天譽置業（控股）有限公司*
SKYFAME REALTY (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)
(Stock Code: 00059)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

UNAUDITED INTERIM RESULTS

The board of Directors (the "Board") of Skyfame Realty (Holdings) Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2009, together with comparative figures for the corresponding period of 2008. The unaudited consolidated interim results have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Notes	**Six months ended 30 June** **2009** **HK$'000** **(Unaudited)**	2008 HK$'000 (Unaudited and restated)
Revenue	*3*	**142,077**	148,958
Cost of sales and services		**(54,906)**	(62,297)
Gross profit		**87,171**	86,661
Other income		**691**	708
Sales and marketing expenses		**(15,682)**	(10,124)
Administrative expenses		**(85,659)**	(89,244)
Loss from operations		**(13,479)**	(11,999)
Fair value changes in financial derivative liabilities in relation to convertible notes		**(263,951)**	514,691
Finance costs	*4*	**(120,950)**	(81,709)
Finance income		**316**	2,189
(Loss) profit before income tax	*5*	**(398,064)**	423,172
Income tax credit	*6*	**1,788**	2,581
(LOSS) PROFIT FOR THE PERIOD		**(396,276)**	425,753
Other comprehensive (expense) income, net of income tax:			
Exchange differences arising on consolidation of overseas entities		**(365)**	193,146
TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD		**(396,641)**	618,899
(Loss) profit for the period attributable to:			
- Equity holders of the Company		**(391,905)**	426,094
- Minority interests		**(4,371)**	(341)
		(396,276)	425,753
Total comprehensive (expense) income for the period attributable to:			
- Equity holders of the Company		**(392,268)**	619,014
- Minority interests		**(4,373)**	(115)
		(396,641)	618,899
Dividends	*7*	**Nil**	Nil
(Loss) earnings per share	*8*		
- Basic		**(HK26.52 cents)**	HK28.85 cents
- Diluted		**N/A**	(HK3.14 cents)

** for identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	Notes	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**961,291**	1,046,987
Prepaid lease payments - non-current portion		**692,554**	736,550
Investment properties		**401,497**	401,543
Properties held for development		**1,014,446**	962,867
Goodwill		**68,308**	68,316
		3,138,096	3,216,263
Current assets			
Properties held for sale		**620,364**	573,808
Prepaid lease payments - current portion		**524,922**	494,718
Properties under development		**183,042**	86,268
Inventories		**13,519**	19,542
Trade and other receivables	*9*	**43,125**	33,900
Restricted and pledged deposits		**25,139**	67,737
Cash and cash equivalents		**290,584**	53,720
		1,700,695	1,329,693
Assets classified as held for sale		**733,016**	713,399
		2,433,711	2,043,092
Current liabilities			
Trade and other payables	*10*	**288,991**	219,761
Bank and other borrowings - current portion		**280,595**	280,228
Convertible notes - current portion		**119,230**	-
Deferred income		**3,077**	3,779
Income tax payable		**40,439**	48,080
		732,332	551,848
Liabilities associated with assets classified as held for sale		**108,217**	108,884
		840,549	660,732
Net current assets		**1,593,162**	1,382,360
Total assets less current liabilities		**4,731,258**	4,598,623
Non-current liabilities			
Other payable	*10*	**6,305**	63,573
Bank and other borrowings - non-current portion		**1,407,311**	1,042,480
Convertible notes - non-current portion		**262,306**	306,337
Financial derivative liabilities		**357,113**	93,162
Loan from minority shareholder of a subsidiary		**277,339**	273,968
Deferred tax liabilities		**271,856**	273,674
		2,582,230	2,053,194
Net assets		**2,149,028**	2,545,429
Capital and reserves			
Share capital		**14,777**	14,777
Reserves		**2,113,890**	2,505,918
Equity attributable to equity holders of the Company		**2,128,667**	2,520,695
Minority interests		**20,361**	24,734
Total equity		**2,149,028**	2,545,429

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 June 2009 (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Interim Financial Statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2008.

