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

(incorporated in Bermuda with limited liability)
(Stock Code: 59)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Skyfame Realty (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2007, together with comparative figures for the corresponding period of 2006. The unaudited consolidated interim results have been reviewed by the external auditors, BDO McCabe Lo Limited, and the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2007

		Six months ended 30 June	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**11,510**	14,043
Cost of sales/services provided		**(8,683)**	(1,473)
Gross profit		**2,827**	12,570
Other income		**874**	114
Sales and distribution expenses		**(1,021)**	—
General and administrative expenses		**(25,418)**	(6,193)
(Loss) profit from operations	*4*	**(22,738)**	6,491
Finance income	*5*	**5,038**	1,311
Finance costs	*5*	**(60,205)**	(595)
Fair value adjustment of derivative liabilities			
— convertible notes		**(28,101)**	—
— convertible preference shares		**(498)**	—
Share of loss of associate		**(26)**	(3)
(Loss) profit before income tax expense		**(106,530)**	7,204
Income tax expense	*6*	**(663)**	(775)
(Loss) profit for the period		**(107,193)**	6,429
Attributable to:			
— Equity holders of the Company		**(107,193)**	6,429
— Minority interests		**—**	—
		(107,193)	6,429
Dividends	*7*	**Nil**	Nil
(Loss) earnings per share	*8*		
— basic		**(HK9.82 cents)**	HK0.75 cents
— diluted		**N/A**	N/A

* *For identification purposes only*

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	Notes	30 June 2007 (Unaudited) HK$'000	31 December 2006 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**745,081**	1,648
Prepaid lease payments — non-current portion		**302,798**	—
Properties under development		**1,252,107**	698,945
Goodwill		**472,761**	49,655
Interest in associate		**164,185**	155,203
Restricted cash		**299,424**	—
		3,236,356	905,451
Current assets			
Inventories		**18,415**	—
Prepaid lease payments — current portion		**9,222**	—
Trade and other receivables	9	**19,959**	8,588
Restricted cash		**62,528**	—
Cash and cash equivalents		**102,979**	44,774
		213,103	53,362
Current liabilities			
Trade and other payables	10	**106,119**	5,168
Income tax payable		**682**	367
		106,801	5,535
Net current assets		**106,302**	47,827
Total assets less current liabilities		**3,342,658**	953,278
Non-current liabilities			
Other payable — due after one year	10	**63,573**	63,573
Bank borrowings — due after one year		**718,660**	—
Convertible notes		**189,188**	—
Financial derivative liabilities		**1,442,289**	—
Deferred tax liabilities		**104,251**	100,122
Loans from minority shareholders		**—**	244,936
		2,517,961	408,631
Net assets		**824,697**	544,647
Capital and reserves			
Ordinary share capital		**10,940**	10,899
Convertible preference share capital		**1,904**	—
Reserves		**811,853**	488,403
Total equity attributable to equity holders of the Company		**824,697**	499,302
Minority interests		**—**	45,345
Total equity		**824,697**	544,647

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

1. Basis of preparation

These unaudited condensed consolidated interim financial statements ("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 and Hong Kong Accounting Standard ("HKAS") 34: Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. Principal Accounting Policies

These Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

The accounting policies and methods of computation used in the preparation of these Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 31 December 2006, except for the adoption of the following new standards, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2007.

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	*1 January 2007*
HKFRS 7	Financial Instruments: Disclosures	*1 January 2007*
HK(IFRIC) — Interpretation 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies	*1 March 2006*
HK(IFRIC) — Interpretation 8	Scope of HKFRS 2	*1 May 2006*
HK(IFRIC) — Interpretation 9	Reassessment of Embedded Derivatives	*1 June 2006*
HK(IFRIC) — Interpretation 10	Interim Financial Reporting and Impairment	*1 November 2006*

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards or interpretations that have been issued but are not yet effective.

		Effective for accounting periods beginning on or after
HKAS 23 (Revised)	Borrowing Costs	*1 January 2009*
HKFRS 8	Operating Segments	*1 January 2009*
HK(IFRIC) — Interpretation 11	HKFRS 2 — Group and Treasury Share Transactions	*1 March 2007*
HK(IFRIC) — Interpretation 12	Service Concession Arrangements	*1 January 2008*
HK(IFRIC) — Interpretation 13	Customer Loyalty Programmes	*1 July 2008*
HK(IFRIC) — Interpretation 14	HKAS19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	*1 January 2008*

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. Turnover and Segment Information

The Group is principally engaged in the hotel operation, property development, provision of property development project management and related ancillary services. As the entire Group's revenue and results were derived from the People's Republic of China ("the PRC"), no segment information has been disclosed in respect of the Group's geographical segments.

