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 2007

FINAL RESULTS

The board (the "Board") of directors (the "Directors") of Skyfame Realty (Holdings) Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2007, together with comparative figures for the corresponding year of 2006. The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	**2007** ***HK$'000***	2006 *HK$'000* *(Restated)* *(Note 2)*
Revenue	*3*	**125,631**	50,329
Cost of sales and services		**(65,804)**	(19,974)
Gross profit		**59,827**	30,355
Other income		**493**	349
Sales and marketing expenses		**(9,091)**	(128)
Administrative expenses		**(134,917)**	(43,953)
Loss from operations	*4*	**(83,688)**	(13,377)
Fair value changes in investment properties		**(22,926)**	95,634
Fair value changes of financial derivative liabilities			
– convertible notes		**267,789**	–
– convertible preference shares		**(11,507)**	–
Discount on business combinations		**67,965**	–
Share of profit (loss) of associate, net of tax		**8,251**	(112)
Finance costs	*5*	**(79,877)**	(8,214)
Finance income	*5*	**14,089**	4,090
Profit before income tax expense		**160,096**	78,021
Income tax credit (expense)	*6*	**61,239**	(33,152)
Profit for the year		**221,335**	44,869
Attributable to:			
– Equity holders of the Company		**209,078**	46,621
– Minority interests		**12,257**	(1,752)
		221,335	44,869
Dividends	*7*	**Nil**	Nil
Earnings (loss) per share			
– Basic	*8*	**HK17.398 cents**	HK4.872 cents
– Diluted		**(HK1.750 cents)**	HK4.162 cents

* *for identification purposes only*

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000 (Restated) (Note 2)
Non-current assets			
Property, plant and equipment	9	**1,017,087**	1,723
Prepaid lease payments – non-current portion		**649,477**	165
Investment properties		**492,325**	475,248
Properties held for development		**1,529,339**	698,945
Goodwill		**118,088**	49,655
Interest in associate		–	155,203
Deposits paid for acquisition of land use right		**32,408**	–
Loan receivable – non-current portion	10	–	7,963
		3,838,724	1,388,902
Current assets			
Properties held for sale		**603,427**	676
Prepaid lease payments – current portion		**19,522**	3
Inventories		**31,790**	–
Trade and other receivables	10	**31,016**	19,944
Financial asset at fair value through profit or loss		–	630
Restricted cash		**358,711**	–
Cash and cash equivalents		**63,338**	47,993
		1,107,804	69,246
Current liabilities			
Trade and other payables	11	**241,904**	24,612
Bank and other borrowings – current portion		**242,790**	17,991
Income tax payable		**24,161**	20,627
		508,855	63,230
Net current assets		**598,949**	6,016
Total assets less current liabilities		**4,437,673**	1,394,918
Non-current liabilities			
Other payable	11	**63,573**	63,573
Bank and other borrowings – non-current portion		**940,339**	82,327
Convertible notes		**211,946**	–
Financial derivative liabilities		**1,081,572**	21,395
Loan from minority shareholder of a subsidiary		–	244,936
Deferred tax liabilities		**453,561**	215,822
		2,750,991	628,053
Net assets		**1,686,682**	766,865
Capital and reserves			
Share capital		**14,659**	12,354
Reserves		**1,672,023**	709,166
Equity attributable to equity holders of the Company		**1,686,682**	721,520
Minority interests		–	45,345
Total equity		**1,686,682**	766,865

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The accounting policies and basis of preparation adopted in these consolidated financial statements are consistent with those adopted in the Company's 2006 Annual Report.

(b) Basis of preparation

The financial statements have been prepared under the historical cost basis, except that the following assets and liabilities are stated at their fair value as explained in the accounting policies,

– investment properties;
– derivative financial instruments; and
– financial asset at fair value through profit or loss.

In the current year, the Group has applied all the new and revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, that are relevant to its operation and effective for the current accounting period of the Group and of the Company.

The adoption of these new HKFRSs did not affect recognition or measurement of the amounts recognised in the financial statements for the current or prior accounting periods. As a result, no prior period adjustment has been required.

However, the adoption of "HKFRS 7, Financial Instruments: Disclosures" and "Amendment to HKAS 1, Presentation of Financial Statements: Capital Disclosures" required more extensive disclosures in respect of financial instruments and an additional disclosure on capital management policy respectively. Comparative information has been restated to achieve a consistent presentation.