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

Notwithstanding that the Group is not in compliance with the trust deed (the "Trust Deed") entered into between the convertible noteholders (the "Noteholders") and the Company on ground that a subsidiary of the Company cannot obtain the land use right certificate and other permits in respect of the Zhoutouzui Project by 31 March 2009, as disclosed in *note 15* of the Interim Financial Statements, and the non-payment of a term loan of HK$220 million (the "Loan") which was due on 29 January 2009, as disclosed in *note 14(b)* of the Interim Financial Statements, the Interim Financial Statements are prepared using the going concern basis, a fundamental accounting concept adopted in the presentation of the Interim Financial Statements. The directors of the Company (the "Directors") considered carefully that the business of the Group is a going concern after having considered the assumptions and qualifications that have material effects on the foreseeable period covering the next twelve months since the statement of financial position date. Key assumptions are as follows:

(a) The general economic performance in the PRC and the specific industrial parameters affecting the hotel and real estate sectors are becoming stable;

(b) The contractual terms offered from suppliers and creditors are not affected by the above-mentioned non-compliances;

(c) No acceleration of the bank loan amortisation in the light of the potential claims nor there will be any claims for consequential losses or damages;

(d) Assets can be realised to provide sufficient funding to meet with the claims from lenders of the Loan and an early automatic redemption of the convertible notes of US$75 million (approximately HK$586 million) in principal and accrued interests, should no restructuring plan be reached with the Noteholders;

(e) New banking facilities have been and will be available to the Group from financial institutions to finance work in progress of the Zhoutouzui and Guiyang Projects in accordance with respective construction timetables; and

(f) The Directors believe that the holders of the convertible notes and the Company can reach an agreement to restructuring the existing terms of the convertible notes which take the effect to relax certain conditions of the convertible notes such as by extending their rights of the put options which are exercisable from 4 May 2010 onwards and entitling the Noteholders a right to redeem in full the principal value of the convertible notes at the date of issue plus accrued interests by 4 May 2011.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current period, the Group has applied, for the first time, certain new standards, amendments and interpretations to Hong Kong Financial Reporting Standards issued by the HKICPA, which are effective for the Group's financial period beginning on 1 January 2009. HKFRSs comprise Hong Kong Financial Reporting Standards, HKASs and Interpretations. The adoption of these new or revised HKFRSs has had no material effects on the results or financial position of the Group for the current or prior accounting periods nor resulted in substantial changes to the Group's accounting policies.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009 and are relevant to the Group:

- As a result of the adoption of HKAS 1 (Revised) "Presentation of Financial Statements", changes in equity arising from certain transactions that do not include transactions with owners in their capacity as owner are presented separately from all other income and expenses and are presented in the statement of comprehensive income. HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

- HKFRS 8 "Operating Segments" replaces HKAS 14 "Segment Reporting". HKFRS 8 requires segment disclosure to be based on the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's chief operating decision maker.

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

3. REVENUE AND SEGMENT REPORTING

On first time adoption of HKFRS 8 "Operating segments" and in a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment, the Group is currently organised into three operating divisions – property development, property investment and hotel operation. These divisions are the basis on which the Group reports its primary segment reporting.

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

	Property development	Property investment	Hotel operation	Segment Total	Corporate	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results for the six months ended 30 June 2009 (Unaudited)						
Rental income	21,798	8,041	-	*29,839*	-	29,839
Hotel operation	-	-	112,238	*112,238*	-	112,238
Segment revenue	21,798	8,041	112,238	*142,077*	-	142,077
Operating profit (loss) before depreciation and amortisation (Adjusted EBITDA)	4,461	4,971	36,261	*45,693*	(11,447)	34,246
Depreciation and amortisation	(5,598)	(5)	(39,130)	*(44,733)*	(2,992)	(47,725)
Segment results	(1,137)	4,966	(2,869)	*960*		
Corporate operating expenses					(14,439)	
Loss from operations						(13,479)
Fair value changes in financial derivative liabilities in relation to convertible notes						(263,951)
Finance costs						(120,950)
Finance income						316
Loss before income tax						(398,064)
Assets and liabilities as at 30 June 2009 (Unaudited)						
Reportable segment assets						
Assets classified as held for sale	733,016	-	-	*733,016*	-	733,016
Other segment assets	2,905,627	403,701	1,197,588	*4,506,916*	331,875	4,838,791
	3,638,643	403,701	1,197,588	*5,239,932*	331,875	5,571,807
Reportable segment liabilities						
Liabilities associated with assets classified as held for sale	108,217	-	-	*108,217*	-	108,217
Other segment liabilities	556,806	18,499	55,098	*630,403*	2,684,159	3,314,562
	665,023	18,499	55,098	*738,620*	2,684,159	3,422,779
Other segment information for the six months ended 30 June 2009 (Unaudited)						
Capital expenditure	79,394	-	242	*79,636*	10	79,646