An analysis of the Group's turnover is as follows:

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Property development project management and interior decoration service fee	**1,776**	14,043
Hotel operation revenue	**9,734**	—
	11,510	14,043

The Group's unaudited revenue and results by business segment for the six months ended 30 June 2007, together with the comparative figures for the corresponding period of 2006, are presented below:

	Project management		Property development		Hotel operation		Consolidated	
For the six months ended 30 June	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**1,776**	14,043	**—**	—	**9,734**	—	**11,510**	14,043
Segment results	**(191)**	10,256	**(2,023)**	(12)	**(9,203)**	—	**(11,417)**	10,244
Unallocated operating income and expenses							**(11,321)**	(3,753)
(Loss) profit from operations							**(22,738)**	6,491
Finance income							**5,038**	1,311
Finance costs							**(60,205)**	(595)
Fair value adjustment of derivative liabilities								
— convertible notes							**(28,101)**	—
— convertible preference shares							**(498)**	—
Share of loss of associate	**—**	—	**(26)**	(3)	**—**	—	**(26)**	(3)
(Loss) profit before income tax expenese							**(106,530)**	7,204
Income tax expense							**(663)**	(775)
(Loss) profit for the period							**(107,193)**	6,429

4. (Loss) profit from operations

(Loss) profit from operations for the period has been arrived at after charging:

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of sales/services provided	**8,683**	1,473
Staff costs, including directors' remuneration:		
— Basic salaries and other benefits	**12,013**	3,076
— Bonus	**859**	—
— Pension scheme contributions	**456**	136
— Share-based payment expenses	**1,920**	—
Total staff costs, including directors' remuneration	**15,248**	3,212
Less: expenses capitalised	**(882)**	—
	14,366	3,212
Share-based payment expenses for non-employees	**3,042**	—
Auditors' remuneration	**585**	370
Depreciation of property, plant and equipment	**5,097**	99
Less: expenses capitalised	**(9)**	—
	5,088	99
Amortisation of prepaid lease payments	**1,522**	—
Less: expenses capitalised	**(852)**	—
	670	—
Minimum lease payments under operating lease in respect of land and buildings	**869**	240

5. Finance income and costs

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Finance income:		
Bank interest income	**3,847**	1,311
Other interest income	**1,191**	—
	5,038	1,311
Finance costs:		
Interest on convertible notes wholly repayable after five years	**20,095**	—
Interest on convertible notes wholly repayable within five years	**—**	595
Interest on bank borrowings wholly repayable after five years	**8,312**	—
Imputed interest on loan from minority shareholder wholly repayable within five years	**6,020**	—
	34,427	595
Less: expenses capitalised as properties under development	**(25,239)**	—
	9,188	595
Issue cost on financial derivative of convertible notes	**50,975**	—
Other borrowing costs	**42**	—
	60,205	595

6. Income tax expense

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Provision for current tax for the period:		
— Hong Kong profits tax	**620**	400
— outside Hong Kong	**43**	479
Deferred tax	**—**	(104)
Total income tax expense	**663**	775

Hong Kong profits tax is calculated at 17.5% (six months ended 30 June 2006: 17.5%) on the estimated assessable profits for the period.

Taxation for the Group's operations outside Hong Kong is provided at the applicable current rates of taxation on the estimated assessable profits in the relevant jurisdiction during the period.

7. Dividends

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

8. (Loss) earnings per share attributable to ordinary equity holders of the Company

Basic (loss) earnings per share

The calculation of basic (loss) earnings per share is based on the loss attributable to ordinary equity holders of the Company of HK$107,193,000 (six months ended 30 June 2006: profit of HK$6,429,000) and the weighted average of 1,091,260,000 (six months ended 30 June 2006 (restated): 853,932,000) ordinary shares in issue during the period.

The weighted average number of ordinary shares for the purpose of basic earnings per share for 2006 has been adjusted for the impact on the right issue arising from the Company's open offer in August 2006 and conversion of bonus warrants during the period.

Diluted (loss) earnings per share

For the period ended 30 June 2007, 63,850,000 share options, US$200,000,000 convertible notes, 190,447,000 convertible preference shares, 201,524,000 bonus warrants in issue were excluded from diluted weighted average shares outstanding as their effects were anti-dilutive.

