THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Skyfame Realty (Holdings) Limited**, you should at once hand this circular together with the enclosed form of proxy to the purchaser or to the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or to the transferee.

天譽置業（控股）有限公司*

SKYFAME REALTY (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00059)

VERY SUBSTANTIAL DISPOSAL
REFRESHMENT OF THE 10% GENERAL LIMIT UNDER THE SHARE OPTION SCHEME
AND
PROPOSED GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

Financial Adviser in relation to the Disposal

ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED
卓亞(企業融資)有限公司

A letter from the board of directors of Skyfame Realty (Holdings) Limited is set out on pages 6 to 23 of this circular.

A notice convening the special general meeting of Skyfame Realty (Holdings) Limited to be held at Empire Room 1, M/Floor, Empire Hotel Hong Kong Wanchai, 33 Hennessy Road, Wanchai, Hong Kong on Friday, 3 September 2010 at 3:00 p.m. is set out on pages SGM-1 to SGM-5 of this circular. Whether or not you intend to attend such meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrars of the Company in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting if you so wish.

19 August 2010

* *for identification purposes only*

CONTENTS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"10% General Limit"	the maximum number of Share which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Group, being 10% of the Company's issued share capital as at the date of adoption of the Share Option Scheme and which may be from time to time refreshed
"30% Overall Limit"	the overall limit on the number of Share which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Group, which in aggregate shall not exceed 30% of the Shares in issue from time to time
"Agreement"	the agreement entered into between the Company, HNA Hotel, Yaubond and Huan Cheng dated 26 July 2010 in relation to the Disposal
"Board"	board of Directors
"Business Day(s)"	a day (not a Saturday, Sunday or public holiday in the PRC) on which licensed banks in the PRC are generally open for business during their normal business hours
"Company"	Skyfame Realty (Holdings) Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange (stock code: 00059)
"Completion"	completion of the Disposal pursuant to the terms of the Agreement
"Completion Date"	the date on which the new business license of Huan Cheng is obtained showing HNA Hotel has become the owner of the entire equity interest in Huan Cheng
"connected persons"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration of the Disposal, being RMB1,090 million (equivalent to approximately HK$1,253 million) (subject to adjustments as described in the section headed "Consideration")

"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the entire equity interest in Huan Cheng by Yaubond and the Company to HNA Hotel
"DTZ Debenham"	DTZ Debenham Tie Leung Limited, an independent professional valuer
"GFA"	gross floor area
"Group"	the Company and its subsidiaries
"Guang Li"	廣西廣利貿易有限責任公司 (Guangxi Guang Li Trading Limited*), a state-owned enterprise, incorporated in the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Guang Li and its ultimate beneficial owners do not hold any Shares as at the Latest Practicable Date and are third parties independent of the Company and its connected persons
"HKAS"	Hong Kong Accounting Standard issued by the Hong Kong Institute of Certified Public Accountants
"HNA Hotel"	海航酒店控股集團有限公司 (HNA Hotel Holdings Group Co. Limited*), a company incorporated in the PRC with limited liability, an independent third party
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"HSBC"	The Hongkong and Shanghai Banking Corporation Limited
"Huan Cheng"	廣州寰城實業發展有限公司 (Guangzhou Huan Cheng Real Estate Development Company Limited*), an indirect wholly-owned subsidiary of the Company and a wholly foreign-owned enterprise incorporated in the PRC
"Latest Practicable Date"	17 August 2010, being the latest practicable date prior to printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Mr. Yu"	Mr. Yu Pan, the executive Director and chairman of the Company, being the controlling Shareholder through (i) his 100% interest in Sharp Bright International Limited, which wholly owns Grand Cosmos Holdings Limited, which in turn holds 963,776,271 Shares and (ii) his direct holding of 94,336,000 Shares, in aggregate holding 1,058,112,271 Shares, representing approximately 71.61% of the issued share capital of the Company as at the Latest Practicable Date
"New Issue Mandate"	a general mandate proposed to be granted to the Directors to exercise the power of the Company to allot, issue and deal with new Shares on the terms set out in the notice of the SGM
"Noteholders"	the holders of the Notes
"Noteholders Agreement"	an agreement dated 7 June 2010 entered into between Yue Tian Development Limited, the Company, The Hongkong and Shanghai Banking Corporation Limited, Mr. Yu Pan, the participating Noteholders and the Provisional Liquidators in relation to the settlement of the Notes
"Notes"	the US$200 million 4% secured convertible notes due 2013 issued by the Company, which has an aggregate outstanding principal of US$192 million (approximately HK$1,500 million) as at the Latest Practicable Date (before netting off the first installment of US$100 million (approximately HK$780 million) and the escrow monies of approximately US$2.18 million (approximately HK$17 million) transferred to the Noteholders' account on 30 June 2010)
"PRC"	the People's Republic of China, which for the purposes of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Provisional Liquidators"	Messrs. Stephen Liu Yiu Keung and David Yen Ching Wai, the joint and several provisional liquidators of the Company, both of Ernst & Young Transactions Limited acting without personal liability, whom were appointed by a court order dated 6 November 2009 and recently discharged on 9 July 2010
"Remaining Group"	the Group other than Huan Cheng
"Repurchase Mandate"	a general mandate proposed to be granted to the Directors to exercise the power of the Company to repurchase Shares on the terms set out in the notice of the SGM