	Property development	Property investment	Hotel operation	Segment Total	Corporate	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results for the six months ended 30 June 2008 (Unaudited and restated)						
Rental income	12,245	11,429	-	*23,674*	-	23,674
Hotel operation	-	-	125,284	*125,284*	-	125,284
Segment revenue	12,245	11,429	125,284	*148,958*	-	148,958
Operating profit (loss) before depreciation and amortisation (Adjusted EBITDA)	(603)	6,796	39,648	*45,841*	(10,570)	35,271
Depreciation and amortisation	(6,773)	(5)	(37,861)	*(44,639)*	(2,631)	(47,270)
Segment results	(7,376)	6,791	1,787	*1,202*		
Corporate operating expenses					(13,201)	
Loss from operations						(11,999)
Fair value changes in financial derivative liabilities in relation to convertible notes						514,691
Finance costs						(81,709)
Finance income						2,189
Profit before income tax						423,172
Assets and liabilities as at 31 December 2008 (Audited and restated)						
Reportable segment assets						
Assets classified as held for sale	713,399	-	-	*713,399*	-	713,399
Other segment assets	2,671,643	403,731	1,242,211	*4,317,585*	228,371	4,545,956
	3,385,042	403,731	1,242,211	*5,030,984*	228,371	5,259,355
Reportable segment liabilities						
Liabilities associated with assets classified as held for sale	108,884	-	-	*108,884*	-	108,884
Other segment liabilities	485,535	21,995	69,893	*577,423*	2,027,619	2,605,042
	594,419	21,995	69,893	*686,307*	2,027,619	2,713,926
Other segment information for the six months ended 30 June 2008 (Unaudited)						
Capital expenditure	718,352	-	40,278	*758,630*	12,624	771,254

All of the segment revenue reported above is from external customers.

4. FINANCE COSTS

	Six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on convertible notes wholly repayable within five years	**105,196**	71,027
Interest on bank and other borrowings		
- wholly repayable within five years	**29,587**	15,445
- wholly repayable after five years	**36,092**	37,778
Interest on short-term loan from a director	**97**	-
	170,972	124,250
Less: Amount capitalised as properties held for/under development at the rate of approximately 31% (six months ended 30 June 2008: 35%)		
Interest on convertible notes wholly repayable within five years	**(44,182)**	(29,831)
Interest on bank and other borrowings wholly repayable within five years	**(9,357)**	(14,265)
	(53,539)	(44,096)
	117,433	80,154
Other borrowing costs	**14,727**	6,335
Less: Amount capitalised as properties held for/under development	**(11,210)**	(4,780)
	3,517	1,555
Finance costs charged to consolidated statement of comprehensive income	**120,950**	81,709

5. (LOSS) PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited and restated)
Cost of materials sold	**10,795**	12,549
Staff costs, including Directors' emoluments	**32,755**	34,025
Auditors' remuneration - current year	**672**	780
Depreciation of property, plant and equipment	**38,575**	36,948
Less: Amount capitalised as properties held for/under development	**(12)**	-
Total depreciation charged to consolidated statement of comprehensive income	**38,563**	36,948
Amortisation of prepaid lease payments	**13,658**	13,971
Less: Amount capitalised as properties held for/under development	**(4,496)**	(3,649)
Total amortisation charged to consolidated statement of comprehensive income	**9,162**	10,322
Provision of impairment losses on rental receivables	**396**	-

6. INCOME TAX CREDIT

	Six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax		
Overseas corporate tax		
- over provision in respect of prior years	**-**	541
Deferred tax		
- current year	**1,788**	2,040
Total income tax credit	**1,788**	2,581

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2009 (six months ended 30 June 2008: HK$Nil) as the Group has no estimated assessable profits in respect of operation in Hong Kong. Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2008: 16.5%) on the estimated assessable profits for the six months ended 30 June 2009.

Enterprise income tax arising from other regions of The People's Republic of China (the "PRC") is calculated at 25% (six months ended 30 June 2008: 25%) on the estimated assessable profits. 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 2009 (six months ended 30 June 2008: HK$Nil).