(c) Potential Impact Arising From The New Accounting Standards Not Yet Effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective. The directors of the Company anticipated that the application of these new and revised HKFRSs will have no material impact on the financial statements of the Group, except for the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised). The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 Amendment	Share-based Payments – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Interpretation 11	HKFRS 2 – Group and Treasury Share Transactions[3]
HK(IFRIC) – Interpretation 12	Service Concession Arrangements[4]
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] *Effective for annual periods beginning on or after 1 January 2009*
[2] *Effective for annual periods beginning on or after 1 July 2009*
[3] *Effective for annual periods beginning on or after 1 March 2007*
[4] *Effective for annual periods beginning on or after 1 January 2008*
[5] *Effective for annual periods beginning on or after 1 July 2008*

2. BUSINESS COMBINATION UNDER COMMON CONTROL

On 28 May 2007, a sale and purchase agreement was entered into between Fine Luck Group Limited ("Fine Luck"), which is a subsidiary of the Company, and Full Ocean Development Inc. ("Full Ocean"), which is wholly owned by Mr. Yu Pan. Full Ocean agreed to sell its interest in the entire issued share capital of Long World Trading Limited ("Long World") to Fine Luck. The transfer of controlling interests in Long World was completed on 19 July 2007. Mr. Yu Pan is also the controlling shareholder of the Company before and after the transaction.

The transfer of the controlling interests in Long World as mentioned above is regarded as a common control combination. Accordingly, the consolidated financial statements of the Group have been prepared using the principle of Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA as if the transfer of the controlling interests in Long World had been completed as at 1 January 2006. Accordingly, the comparative figures of the consolidated financial statements have been restated.

The effects of the combination of Long World on the results of the Group for the year ended 31 December 2006 and the financial position of the Group as at 31 December 2006 are summarised below:

<u>***Consolidated income statement***</u>	**For the year ended 31 December 2006** *HK$'000* *(Previously stated)*	**Combination of Long World** *HK$'000*	**Combination adjustments** *HK$'000*	**For the year ended 31 December 2006** *HK$'000* *(Restated)*
Revenue	23,456	27,356	(483)	50,329
Cost of sales and services	(1,841)	(18,191)	58	(19,974)
Gross profit	21,615	9,165		30,355
Other income	114	1,690	(1,455)	349
Sales and marketing expenses	–	(128)		(128)
Administrative expenses	(17,980)	(26,457)	484	(43,953)
Profit (loss) from operations	3,749	(15,730)		(13,377)
Fair value changes in investment properties	–	95,634		95,634
Share of loss of associate	(112)	–		(112)
Finance costs	(2,347)	(5,867)		(8,214)
Finance income	2,636	–	1,454	4,090
Profit before income tax expense	3,926	74,037		78,021
Income tax expense	(1,062)	(32,032)	(58)	(33,152)
Profit for the year	2,864	42,005		44,869
Attributable to:–				
– Equity holders of the Company	4,616	42,005		46,621
– Minority interests	(1,752)	–		(1,752)
	2,864	42,005		44,869

Consolidated balance sheet	As at 31 December 2006 *HK$'000* *(Previously stated)*	Combination of Long World *HK$'000*	Combination adjustments *HK$'000*	As at 31 December 2006 *HK$'000* *(Restated)*
Non-current assets	905,451	483,451		1,388,902
Current assets				
Properties held for sale	–	676		676
Prepaid lease payments – current portion	–	3		3
Trade and other receivables	8,588	11,457	(101)	19,944
Financial asset at fair value through profit or loss	–	630		630
Cash and cash equivalents	44,774	3,219		47,993
	53,362	15,985		69,246
Current liabilities				
Trade and other payables	5,168	36,144	(16,700)	24,612
Bank borrowings – current portion	–	17,991		17,991
Income tax payable	367	1,669	18,591	20,627
	5,535	55,804		63,230
Net current assets (liabilities)	47,827	(39,819)		6,016
Total assets less current liabilities	953,278	443,632		1,394,918
Non-current liabilities				
Other payable	63,573	–		63,573
Bank borrowings – non-current portion	–	82,327		82,327
Financial derivative liabilities	–	–	21,395	21,395
Loan from minority shareholder of a subsidiary	244,936	–		244,936
Deferred tax liabilities	100,122	115,700		215,822
	408,631	198,027		628,053
Net assets	544,647	245,605		766,865
Capital and reserves				
Ordinary share capital	10,899	–		10,899
Convertible preference share capital	–	–	1,455	1,455
Share premium	446,902	–	277,816	724,718
Contributed surplus reserve	15,497	–		15,497
Share-based payment reserve	3,584	–		3,584
Merger reserve	–	–	(301,662)	(301,662)
Statutory reserves	–	6,108		6,108
Foreign exchange reserve	7,589	11,675		19,264
Retained profits	14,831	227,822	(996)	241,657
Equity attributable to equity holders of the Company	499,302	245,605		721,520
Minority interests	45,345	–		45,345
Total equity	544,647	245,605		766,865