"Restructuring Agreement"	an agreement dated 9 June 2010 entered into between Sky Honest, Chain Up Limited, the Company, Yaubond and Lehman Brothers Commercial Corporation Asia Limited (In Liquidation) in relation to the settlement of the Sky Honest Loan
"Second Agreement"	the agreement dated 21 February 2010 entered into between Huan Cheng and Guang Li pursuant to which Guang Li would negotiate with and seek to obtain the concession from the relevant government authorities in relation to the land use right of the Tianhe Land and participate in the investment for the development of the Tianhe Land project, and in exchange, Guang Li would share 50% of the future after tax profit or loss of Huan Cheng in the development of the Tianhe Land
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held at Empire Room 1, M/Floor, Empire Hotel Hong Kong Wanchai, 33 Hennessy Road, Wanchai, Hong Kong on Friday, 3 September 2010 at 3:00 p.m. to approve (i) the Agreement and the transactions contemplated thereunder; (ii) the refreshment of the 10% General Limit; (iii) the grant of the New Issue Mandate and the Repurchase Mandate and (iv) the extension of the New Issue Mandate
"Share Option Scheme"	the share option scheme of the Company adopted on 4 August 2005
"Share(s)"	shares of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Sky Honest"	Sky Honest Investments Corp., a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company, which holds 51% of Yaubond
"Sky Honest Loan"	a loan borrowed by Sky Honest, an indirect wholly-owned subsidiary of the Company, and is arranged by Lehman Brothers Commercial Corporation Asia Limited (In Liquidation) of a principal amount of HK$220 million under a bridging loan agreement
"Takeovers Code"	the Codes on Takeovers and Mergers issued by the Securities and Futures Commission

"Tianhe Land"	the Tianhe Land is situated at the junction of Tianhe Bei Road and Linhe Dong Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC and having a development site area of approximately 7,217 square meters
"Trust Deed"	a trust deed dated 4 May 2007 (as amended and supplemented from time to time) constituting the Notes entered into by and among, inter alia, the Company, The Hongkong and Shanghai Banking Corporation Limited as the trustee and the security trustee
"Trustee"	The Hongkong and Shanghai Banking Corporation Limited, being the trustee and security trustee under the Trust Deed
"Yaubond"	Yaubond Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company, which holds 100% of Huan Cheng
"Yue Tian"	Yue Tian Development Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"sq.m."	square meters
"US$"	United State dollar(s), the lawful currency of the United States of America
%	per cent.

Unless otherwise specified in this circular, translation of RMB into HK$ and US$ into HK$ are made in this circular, for illustration purpose only, at the rate of RMB0.8696 to HK$1 and US$1 to HK$7.8 respectively. No representation is made that any amount in RMB or US$ could have been converted at that rate or any other rates.

* *For identification purposes only*

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

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

Executive Directors:
Mr. YU Pan *(Chairman)*
Mr. LAU Yat Tung, Derrick *(Deputy Chairman)*
Mr. WONG Lok

Independent non-executive Directors:
Mr. CHOY Shu Kwan
Mr. CHENG Wing Keung, Raymond
Ms. CHUNG Lai Fong

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal office in Hong Kong:
2502B, Tower 1
Admiralty Centre
18 Harcourt Road
Hong Kong

19 August 2010

To the Shareholders and, for information only, the Noteholders

Dear Sirs or Madams,

VERY SUBSTANTIAL DISPOSAL REFRESHMENT OF THE 10% GENERAL LIMIT UNDER THE SHARE OPTION SCHEME AND PROPOSED GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

INTRODUCTION

Reference is made to the announcement of the Company dated 27 July 2010, which announced that on 26 July 2010, the Company, HNA Hotel, Yaubond and Huan Cheng entered into the Agreement, pursuant to which HNA Hotel conditionally agreed to acquire, and the Company and Yaubond conditionally agreed to dispose of, the entire equity interest in Huan Cheng at the Consideration in cash.