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

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

	Six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited and restated)
(Loss) profit for the purposes of basic (loss) earnings per share	**(391,905)**	426,094
Effect of dilutive potential ordinary shares:		
Fair value changes in financial derivative liabilities in relation to convertible notes		(514,691)
Finance costs on convertible notes (excluding capitalised interest)		41,196
Loss for the purposes of diluted loss per share	**N/A**	(47,401)
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**1,477,687**	1,476,780
Effect of dilutive potential ordinary shares:		
- Bonus warrants		33,505
- Share options		524
Weighted average number of ordinary shares for the purposes of diluted loss per share	**N/A**	1,510,809

For the six months ended 30 June 2009, no diluted loss per share is presented as the effect was anti-dilutive.

9. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period of 8 to 30 days to its trade customers. The following includes an ageing analysis of trade receivables at the statement of financial position date:

	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Current or less than 1 month	**6,371**	4,191
1 to 3 months	**807**	1,000
More than 3 months but less than 12 months	**234**	122
More than 12 months	**533**	575
Total trade receivables, net of impairment	**7,945**	5,888
Deposits, prepayments and other receivables	**35,180**	28,012
	43,125	33,900

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

10. TRADE AND OTHER PAYABLES

	Notes	**30 June 2009 HK$'000 (Unaudited)**	31 December 2008 HK$'000 (Audited)
Current or less than 1 month		**51,024**	35,678
1 to 3 months		**4,016**	2,761
More than 3 months but less than 12 months		**266**	986
More than 12 months		**4,403**	5,761
Total trade payables		**59,709**	45,186
Retention money payable for construction costs	*(a)*	**3,675**	3,888
Construction costs payable		**44,957**	62,688
Balance of consideration payable for acquisition of a subsidiary	*(b)*	**-**	63,573
Advanced payments received from customers			
- Pre-sale deposits received from buyers		**77,449**	-
- Receipts in advance, rental and other deposits from customers and/or tenants		**19,338**	22,140
Accruals and other payables		**90,168**	85,859
		295,296	283,334
Amounts due within one year included in current liabilities		**(288,991)**	(219,761)
Amounts due after one year		**6,305**	63,573

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 but are within the normal operating cycle of the property development business of the Group.

(b) This represents the balance of consideration payable to the vendor for acquisition of a subsidiary in 2006. By virtue of a supplemental agreement dated 20 October 2008 entered into with the creditor, commencing 1 January 2009, the terms of the amount payable were changed to interest-bearing at a rate of 20% per annum, unsecured and the principal together with accrued interest are repayable on or before 31 December 2010. The amount is reclassified as other borrowings since 1 January 2009.

11. CAPITAL COMMITMENTS

	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Capital expenditure contracted for but not provided for in the Interim Financial Statements in respect of property construction and development costs	**1,148,506**	1,167,158

12. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (Revised) "Presentation of Financial Statements" and HKFRS 8 "Operating Segments", and to be consistent with consolidated financial statements for the year ended 31 December 2008, certain comparative figures have been restated to conform to the current period's presentation.

13. EVENTS AFTER THE END OF THE REPORTING PERIOD

The proposed transaction as announced on 1 June 2009 by the Company about the sale of 80% equity interest in Yaubond Limited, a subsidiary of Sky Honest Investments Corp. and Nicco Limited holding 100% indirect interest in the Tianhe Project, was put for independent shareholders' resolutions in a special general meeting of shareholders held on 10 July 2009. The proposed resolution was voted down by the shareholders resulting that the transaction cannot be proceeded and hence was terminated on 22 July 2009 by the parties to the agreement. Despite the proposed transaction not being passed through, the management is still seeking other opportunities to realise the asset or other refinancing method.

Following the termination of the agreement, the lenders have not expressed an intention to a standstill to refrain from taking legal actions against the subsidiaries of the Company nor have taken any legal action against the Group. Nonetheless, the Company continues the discussions with the lenders of the Loan with an intention for a full settlement. No agreement has been reached up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Business Review

During the six months ended 30 June 2009, the Group recorded a total turnover of HK$142 million (2008: HK$149 million), a 4.6% decrease from the corresponding period in last year. The decrease in turnover was led by the adverse impact on the hotel operation in the aftermath of the economic crisis spread in the last quarter of 2008. Hotel revenue, as the major contributor of revenue which contributes to revenue of HK$112 million (2008: HK$125 million), shows a downward adjustment of 10%. Notwithstanding, rental income from the leasing of Skyfame Tower brought an increasing revenue of HK$30 million to the Group (2008: HK$24 million) as a result of the increasing occupancy.