The effect of the combination of Long World on the Group's equity at 1 January 2006 are summarised below:

	As at 1 January 2006 *HK$'000* *(Previously stated)*	**Combination of Long World** *HK$'000*	**Combination adjustments** *HK$'000*	**As at 1 January 2006** *HK$'000* *(Restated)*
Capital and reserves				
Ordinary share capital	6,407	10		6,417
Convertible preference share capital	–	–	1,455	1,455
Share premium	156,007	–	277,816	433,823
Contributed surplus reserve	15,497	–		15,497
Convertible note equity reserve	4,207	–		4,207
Merger reserve	–	–	(301,662)	(301,662)
Statutory reserves	–	6,108		6,108
Foreign exchange reserve	1	4,328		4,329
Retained profits	10,215	185,817	(996)	195,036
Total equity	192,334	196,263		365,210

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the property development, property investment, hotel operation and related ancillary services, and provision of property development project management and interior decoration services. As over 90% of the 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.

Principal activities are as follows:

Property development	–	Property development and sale of properties
Property investment	–	Property investment
Hotel operation	–	Hotel operation and related ancillary services
Project management	–	Provision of property development project management and interior decoration services

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

	2007 ***HK$'000***	2006 *HK$'000* *(Restated)*
Sale of properties	**505**	11,920
Rental income	**20,462**	14,953
Hotel operation	**102,190**	–
Property development project management and interior decoration service fees	**2,474**	23,456
	125,631	50,329

The Group's revenue and results by business segment for the year ended 31 December 2007, together with the comparative figures for the corresponding year of 2006, are presented below:–

	Property development *HK$'000*	**Property investment** *HK$'000*	**Hotel operation** *HK$'000*	**Property management** *HK$'000*	**Eliminations** *HK$'000*	**Total** *HK$'000*
For the year ended 31 December 2007						
External sales	**2,420**	**18,547**	**102,190**	**2,474**	**–**	**125,631**
Inter-segment sales	**–**	**424**	**–**	**–**	**(424)**	**–**
Segment revenue	**2,420**	**18,971**	**102,190**	**2,474**	**(424)**	**125,631**
Segment results	**(13,190)**	**10,404**	**(35,533)**	**(1,813)**		**(40,132)**
Unallocated operating expenses						**(43,556)**
Loss from operations						**(83,688)**
Fair value changes in investment properties		**(22,926)**				**(22,926)**
Fair value changes of financial derivative liabilities						
– convertible notes						**267,789**
– convertible preference shares						**(11,507)**
Discount on business combinations	**67,965**					**67,965**
Share of profit of associate, net of tax	**8,251**					**8,251**
Finance costs						**(79,877)**
Finance income						**14,089**
Profit before income tax expense						**160,096**
Income tax credit						**61,239**
Profit for the year						**221,335**
For the year ended 31 December 2006 (Restated)						
External sales	11,920	14,953	–	23,456	–	50,329
Inter-segment sales	–	483	–	–	(483)	–
Segment revenue	11,920	15,436	–	23,456	(483)	50,329
Segment results	(2,782)	11,901	–	12,519		21,638
Unallocated operating expenses						(35,015)
Loss from operations						(13,377)
Fair value changes in investment properties		95,634				95,634
Share of loss of associate, net of tax	(112)					(112)
Finance costs						(8,214)
Finance income						4,090
Profit before income tax expense						78,021
Income tax expense						(33,152)
Profit for the year						44,869

