar denominated borrowings equivalent to RMB5,177.4 million, representing 60% of total indebtedness, financial assets at fair value of RMB763.2 million and overseas properties for self-use and leasing in Hong Kong with carrying value of HK\$209.7 million (equivalent to RMB176.5 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.

In contrast with 2019, RMB strengthened against HK and US dollars in 2020 by around 6.1% and 6.5%, turning around the depreciation pressure experienced in 2019. As a result, net unrealized foreign exchange gains of RMB246.2 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 the consolidation of assets and liabilities of a subsidiaries operating in Hong Kong as at 31 December 2020 results to an exchange gain of RMB0.6 million which is recorded in the exchange reserve that forms part of the equity of the Company.

The fluctuations in RMB against the US and HK dollars will bring volatility to the bottom line of the Group against which unrealized losses or profits are booked. The Group's operations are mostly conducted in the PRC, and therefore there is no natural hedge against possible depreciation of RMB. The management will from time to time weigh the benefits of the hedge and costs to be incurred, the extent of fluctuations in RMB perceived by the management. We are also exploring other natural hedges, such as investments in different territories where US and HK dollars are the functional currencies to reduce the exposures of the depreciation of RMB on the financial results and position of the Group.

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.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to enhance its corporate governance standards by emphasizing transparency, independence, accountability, responsibility and fairness. The Company exercises corporate governance through the Board and various committees with designated functions.

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the 2020 financial statements, in compliance with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited except for the following deviation:

Code Provision A.2.1 — Chairman and Chief Executive Officer

The roles of chairman and chief executive officer of the Company is not separated as required but is currently dually performed by Mr. YU Pan, since 2004. The Board considers the current simple but efficient management team serves sufficiently enough the need of the Group. The Board will, nonetheless, continue to review the business growth of the Group and, when considered essential, will set out clearer division of responsibilities at the board level and the management team to ensure a proper segregation of the management of the Board and the management of the Group's business.

DIRECTORS' SECURITIES TRANSACTION

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

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

During the year, 15,476,000 and 7,000,000 Shares were repurchased respectively under the general mandate granted by the shareholders of the Company at the general meeting of the Company held on 31 May 2019 and 16 June 2020, of which 7,488,000, 7,988,000 and 7,000,000 repurchased Shares were cancelled on 7 February 2020, 16 July 2020 and 19 February 2021 respectively.

Details of Shares repurchased during the year is as follows:

| | Number of Shares Repurchased | Higher Price Per Share (HK\$) | Total Consideration (HK\$) |
|---------|---|--|---|
| January | 7,488,000 | 1.06 | 7,815,040 |
| April | 1,838,000 | 1.02 | 1,874,460 |
| May | 6,150,000 | 1.01 | 6,210,760 |
| July | 7,000,000 | 1.01 | 7,040,000 |
| Total | <u>22,476,000</u> | | <u>22,940,260</u> |

Save as the aforesaid, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DIVIDENDS

The Board proposed to declare a final dividend of HK\$0.030 (approximately RMB0.025) per share (2019: HK\$0.023 (approximately RMB0.021)), totally approximately RMB200,000,000 (2019: RMB160,000,000) for the year ended 31 December 2020. The proposed final dividend is subject to approval by the shareholders of the Company at the forthcoming annual general meeting, is expected to be paid on or before 31 August 2021 and, if approved, will be paid in Hong Kong dollars.

AUDIT COMMITTEE

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

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group's independent auditor, PricewaterhouseCoopers ("**PwC**"), to be consistent with the amounts set out in the Group's consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

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

OTHER

As at the date of this announcement, the Board comprises four executive directors, namely Mr. YU Pan (Chairman), Mr. WEN Xiaobing, Mr. WANG Chenghua and Mr. JIN Zhifeng; one non-executive director, namely Mr. WONG Lok and three independent non-executive directors, namely Mr. CHOY Shu Kwan, Mr. CHENG Wing Keung, Raymond and Ms. CHUNG Lai Fong.

By order of the Board
Skyfame Realty (Holdings) Limited
YU Pan
Chairman

Hong Kong, 19 March 2021