The operating results present an EBITDA (profit before interest, income tax, depreciation and amortisation) of HK$34 million (2008: HK$35 million) before depreciation and amortisation of prepaid lease payment of HK$48 million (2008: HK$47 million) charged mainly for the hotel operation.

Finance costs, consisting of effective interests amortised on convertible notes, interests paid to banks and financial institutions on borrowings, so far not capitalised as development costs, amount to HK$121 million (2008: HK$82 million). The prices of the Company's shares during the period have bottomed up giving rise to an increase in the fair value of the liabilities in financial derivative embedded in the convertible notes. This results to an exceptional loss of HK$264 million for the period whilst in the last period, there recorded a revaluation gain of HK$515 million.

Whilst the property prices start to pick up in the period, based on valuation of the Directors, there has been no further adjustment in the revaluation of investment properties or write-down of goodwill in the acquired investments.

These factors combine to a loss attributable to shareholders of HK$392 million (2008: gain of HK$426 million) for the period.

Hotel Operation

Due to the lower passage of business travelers to Guangzhou as directly impacted by the financial crisis, the performance of The Westin Guangzhou was affected in both revenue and bottom line. The revenue was down by 10% but the hotel management could maintain a rather stable EBITDA despite the challenging environment. The hotel operation continues to contribute stable cash flow to the Group.

Investment Properties and Properties Held for Sale

Following the gradually increasing occupancy since occupation in late 2007 at the Skyfame Tower, consisting of 32,000㎡ for grade-A offices and 9,000㎡ for commercial podium, the office units achieved an occupancy of 83% and generated stable and satisfactory yield to the Group.

The Group also receives stable rental income from the leasing of about 20,000㎡ commercial podium at Tianyu Garden Phase 2 located next to Skyfame Tower. The property is now 64% occupied, tenanted with renowned corporations and the US consulate.

Properties Held for/Under Development

Guiyang Project
The development, which the Group holds a 55% stake, consisting of high-end residential apartments of a total GFA of approximately 480,000㎡ and community facilities. The first phase of the development for GFA of about 91,000㎡ has been launched for pre-sale in the second quarter of 2009 and are expected to be delivered for occupation in 2010. At the date of this announcement, some 54,000㎡ GFA, representing 60% of the total area launched, were pre-sold at an average selling price of RMB4,000.

Zhoutouzui Project
The management is going through procedures in connection with the approval of the design plan and transfer of the land use right certificate to the project company from the original user. Due to some unforeseeable changeovers in staffing in the governing authorities, unnecessary delays have been experienced which have impacted the timetable of the development. Nonetheless, the management expects the delays can be overcome.

Tianhe Project
Resettlement of the existing occupant of the land by means of building up a new fire station for the occupant has been undergone. The management is currently in active discussions with the Fire Bureau about the detailed contractual terms of the construction of the new fire station. Construction works of the new fire station are pending the conclusions of such discussions.

Going Concern

The Group is not in compliance with the trust deed entered into between the convertible noteholders and the Company on ground that a subsidiary of the Company cannot obtain the land use right certificate and other permits in respect of the Zhoutouzui Project by 31 March 2009, and the non-payment of a term loan of HK$220 million which was due on 29 January 2009.

The Company has reached an agreement with the Noteholders for an extension to meet with the timeline to 31 May 2009 in obtaining the land use right certificate of Zhoutouzui Project or such a later date when the terms of the restructuring of the convertible notes are reached between the parties, or else the Noteholders are entitled to an early redemption of the convertible notes, with an outstanding principal amount of US$192 million due 2013 (the "Notes"), for an amount of US$75 million (approximately HK$586 million) in principal and accrued interests (the "Automatic Redemption").

Currently, negotiations in relation to the restructuring of the Notes with the Noteholders are in progress though no resolutions have been reached so far. The claim for the Automatic Redemption is in standstill. At the same time, discussions with the lenders of the Loan continue despite the fact the lenders have not expressed an intention to a standstill to refrain from taking legal actions against the subsidiaries of the Company.