4. LOSS FROM OPERATIONS

Loss from operations for the year has been arrived at after charging:–

	2007	2006
	HK$'000	*HK$'000*
		(Restated)
Cost of materials sold	**13,031**	1,841
Cost of properties sold	**695**	10,109
Unamortised prepaid lease payments recognised as cost of sales	**174**	2,776
Staff costs	**46,622**	11,304
Share-based payment expenses		
– staff and directors	**3,768**	1,386
– non-employees	**8,794**	2,198
	12,562	3,584
Auditors' remuneration		
– Current year	**1,380**	720
– Under-provision for prior years	**–**	80
Depreciation of property, plant and equipment	**43,821**	369
Less: Amount capitalised as properties held for development	**(18)**	(4)
Total depreciation charged to consolidated income statement	**43,803**	365
Amortisation of prepaid lease payments	**12,764**	3
Less: Amount capitalised as properties held for development	**(6,441)**	–
Total amortisation charged to consolidated income statement	**6,323**	3
Exchange losses, net	**524**	4
Impairment losses on trade and other receivables	**–**	188
Waiver of amount due from a director arising from business combination under common control	**12,853**	22,136
Write-off of hotel pre-operating expenses	**9,925**	–
Direct operating expenses on investment properties that generated rental income during the year	**3,824**	2,919
Direct operating expenses on investment properties that did not generate rental income during the year	**627**	–

5. FINANCE COSTS AND INCOME

	2007	2006
	HK$'000	*HK$'000*
		(Restated)
Finance costs:–		
Interest on convertible notes		
– wholly repayable within five years	**–**	595
– wholly repayable after five years	**78,348**	–
Imputed interest on loan from minority shareholder of a subsidiary	**6,020**	–
Interest on bank borrowings wholly repayable after five years	**47,884**	5,867
Interest on other borrowings wholly repayable within five years	**12,125**	–
	144,377	6,462
Less: Amount capitalised as properties held for development	**(72,701)**	–
	71,676	6,462
Issue cost on financial derivative of convertible notes	**6,905**	–
Other borrowing costs	**1,296**	1,752
Finance costs charged to consolidated income statement	**79,877**	8,214
Finance income:–		
Bank interest income	**12,076**	2,825
Other interest income	**2,013**	1,265
	14,089	4,090

6. INCOME TAX CREDIT (EXPENSE)

	2007	2006
	HK$'000	*HK$'000*
		(Restated)
Current tax		
Current tax – Hong Kong profits tax		
– under provision in respect of prior years	**(620)**	–
Current tax– overseas corporate tax		
– current year	**(5,740)**	(1,639)
– under provision in respect of prior years	**(43)**	–
PRC land appreciation tax		
– current year	**–**	(58)
– over provision in respect of prior years	**2,631**	–
	(3,772)	(1,697)
Deferred tax		
– current year	**6,522**	(31,455)
– attributable to decrease in tax rate	**58,489**	–
	65,011	(31,455)
Total income tax credit (expense)	**61,239**	(33,152)

Hong Kong profits tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profits for the year.

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 year.

The provision of PRC land appreciation tax ("LAT") is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditures.

On 16 March 2007, the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") was passed by the Tenth National People's Congress. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rates from 33% to 25% for certain subsidiaries from 1 January 2008.

7. DIVIDENDS

The directors do not recommend payment of any dividend for the year ended 31 December 2007 (2006: Nil).

8. EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic and diluted earnings (loss) per share is based on the profit attributable to ordinary equity holders of the Company and the following data:–

	2007	2006
	HK$'000	*HK$'000*
		(Restated)
Earnings for the purpose of basic earnings per share	**209,078**	46,621
Effect of dilutive potential ordinary shares:		
Fair value changes of financial derivative liabilities in relation to convertible notes	**(267,789)**	–
Finance costs on convertible notes (excluding interest capitalised)	**33,360**	–
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(25,351)**	46,621

	Number of shares	
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,201,764**	957,052
Effect of dilutive potential ordinary shares:		
– Convertible preference shares (Converted into ordinary shares in 2007)	**–**	145,537
– Bonus warrants	**61,639**	16,558
– Share options	**12,074**	1,116
– Convertible notes	**173,518**	–
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,448,995**	1,120,263

9. PROPERTY, PLANT AND EQUIPMENT

Upon completion of the acquisition of certain property development projects in which the construction of the properties was completed and ready for use during the year, there were additions of hotel property, property for own-use and properties held for sale with an aggregate cost of approximately HK$1,626,326,000.