9. Trade and other receivables

The Group has a policy of allowing an average credit period of 30-60 days to its trade customers. The following includes an ageing analysis of trade receivables at the balance sheet date:

	30 June 2007 (Unaudited) *HK$'000*	31 December 2006 (Audited) *HK$'000*
Aged 0 - 30 days	**3,065**	1,176
Aged 31 - 90 days	**197**	1,408
Aged over 90 days	**149**	2,720
Total trade receivables	**3,411**	5,304
Amounts due from related companies	**515**	—
Deposits paid on acquisition of subsidiaries	**5,000**	—
Deposits, prepayments and other receivables	**11,033**	3,284
	19,959	8,588

10. Trade and other payables

The following includes an ageing analysis of trade payables at the balance sheet date:

	Notes	30 June 2007 (Unaudited) HK$'000	31 December 2006 (Audited) HK$'000
Aged 0 - 30 days		**19,610**	—
Aged 31 - 90 days		**983**	3
Aged over 90 days		**238**	40
Total trade payables		**20,831**	43
Retention money payable for construction costs	*(a)*	**24,682**	—
Other payables and accruals		**60,606**	5,125
Balance of consideration payable for acquisition of a subsidiary	*(b)*	**63,573**	63,573
		169,692	68,741
Amounts due after one year	*(b)*	**(63,573)**	(63,573)
Amounts due within one year		**106,119**	5,168

Notes:

(a) For retention money payable in respect of construction contracts, the due dates are usually one year after the completion of the construction work.

(b) This represents balance of consideration payable to the vendor for acquisition of a subsidiary. The amount is expected to be settled in the form of a two-year promissory note which will be issued upon obtaining of the land use right certificate attributable to Zhoutouzui Project, bearing an interest rate of 8% per annum from the date of issue.

11. Capital commitments

	The Group	
	30 June 2007 (Unaudited) HK$'000	31 December 2006 (Audited) HK$'000
Capital expenditure contracted for but not provided for in the Interim Financial Statements in respect of		
— Property construction and development costs	**947,775**	833,365
— Consideration for acquisition of subsidiaries	**400,590**	—
	1,348,365	833,365

12. **Contingent liabilities**

As at 30 June 2007, the Group had no material contingent liabilities.

13. **Events after the balance sheet date**

(a) Pursuant to the agreement dated 28 May 2007 in relation to the acquisition from a company wholly-owned by the Company's controlling shareholder, Mr. Yu, of a commercial podium of Tianyu Garden Phase 2 at a consideration of approximately HK$196 million. In this connection 145,537,077 convertible preference shares of the Company were issued to Mr. Yu's associate as settlement of the consideration. The transaction was completed on 19 July 2007.

(b) On 21 June 2007, Sky Honest Investments Corp. ("Sky Honest"), a subsidiary of the Company, entered into an agreement to acquire the remaining 51% equity interest in the Group's 49%-held associate, Yaubond Limited ("Yaubond"), at a cash consideration of approximately HK$203 million. The transaction was completed on 27 July 2007. The acquisition cost was financed entirely by borrowing from an institutional lender, which it is secured by mortgages constituted by two deeds entered into respectively by Sky Honest and its holding company, Chain Up Limited ("Chain Up") over the following securities:

(i) cash in a bank account in the amount of approximately HK$21 million held in escrow;
(ii) shareholders' loans to Sky Honest and Yaubond;
(iii) shares in Sky Honest and Yaubond; and
(iv) all other assets of Chain Up and Sky Honest.

(c) On 11 July 2007, 17 July 2007 and 5 September 2007, a total of convertible notes in the principal value of US$6,000,000 were converted into ordinary shares of the Company at a conversion price of HK$1.35 per share, resulting in a total number of 34,719,555 ordinary shares of the Company issued.

(d) In September 2007, a total of 190,447,209 ordinary shares were issued to Mr. Yu's associate pursuant to its exercise of the conversion right attached to the convertible preference shares issued for the Group's acquisition of the Westin Project.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Results

During the period under review, the Group recorded total turnover of HK$11.5 million, representing a drop of 18% when compared with HK$14.0 million in the corresponding period last year. The decrease in turnover was caused by the Group's shifting focus from solely a property development project manager to a property developer and thus the former activities have been slowed down. While the new property development business is at its start-off stage and did not readily generate any turnover during the period, the Group had captured low level revenue from the operation of the hotel, namely The Westin Guangzhou, which was acquired in May, 2007 and had its soft opening in mid-May, 2007.