The purpose of this circular is to provide you with, inter alia, (i) further details of the Disposal, (ii) information regarding (a) refreshment of the 10% General Limit, (b) the New Issue Mandate, and (c) the Repurchase Mandate, and (iii) financial information of Huan Cheng together with the notice of SGM and other information as required under the Listing Rules.

* *for identification purposes only*

Principal terms of the Agreement are set out as follows.

The Agreement

Date

26 July 2010

Parties

(1) Yaubond. As at the Latest Practicable Date, Yaubond beneficially held the entire equity interest in Huan Cheng;

(2) the Company, together with Yaubond as vendors;

(3) HNA Hotel as purchaser; and

(4) Huan Cheng as the project company

HNA Hotel is an investment holding company whose subsidiaries are principally engaged in investment and management of hotels and golf clubs. Reference is made to the Company's announcement dated 13 January 2010, the Company disposed of and HNA Hotel acquired the entire equity interest in 廣州市城建天譽房地產開發有限公司 (Guangzhou Cheng Jian Tianyu Real Estate Development Company Limited*) ("CJTY"), a then indirect wholly-owned subsidiary of the Company, which also constituted a very substantial disposal of the Company and was completed on 28 December 2009. Save as the aforesaid and the Agreement, HNA Hotel has not entered into any agreement with the Group. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, HNA Hotel and its ultimate beneficial owners do not hold any Shares as at the Latest Practicable Date and are third parties independent of the Company and its connected persons.

Assets to be disposed of

The entire equity interest in Huan Cheng was beneficially held by Yaubond as at the Latest Practicable Date, and the assets of which mainly comprise the Tianhe Land.

Consideration

An aggregate of RMB1,090 million (equivalent to approximately HK$1,253 million) (subject to adjustments as described below) is payable by HNA Hotel in cash in installments as the Consideration.

Completion of the Disposal and payment of the Consideration by HNA Hotel shall be subject to the satisfaction of the following conditions:

a) HNA Hotel being satisfied with the results of the due diligence review of, including but not limited to, the legal, engineering and financial aspects of Huan Cheng and the Tianhe Land, and the Agreement being approved by HNA Hotel's shareholders at a general meeting. For the avoidance of doubt, such due diligence review shall be concluded by HNA Hotel and the shareholders' meeting of HNA Hotel shall be convened within ten (10) days from the date of the Agreement;

b) the Agreement being approved by passing of the resolutions at the meeting of the Board and the Shareholders at the SGM within two months from the date of the Agreement;

c) the termination of all prior agreements entered into between Huan Cheng and Guang Li, including but not limited to the Second Agreement, and the cancellation of all liabilities or obligations owed by Huan Cheng to Guang Li;

d) all permits and approvals obtained regarding the development of the Tianhe Land, including but not limited to《國有土地使用証》(Certificate for the Use of State-Owned Land),《建設用地規劃許可証》(the Planning Permit on Land for Construction Use),《建設工程規劃許可証》(the Planning Permit on Construction Works) and《建築工程施工許可証》(the Working Permit on Construction Works), and the commencement of the construction work on the Tianhe Land;

e) the written resignations of all the directors, supervisors and senior management of Huan Cheng, with their declarations of not claiming any liabilities against Huan Cheng thereafter being approved by HNA Hotel; and

f) the Disposal and share transfer in relation to Huan Cheng approved by the Bureau of Foreign Trade and Economic Cooperation of Guangzhou Municipality.

On 30 July 2010, the Company has entered into an agreement with Guang Li to terminate the Second Agreement and all prior agreements and pursuant to which no compensation has to be paid by the Group to Guang Li for the termination of the Second Agreement and all prior agreements. Upon termination of the Second Agreement, Huan Cheng will have no liabilities or obligations owing to Guang Li. As at the Latest Practicable Date, Huan Cheng had not made any payments to Guang Li pursuant to the Second Agreement and all prior agreements to the termination.

HNA Hotel may at its discretion waive any of the conditions above, except (b), where applicable. If the conditions mentioned above cannot be fulfilled (or waived) by the earlier of (i) 31 December 2010 or (ii) the date of Yaubond receiving the first installment from HNA Hotel, HNA Hotel will have the discretion to either continue or terminate the Agreement.