10. TRADE AND OTHER RECEIVABLES

	2007	2006
	HK$'000	*HK$'000*
		(Restated)
Amount due from associate	**–**	4,080
Third parties	**7,637**	2,611
Trade debtors	**7,637**	6,691
Loan receivable		
– within one year	**9,192**	8,487
– from one to two years	**–**	7,963
Deposits, prepayments and other receivables	**14,187**	4,766
	31,016	27,907
Amount due within one year included in current assets	**(31,016)**	(19,944)
Amounts due after one year	**–**	7,963

Management has a formal credit policy in place and the exposure to credit risk is monitored through regular reviews of receivables and follow-up enquires on overdue accounts. Credit evaluations are performed on all customers requiring credit over a certain amount.

Included in trade and other receivables are trade debtors with the following ageing analysis as of the balance sheet date:

	2007	2006
	HK$'000	*HK$'000*
		(Restated)
Current *(Note a)*	**3,832**	1,601
Less than 1 month past due	**156**	–
1 to 3 months past due	**1,892**	1,360
More than 3 months but less than 12 months past due	**1,154**	2,769
More than 1 year past due	**603**	961
Amount past due at balance sheet date but not impaired *(Note b)*	**3,805**	5,090
	7,637	6,691

Notes:–

(a) The balances that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

(b) The balances that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on the past experience, the management estimated that the carrying amounts could be fully recovered.

11. TRADE AND OTHER PAYABLES

	Notes	**2007** **HK$'000**	2006 *HK$'000* *(Restated)*
Trade creditors		**18,255**	4,422
Retention money payable for construction costs	*(a)*	**25,649**	–
Construction costs payable		**128,944**	–
Balance of consideration payable for acquisition of a subsidiary	*(b)*	**63,573**	63,573
Accruals and other payables		**69,056**	20,190
		305,477	88,185
Amount due within one year included in current liabilities		**(241,904)**	(24,612)
Amounts due after one year		**63,573**	63,573

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	2007 **HK$'000**	2006 *HK$'000* *(Restated)*
Current or less than 1 month	**8,462**	–
1 to 3 months	**3,467**	3
More than 3 months but less than 12 months	**1,583**	40
More than 12 months	**4,743**	4,379
	18,255	4,422

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 the land use right certificate attributable to development project in Zhoutouzui pier, Haizhu District, Guangzhou, the PRC ("Zhoutouzui Project"), bearing an interest rate of 8% per annum from the date of issue.

12. CAPITAL COMMITMENTS

	2007	2006
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of		
– property construction and development costs	**915,973**	833,365
– acquisition of a land use right and demolition costs	**286,296**	–
	1,202,269	833,365

13. CONTINGENT LIABILITIES

At 31 December 2006, the Group has given guarantees to certain banks in respect of credit facilities granted to certain related companies. The aggregate amount of guarantees was HK$31,911,000 *(Restated)*. These guarantees have been released during the year 2007.

As at 31 December 2007, the Group had no material contingent liabilities.

14. EVENTS AFTER THE BALANCE SHEET DATE

(a) A consortium formed between Guangzhou Yu Jun Consulting Service Company Limited ("Yu Jun"), an indirect wholly-owned subsidiary of the Company, and a third party, 貴州協輝房地產開發有限公司 (Guizhou Xiehui Property Development Company Limited) ("Xiehui"), acquired a piece of land located in Guiyang City, Guizhou Province, the PRC (the "Land") through an open tender on 11 January 2008. The total consideration for the acquisition of the Land is approximately HK$589.1 million (RMB549.4 million). Following the successful tender of the Land, Yu Jun and Xiehui entered into a joint venture agreement to establish a project company for the holding and development of the Land, in which 55% equity interest is held by Yu Jun.

(b) On 25 January 2008, the Company entered into a memorandum of understanding with a third party, an institutional investor, in relation to the Company's disposal of a 45% to 49% equity interest of a wholly owned subsidiary, which holds indirectly the Tianhe Project.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

Business Review

During the year, the Group's revenue reached HK$126 million, representing an increase of 150% when compared with HK$50 million in the corresponding period last year. Net profit for the year increased 393.3% to HK$221 million (2006: HK$45 million). Basic earnings per share were HK17.398 cents (2006: HK4.872 cents). The changes were resulted from the Group's successful completion of a number of acquisitions of development projects during the year and amongst which The Westin Guangzhou, the first five-star hotel operated by the international branded operator, The Westin International in the business district in Guangzhou, and its annexed office building Skyfame Tower (the "Westin Project"), were completed and put into operation in the year.