The Group showed a loss from operation of HK$22.7 million. The result of the Group during the period was further adversely impacted by large issue costs incurred in the issue of convertible notes of HK$51.0 million and fair value adjustments amounting to HK$28.1 million for derivative liabilities caused by the convertible notes and convertible preference shares issued to satisfy acquisition costs. Basic loss per share is HK9.82 cents (2006: basic earnings per share is HK0.75 cents).

Issue of US$200 million Convertible Notes

On 2 March 2007, the Group entered into a note purchase agreement with six investors in relation to the issue and subscription of the convertible notes in the aggregate principal amount of US$200 million (or approximately HK$1,562.4 million). The investors included renowned financial institutions such as Merrill Lynch International and Lehman Brothers Commercial Corporation Asia Limited, which demonstrated their vote of confidence in the Group's business prospects.

The issue was completed and the convertible notes were issued on 4 May 2007. The issue of the convertible notes was a milestone for the Group in accelerating the momentum of its property development and investment business. With the net proceeds of approximately HK$1,505 million from the issue, the Group was provided with funds required for major acquisitions including The Westin Guangzhou and its office annex (named as "Skyfame Tower") and the Zhoutouzui Project, which is a site having an area of approximately 106,273 square metres and located in Haizhu District in the heart of Guangzhou City. Upon completion of these acquisitions, the Group is well prepared to move its focus onto property development business.

Property Development Business

(a) Zhoutouzui Project

During the review period, the Group further increased its equity stake in the Zhoutouzui Project to 100%. Opposite to the White Swan Hotel, the Zhoutouzui site is located on the converging point of the three estuaries of the Pearl River and commands panoramic view of the Pearl River. It is among the few prime sites still available for development in the metropolitan area of Guangzhou.

With a gross floor area of approximately 241,000 square metres, the Zhoutouzui Project principally entails the development and construction of high rise condominium towers with residential apartments, serviced-apartments, a community centre and other ancillary facilities such as a shopping mall, a heritage museum, a state of the art club house and underground parking spaces.

The project is reaching the final stage of obtaining the government's approval of the plan for development. The issue of the land use right certificate is expected before the end of 2007.

(b) Tian He North Project

Following the acquisition of 49% of the issued share capital in Yaubond Limited ("Yaubond") in December 2005, the Group completed in July 2007 the acquisition of the remaining 51% interest in Yaubond which indirectly owns 100% equity interest in a prime site along Tianhe North Road in Guangzhou Tianhe central business district. The project has a site area of approximately 7,200 square metres and a development site area of approximately 6,057 square metres, which can be developed into a comprehensive development with a total gross floor area of over 100,000 square metres.

The Tian He North Project is located in the heart of the central business district of Guangzhou. The Group plans to build a top-notch service apartment on the site and expects the project to become a landmark in Guangzhou. The site is currently in the process of site clearance and relocation of existing structures which is targeted to be completed in early 2008. Construction will commence upon clearance of the site with target completion by 2010.

Hotel Operation Business

The Westin Guangzhou

On 4 May 2007, the Group completed the acquisition of the entire interest in the hotel and Skyfame Tower, comprising a total gross floor area of approximately 137,315 square metres.

Located in Tianhe, the heart of the central business district of Guangzhou, the hotel houses the first truly international five star hotel in the heart of the central business district in Guangzhou which comprises a 65,000-square-metre hotel in one tower, featuring 448 deluxe rooms and suites together with an over 3,300-square-metre spa, the largest in the city centre of Guangzhou, for its privileged guests. Among the five restaurants and bars are a Latin restaurant featuring live entertainment and a Cuban Cigar Lounge, and an upscale rooftop Italian restaurant and lounge boasting stunning city views. The hotel also houses a variety of function and meeting rooms to cater for conferences or events.

The hotel had its soft opening in May 2007 with the occupancy rates progressing satisfactorily. The grand opening of the hotel is scheduled in October 2007.

Property Investment Business

(a) Skyfame Tower

Skyfame Tower, consisting of 45,000 square metre A-graded offices, 420 car parks and a 7,200 square metre shopping arcade, will have its grand opening at the same time as The Westin Guangzhou. Leasing has also started and the interested and committed tenant profile includes consulates and renowned multinational companies.

(b) Tianyu Garden Phase 2

The Group's acquisition of the Tianyu Garden Phase 2 at a prime location in Tianhe district, Guangzhou, was completed in July 2007. The property, completed in 2001, comprises the second, fifth, sixth floors and rooms 402 and 403 on the fourth floor of the commercial podium of Tianyu Garden Phase 2, together occupying a total gross floor area of approximately 21,161 square metres.