The Directors believe that the restructured terms of the Notes that may be reached in the coming months will relax certain terms and conditions of redemption of the Notes which will be in the interest of the Company.

The Interim Financial Statements are prepared using the going concern basis, a fundamental accounting concept adopted in the presentation of the Interim Financial Statements. The Directors considered carefully that the business of the Group is a going concern after having considered the assumptions and qualifications that have material effects on the foreseeable period covering the next twelve months since the statement of financial position date. Key assumptions are: (i) the general economic performance in the PRC and the specific industrial parameters affecting the hotel and real estate sectors are becoming stable; (ii) contractual terms offered from suppliers and creditors are not affected; (iii) no acceleration of the bank loan amortisation in the light of the potential claims; (iv) holders of the Notes will agree to refrain from exercising their rights of the Automatic Redemption and the put option which is exercisable from 4 May 2010 onwards; and (v) assets can be realised to provide sufficient funding to meet with the claims from lenders of the Loan and the Automatic Redemption of the Notes, should no restructuring plan be reached with the Noteholders.

Outlook

The global economy has shown ending signs of recession, though revival is yet to come. Business prospect to the Group is still very challenging despite the recent recovery in the real estate industry which is driven by the stimulus spending and loose monetary policies of the central government. We are yet to wait for the improving conditions in the hotel and property markets in general. Simultaneously, by strengthening the balance sheet of the Group in consequence of the restructuring of the Notes and Loan, we will pave a stronger foundation for our future growth.

LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure and Liquidity

The outstanding face value of the Notes is US$192 million outstanding at the statement of financial position date (equivalent to approximately HK$1,500 million) whilst the carrying value of the Notes, in aggregate of the liability and financial derivative components, is HK$739 million (31 December 2008: HK$399 million). The Notes entitle the Noteholders the right to exercise put options at three stages, i.e. the first option for redeeming not exceeding 30% of the principal value of the Notes plus accrued interest on 4 May 2010, the second option for redeeming not exceeding 20% of the value plus interest on 4 November 2010 and the third option for redeeming all remaining outstanding principal plus interests on 4 May 2011. As a reflection of the rebound of share prices of the Company in the recent months, the financial derivative liabilities were revalued in aggregate at HK$357 million and the Notes amortised at carrying cost of HK$382 million at the statement of financial position date. Of the loan liability component of the Notes, carrying value of HK$119 million is presented as current liability to reflect the amount of the Notes for which the Noteholders will exercise the first put option. Apart from the Notes, the Group is indebted to commercial banks for mortgage loans, the Loan, advance from a minority shareholder of a subsidiary, deferred tax liabilities, advanced payments received from pre-sale and trade payable, totaling HK$2,684 million (31 December 2008: HK$2,315 million). The increase in liabilities is due to the rise in fair value of the financial derivative and additional bank borrowings from local banks for working capital of the Group and construction costs of the Guiyang Project during the period.

The management has been recently in discussions with the Noteholders about debt restructuring plans which will involve realisation of ready-to-sale assets, consisting of the Skyfame Tower and The Westin Guangzhou and redeem the Notes with the sale proceeds under conditions which are beneficial to the Group. Though no concrete term has been reached with Noteholders, the management is uncertain about the amount of redemption of the Notes finally involved. Had there been a full redemption at the outstanding principal value of the Notes on the statement of financial position date, the financial derivatives together with the liability component will be stated as the principal value of HK$1,500 million (US$192 million) and thus the Group's total liabilities will be accordingly restated at HK$4,184 million (31 December 2008: HK$3,814 million).

The gearing ratios, based on the net debt (represented by bank and other borrowings, the Loan, the Notes and financial derivative liabilities, loan from minority shareholder and other payable net of cash and cash equivalents) to the equity attributable to equity holders plus net debt at the statement of financial position dates of 30 June 2009 and 31 December 2008, were 53% and 44% respectively. The rise in gearing ratio is explained by the upward revaluation in the fair value of the financial derivative liabilities. Assuming a restatement of the note payable to its full principal value, the gearing ratio at balance sheet date will become 70% (31 December 2008: 69%). The gearing position will vary according to the outcome of the restructuring of the Notes. In the meantime, the management is working progressively on feasible plans to realise assets to fund for the redemption of the Notes and repayment of the Loan that will help in reducing the gearing level.