In 2007, the Group's hotel operation contributes a dominant and recurring income to the Group that generated a total revenue of HK$102 million since its soft opening in May 2007. Taking advantage of the operator's strong experience, The Westin Guangzhou has been in upward trends, both in room rate and occupancy, since its grand opening in October 2007. Earnings before interest, depreciation, amortisation and income tax expense generated from the hotel operation was HK$11 million to the Group for the year. In addition, the Group received rental income of HK$20 million from the leasing of its properties at the commercial podium of Tianyu Garden Phase II ("Tianyu Garden Property") and Skyfame Tower.

The result for the year showed a profit attributable to equity holders for the year of HK$209 million despite losses from operations amounting to HK$84 million. The hotel operation contributed cash ever since its starting-off but its operating result was adversely affected by hotel pre-opening costs of HK$10 million and depreciation and amortisation costs of HK$50 million. Finance costs totaling HK$80 million were charged to the profit and loss account for the year, that include interests amortised on convertible notes, issue cost and interests paid to banks and financial institution on borrowings. Revaluation of the investment property at the year-end resulted to a loss of HK$23 million. These negative effects were compensated by non-operating gains, respectively, gain from revaluation amounting to HK$268 million on revaluation of financial derivative liabilities embedded in the Notes at the year-end, deferred tax credit of HK$58 million resulted from a downward adjustment of PRC corporate income tax rate that reduces potential tax liability caused by the appreciated values of land held by project companies at acquisitions, and gain of HK$68 million recognised on acquisition of land and property interests with fair values over their acquisition costs.

Since the Group's completion of the acquisitions in the year, it had put massive resources and manpower in its property development business in Guangzhou. The Group had the following sites for development as at 31 December 2007:–

Tianhe Project

In July 2007, the Group acquired an additional 51% stake interest leading to an entire 100% interest in the project. The 7,217 sq. m. property project is one of the remaining few prime sites in the heart of the central business district of Guangzhou still available for development. The Group plans to build a top-notch service apartment with gross floor area of approximately 84,150 sq. m. on the site which will become a landmark in Guangzhou. The construction is expected to take place in the second half of 2008.

Zhoutouzui Project

During the year, the Group also completed the consolidation of its ownership and now holds 100% equity interest in the site at Zhoutouzui. The project is an approximately 210,000 sq. m. gross floor area development on the site located at Zhoutouzui, Haizhu District, Guangzhou, the PRC. The defining characteristic of the site is its geographical supremacy as it is located opposite to the White Swan Hotel on the converging point of the three estuaries of the Pearl River. Intended to include sky-scraping structures, the Zhoutouzui Project promises a panoramic river view of the Pearl River in the heart of the Guangzhou City. Construction is expected to commence in late 2008.

Outlook

The office spaces at the Skyfame Tower, with gross floor area of approximately 41,000 sq. m. and 350 car parks are available for sale or tenancy in late 2007. It offers good investment opportunities for investors in grade A office in the mature business district at Tianhe, Guangzhou. The property is currently over 40% tenanted with multi-national corporations and consulates. Sales negotiations are in concrete progress. We expect a high percentage of floor areas to be sold in the financial year to come.

Looking ahead, the property market in China will go through gradual consolidation and step into a more regulated but healthier position. The Group will continue its prudent but aggressive land reserve strategy to invest in more property projects with promising potentials in the PRC. In January 2008, the Group partnered with a local developer and acquired a 156,208 sq. m. land in the city area of Guiyang, the provincial state of Guizhou Province, through a 55%-owned joint-venture company. The investment increased significantly the developable gross floor area of the Group's land bank to an approximately total of 1 million sq. m..