At the date of the announcement, the property is approximately 72.5% occupied, with remaining areas under serious negotiations for tenancies. Lease terms of the units already committed range from 2 to 10 years. Tenants include a consulate and multinational corporations.

PROSPECTS

Looking ahead, the robust economy and rapid urbanization in the PRC will continue to fuel demand for all segments of the property market. Although the Chinese government has tightened austerity measures, the market is expected to continue to boom while industry consolidation may accelerate, which will in turn ensure its healthy development. With a clear focus in the property business, the Group will continue its prudent land reserve strategy and explore more premium grade property projects with promising potentials in the PRC, especially in Guangzhou. Meanwhile, the Group is negotiating seriously with potential vendors and is targeting to acquire one or two additional projects in the city of Guangzhou that complement the Group's business strategy. If the negotiation is crystallised, the management will plan to finance the acquisitions by suitable financing means that will strike a proper balance between debt and equity.

The Group is optimistic about the outlook for the second half of the year. The Group's recent issue of convertible notes has accelerated the pace of its successful acquisitions of quality property projects. The Westin Guangzhou, the Group's flagship property, is having its grand opening in October 2007. The hotel is expected to capitalize on the upcoming annual Canton Fair in October which is set to attract a huge number of visitors from around the world.

The Group is also confident of the long term prospects of the project given the fast growth of Guangzhou's office, retail, hospitality and complementary sectors such as conferences and exhibitions. Demand for upscale business class international hotels and Grade A offices will grow as more business and international travelers visit the city. This will help boost the performance of the Group's property investment business. Currently, upon completion of the acquisition in this July, Tianyu Garden Phase 2 starts to bring in immediate contribution to the Group in terms of cash flows and earnings. Capturing the prestigious location and the approaching grand opening of Skyfame Tower and The Westin Guangzhou which are adjacent to Tianyu Garden Phase 2 the two properties will bring in a stable source of recurring income to the Group.

On the property development front, the Group's development projects at Zhoutouzui and Tianhe North Road, both quality projects located at prime locations in Guangzhou with high earnings potential, are expected to bring handsome returns to the Group in the future. Building on the experience and expertise in the local property market, the Group will continue to focus its property business on Guangzhou in the medium term.

Going forward, the Group will monitor closely changes in the market and adopt a prudent approach towards future expansion. In the long term, the Group will prudently explore other prime sites and develop more premium quality property projects in the PRC. The Group believes its quality property portfolio will bring in steady revenue to the Group and fruitful returns to shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure and liquidity

To fund the acquisitions of 71% equity interest in the Westin Project and 49% interest in Zhoutouzui, the Company raised a net proceed of HK$1,505 million from issue of US$200 million convertible notes in cash. The convertible notes bear a 4% per annum coupon with a maturity of 6 years and an annual yield-to-maturity of 15%. The notes are convertible for ordinary shares of the Company at an initial conversion price of HK$1.35 per share which is subject to a reset mechanism that is geared to the share price performance. In the acquisition of the 29% interest in the Westin Project that was held by the Company's director and controlling shareholder, Mr. Yu Pan, convertible preference shares of HK$257 million ("CPS") were issued to his associate. The CPS is non-interest bearing, non-redeemable and convertible into ordinary shares of the Company subject to the same initial conversion price and reset mechanism as the convertible notes. The derivative components embedded in the convertible notes and CPS are presented as financial derivative liabilities which are to be revalued on the balance sheet date at fair values. On 30 June 2007, the derivative liabilities of convertible notes and CPS were respectively revalued at HK$1,415 million and HK$27 million, giving rise to respective fair value losses of HK$28 million and HK$0.5 million respectively that were charged to the consolidated income statement for the period.

In addition to the convertible notes and CPS that were issued to pay for the acquisitions completed during the period, there is also a balance of consideration of HK$64 million owed to the vendor of the 51% equity interest in Zhoutouzui Project, the transaction of which was completed in 2006.

The acquisition of the Westin Project had led to the Group's taking up of liabilities as at the balance sheet date for outstanding construction costs of HK$73 million and a commercial bank loan of a 8-year duration for HK$719 million which is used to finance the construction costs payable and working capital needs of the Westin Project.