Cash balance increased to HK$316 million as new bank loan facilities were drawn down but unutilised for working capital and construction payables near the interim period end. The current ratio was 2.9 (31 December 2008: 3.1). Current assets and current liabilities of the Group were HK$2,434 million and HK$841 million respectively on 30 June 2009. The current liabilities increased mainly due to the loan liability of the Notes of HK$119 million arising from the possible exercise of the first put option of the Noteholders with effect from 4 May 2010. The prospect of the liquidity position of the Group is largely dependent on the outcome of the negotiations with the Noteholders and the lenders of the Loan about the note restructure and repayment of the Loan which will affect the courses of actions that the creditors will take. In the adverse situation if legal actions are taken by the Noteholders for the Automatic Redemption, the Notes to the extent of approximately HK$586 million in principal and approximately HK$182 million in interests accrued up to the date of this announcement will become due immediately which will be shown as a current liability of the Group.

Borrowings and Pledge of Assets

Other than the deposit restricted for construction costs of works-in-progress, cash in accounts totaling HK$17 million (31 December 2008: HK$68 million) was restricted for the payment of interests to Noteholders and lenders of the Loan. Apart from this escrowed money, shares of certain intermediate holding companies of the property developing subsidiaries of the Group were charged in favor of a security trustee acting for the Noteholders and the lenders of the Loan. To secure for banking facilities in the total of RMB1,261 million granted to operating subsidiaries for working capital and construction costs by several commercial banks in the mainland China, mortgages of property interests in The Westin Guangzhou, Skyfame Tower, Tianyu Garden Phase 2 and works in progress and land of the Guiyang Project were charged in favour of the banks. On 30 June 2009, other than the Notes, secured bank and other borrowings (including the Loan) in an aggregate amount of HK$1,688 million (31 December 2008: HK$1,323 million) were outstanding of which HK$281 million (31 December 2008: HK$280 million) are due within one year.

FOREIGN CURRENCY MANAGEMENT

The Group is principally engaged in property development activities which are all conducted in the PRC and denominated in Renminbi ("RMB"), the functional currency of the Company's principal subsidiaries. At the same time, certain financing activities of the Group are denominated in other currencies, such as the Notes are in US dollars and the Loan in HK dollars.

Due to the slight depreciation of RMB against HK and US dollars during the period, a foreign exchange loss of HK$0.4 million arises on consolidation of the assets and liabilities of the PRC subsidiaries. The exchange reserve of HK$376 million as at 30 June 2009 adds to the equity attributable to shareholders of the Company. Since the US and HK dollars are pegged whilst RMB moves within narrow extents with the US and HK dollars, the Group foresees no significant foreign currency exposure in the foreseeable future but possible appreciation in the exchange rates of RMB against HK dollars, such fluctuations will not have unfavourable effect on the financial position of the Group. For these reasons, the Group does not hedge against its foreign currency risk. However, any permanent or significant changes in the exchange rates in RMB for HK and US dollars and in the peg system of US dollars with HK dollars may have possible impact on the Group's results and financial position.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2009.

CORPORATE GOVERNANCE

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the Interim Financial Statements, in compliance with the Code 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 small size of the team, both the roles of the chairman and chief executive officer of the Company are currently played by Mr. Yu Pan. The Board considers the currently simple but efficient management team serves sufficiently enough the need of the Group. The Board will, nonetheless, continue to review the business growth of the Group and, when considered essential, will set out a clear division of responsibilities at the board level and the management team to ensure a proper balance of power and authority within the Company.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the period under review.

RE-DESIGNATION OF NON-EXECUTIVE DIRECTOR AND CHANGES IN INFORMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

On 15 May 2009, Mr. Jerry Wu was re-designated from Non-executive Director to Independent Non-executive Director and appointed as a member of Audit Committee and Remuneration Committee.

On 20 April 2009, Ms. Chung Lai Fong, an Independent Non-executive Director of the Company, has been appointed as an independent non-executive director of Far City Mining Limited, a company listed on Canadian National Stock Exchange on 31 July 2009.
Effective from 15 May 2009, remuneration to each of Independent Non-executive Directors is reduced from HK$200,000 to HK$180,000 per annum as part of the cost control program undertaken to tackle the financial stress faced by the Group.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2009.

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 Interim Financial Statements have been reviewed by the Audit Committee.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of the Company (www.sfr59.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

OTHER

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

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

Hong Kong, 11 September 2009