FINANCIAL RESOURCES AND LIQUIDITY

Capital structure and liquidity

The aforesaid acquisitions of development projects were financed by the proceeds raised from the Company's issue of convertible notes of US$200 million to a number of renowned institutional investors in May 2007. The notes bear a 4% coupon, maturing in 6 years with an annual yield-to-maturity of 15% and 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 gearing to share price performance (the "Notes"). The issue of convertible notes has enlarged the base of potential shareholders of the Company and strengthened its capital resources. The principal value of the Notes outstanding at the balance sheet date was approximately HK$1,516 million (US$194 million) as a result of conversions of approximately HK$47 million (US$6 million) into 34,719,555 ordinary shares of the Company during the year. The financial derivative liabilities embedded in the Notes were revalued at HK$1,082 million whilst the convertible notes carried at the unamortised cost of HK$212 million at the balance sheet date.

In the acquisition of the other 29% interest in the Westin Project and the 100% interest in Tianyu Garden Property that were beneficially owned by Mr. Yu Pan, the Company's controlling shareholder, convertible preference shares valued totaling HK$709 million ("CPS") were issued to Mr. Yu in consideration. The CPS is non-interest bearing, non-redeemable and subject to similar reset mechanism as the Notes. The CPS was converted in full for ordinary shares of the Company. The conversion increased the Group's equity by HK$721 million.

The acquisition of further 51% interest in Tianhe Project was financed by a short-term loan at principal value of HK$220 million extended from a financial institution. The acquisition of the Westin Project and Tianyu Garden Property led to liabilities for outstanding development costs of HK$155 million and long-term commercial loans of HK$963 million. Except the investment property which was revalued at open market value of HK$492 million at the year-end date, all other property interests are presented at costs or fair values at acquisition. Should the property portfolio was presented at open market values, there shows a total value attributable to the Group of HK$7,822 million at the balance sheet date.

As at 31 December 2007, the Group's total liabilities, mainly consist of the convertible notes, the financial derivates embedded in the Notes, commercial loans, deferred tax liabilities and development costs payable, increased to HK$3,260 million. The Group's gearing ratio (the ratio of total debt to total equity plus debt) at the balance sheet date was increased to 65.9% (2006: 47.4%) whilst the loan to value ratio, measured by total debt to open market values of property interests attributable to the Group, is 41.7% at the balance sheet date. Nonetheless, the management considered the gearing level is maintained at an affordable level.

The issue of the Notes strengthened and increased the Group's post acquisition cash position to HK$422 million at the balance sheet date of which HK$359 million is held in escrow accounts for reserves of interest payable to the convertible noteholders and a financial institution. The current assets and current liabilities of the Group were HK$1,108 million and HK$509 million respectively such that the current ratio rose to 2.2 from that 1.1 of last year-end.

Bank borrowings and pledge of assets

As at 31 December 2007, the Group had borrowings totaling HK$1,183 million from a financial institution and commercial banks. Such borrowings were used to finance the working capital and acquisition costs of the Group. To secure for the banking facilities granted to the Group, the Group pledged interests over its 51% shareholding in the intermediate holding company of the Tianhe Project and mortgages over property and land interests in the Westin Project and the Tianyu Garden Property. In addition, to secure for the convertible notes, cash in accounts totaling HK$359 million and shares of certain intermediary holding companies of project companies were charged in favour of the convertible noteholders and a financial institution.

FOREIGN CURRENCY MANAGEMENT

The Group's property development activities are conducted in the PRC. Its major activities are conducted in the PRC and denominated in Renminbi ("RMB"), the functional currency of the Company's principal subsidiaries. However, certain financing activities of the Group are denominated in other currencies, such as, the Notes are denominated in US dollars and a loan from a financial institution is denominated in HK dollars. Since US dollars is pegged with HK dollars, the expected exposures caused by fluctuations in the exchange rates for these currencies are not material. The Group does not have significant unfavourable exposure to foreign currency fluctuations as the expected rise in exchange rate of RMB against HK dollars and US dollars in the coming periods will favour the Group's financial position. In view of the foreseeable insignificant unfavourable impact of the exchange exposure, the Group does not hedge against its foreign currency risk. However, any permanent changes in the exchanges rates in RMB for HK dollars and US dollars and changes in the peg system of US dollars with HK dollars may have possible impact on the Group's results and financial position.

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 year covered by the 2007 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, continue to review the business growth of the Group and, when considered essential, will set out a clear division of responsibilities at the board level and the 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 THE FINAL RESULTS AND ANNUAL REPORT

This announcement will be published on the Company's website (www.sfr59.com) and the Stock Exchange's website (www.hkex.com.hk). The full 2007 Annual Report containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange in due course.

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

Hong Kong, 18 April 2008

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.