The building cost of The Westin Guangzhou of HK$688 million was presented as property held for hotel operation. The long-term portion of lease payments of HK$303 million was paid for the Skyfame Tower and The Westin Guangzhou. Building cost of Skyfame Tower amounting to HK$508 million and acquisition costs paid for the Zhoutouzui Project of HK$744 million are all classified as properties under development under non-current assets. Also included in non-current assets are interest in the 49%-held associate of

HK$164 million in respect of the Tian He North Project (which becomes a wholly-owned subsidiary following the completion of the acquisition in July, 2007) and goodwill of HK$473 million arising from those acquisitions which were completed during the period and funds of HK$299 million reserved for interests payable to convertible noteholders and consideration payable for the acquisition of the entitlements of Zhoutouzui project held by a Sino joint venture partner.

As at 30 June 2007, the Group held cash resources totalling HK$465 million of which US$46 million, equivalent to HK$362 million, is being held in escrow accounts for reserve of interest payable to the convertible noteholders and proceed scheduled for the acquisition of the entitlement of Guangzhou Port Group Co., Limited, a cooperative joint venture partner, in the Zhoutouzui Project. This acquisition is well expected to take place in the second half of the financial year. The working capital position of the Group is strengthened as a result of the bank balances made available from the proceeds of the convertible notes. Despite the lowering of the current ratio to 2.00 (2006: 9.64), the Group's unrestricted cash balance was increased to HK$103 million as at 30 June 2007 (2006: HK$44.8 million).

The gearing ratios, based on the total liabilities to total assets, at the balance sheet dates as at 2007 and 2006 are 76.1% and 43.2% respectively. The rises in assets and liabilities are results of the expansions undergone since the last reporting date and such impact in gearing ratio is explained by the fact that financing for such expansions had been made by larger portion of debt than equity. Having considered the long term development and the potential earnings from the projects that will outweigh the interest costs and the impact of the dilution caused by the derivatives on earning per share, the management considers the current gearing position is acceptable to the Group. The management believes that the gearing level will be improved and strengthened when the development projects and the investment properties start to realise earnings.

Borrowings and pledge of assets

To secure for the convertible notes, cash in accounts totalling US$46 million and shares of certain intermediate holding companies of the property developing subsidiaries of the Group were charged in favour of the security trustee acting for the convertible noteholders. In addition, mortgages of ownership interests in The Westin Guangzhou and the Skyfame Tower were made in favour of a commercial bank incorporated in the PRC for general banking facilities of RMB800 million granted to a subsidiary. As at 30 June 2007, a total of HK$719 million had been drawn down.

FOREIGN CURRENCY MANAGEMENT

The Group's property development activities are conducted in the PRC. The Group has contracts with suppliers for goods and services that are denominated in Renminbi ("RMB"). The US$200 million convertible notes are denominated in US dollars which is pegged with Hong Kong dollars. The exchange rate between RMB, the Group's functional currency, with Hong Kong dollar is controlled within a narrow range and the expected fluctuation is not material. In view of the foreseeable impact of exchange fluctuations which are to be light, the Group does not hedge against its foreign currency risks. Any permanent changes in exchange rates in RMB for Hong Kong dollars and changes in the peg system of US dollars with Hong Kong dollars may have impact on the Group results. The management will prudently monitor its foreign exchange risks from time to time.

CORPORATE GOVERNANCE

None of the directors of the Company 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 on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules except for code provision A2.1, where the roles of chairman and chief executive officer of the Company is not separated as required but is currently performed by the same individual.

Due to the relatively small size of the existing management team, both the roles of the chairman and chief executive officer of the Company are currently taken up by Mr. Yu Pan. The Board will, nonetheless, review the business growth of the Group and, when considered essential, will set out a clear division of responsibilities at the board level and the day-to-day management team to ensure a proper balance of power and authority within the corporation.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year.

PUBLICATION OF INTERIM REPORT ON THE EXCHANGE'S WEBSITE

The financial information set out in this announcement does not constitute the Group's statutory Interim Financial Statements for the six months ended 30 June 2007 but there is no material change as compared to those accounts. The statutory Interim Financial Statements for the six months ended 30 June 2007 containing all the information required by the Listing Rules will be published on the Exchange's website (www.hkex.com.hk) and the website of the Group (www.sfr59.com) in due course.

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

Hong Kong, 24 September 2007

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Yu Pan (Chairman), Mr. Lau Yat Tung, Derrick (Deputy Chairman), Mr. Wong Lok and Mr. Wen Xiao Bing; non-executive director namely Mr. Jerry Wu; and three independent non-executive directors, namely Mr. Choy Shu Kwan, Mr. Cheng Wing Keung, Raymond and Ms. Chung Lai Fong.