The Consideration shall be satisfied by stage payment in the following manners:

1. a sum of RMB600 million (equivalent to approximately HK$690 million) (subject to adjustments as described below) as first installment being paid by HNA Hotel by the later of (i) ten days after the fulfillment of all the conditions precedent or being waived by HNA Hotel as described above; or (ii) three months after the date of the Agreement;

2. a sum of RMB350 million (equivalent to approximately HK$402 million) as second installment, being satisfied by the later of (i) six months after the payment of first installment of the Consideration; or (ii) any other date as agreed between HNA Hotel and Yaubond; and

3. the remaining balance as final installment after any adjustment (as described below) to be paid after HNA Hotel being satisfied with the construction work on the Tianhe Land and Huan Cheng having obtained 房地產權屬証明 (the Real Estate Ownership Certificate) in relation to the completed properties on the Tianhe Land.

The first installment of Consideration to be paid by HNA Hotel shall be increased if Huan Cheng has a net adjusting asset position or decreased if Huan Cheng has a net adjusting liability position, other than the land use right of Tianhe Land (with an aggregate book value of approximately HK$407 million composed of prepaid construction cost of HK$18 million and land costs of HK$389 million at the date of 30 June 2010) and an amount of approximately HK$166 million due by Huan Cheng to Yaubond and its associate which will be assigned to HNA Hotel upon Completion on a dollar-for-dollar basis and has already been included in the Consideration and will not be shown on the management accounts of Huan Cheng as at the Completion Date. Excluding the aforesaid land use right and shareholders' loans due by Huan Cheng and based on the management accounts of Huan Cheng as at 30 June 2010, Huan Cheng was in net adjusting asset position of approximately HK$13 million comprising (i) prepaid construction cost of approximately HK$18 million (booked as cost of Tianhe Land); (ii) other receivables and cash balance of approximately HK$3 million; and (iii) a contracted liability of approximately HK$8 million arising mostly for outstanding decoration costs for the new fire station. The Directors expect that other than the land use right of Tianhe Land and the shareholders loans due by Huan Cheng, the net adjusting asset value or net adjusting liability value as reflected in the management accounts of Huan Cheng as at the Completion Date is relatively insignificant as compared with the Consideration. Other than the above items as reflected in the management accounts, according to the Agreement, no adjustment is necessary to be made to the Consideration for any other asset nor liability of Huan Cheng upon the Completion.

In addition, the Consideration will be subject to further adjustment as follows:

(i) The Consideration will be adjusted downward if there are any liabilities incurred to Huan Cheng arising from any guarantee made in favour of third parties on the Completion Date. The Directors do not expect any such guarantee will incur before the Completion Date;

(ii) The Consideration will be adjusted downward if there are any charges committed by Huan Cheng arising from future design and project management costs in relation to the development of the Tianhe Land. The Directors expect such charges will cost approximately RMB20 million (equivalent to approximately HK$23 million);

(iii) As agreed between the parties, a contractor, which is a successful bidder in relation to the development of the Tianhe Land will be engaged by Huan Cheng and be retained by HNA Hotel after Completion. Pursuant to the existing construction plan in relation to the development of the Tianhe Land, the construction costs relating to the erection of the properties on the site are estimated to be approximately RMB1,210 million (equivalent to approximately HK$1,391 million). The Company is authorised to monitor the progress of the construction works on the Tianhe Land. If Huan Cheng delays in making payments to the contractor and therefore causes increase in the construction costs, the Company shall bear such excess costs (with any additional tax incurred) with a maximum of RMB20 million (equivalent to approximately HK$23 million). As at the Latest Practicable Date, the Directors do not expect any delay in making payment(s) to the contractor and any material variance from the budgeted construction costs to be incurred of RMB1,210 million (equivalent to approximately HK$1,391 million). In addition, the Company shall bear any excess construction costs to be incurred upon implementation of the existing construction plan, which are not due to any changes in design plans; and

(iv) The Company shall bear 50% of the finance costs for the development costs in relation to the Tianhe Land. The Directors expect the finance costs to be shared by Yaubond and the Company will bear approximately RMB100 million (equivalent to approximately HK$115 million).

The adjustment ascribed under (i) will be made to the first installment of the Consideration, while (ii), (iii) and (iv) will be made to the final installment of the Consideration.

Currently, the Directors expect there is no material overrun in construction costs. After all, the adjusted Consideration is estimated to be approximately HK$1,129 million.

The Consideration was determined after arm's length negotiations between the Company and HNA Hotel with reference to (i) the appraised value of the Tianhe Land of RMB1,147 million (equivalent to approximately HK$1,319 million) based on the valuation report on the Tianhe Land as at 30 June 2010 prepared by DTZ Debenham assuming that the relocation works have been completed and the Tianhe Land is vacant; and (ii) the financial pressure faced by the Group arising from the payment obligations pursuant to the Noteholders Agreement and the Restructuring Agreement. The Directors (including the independent non-executive Directors) consider that the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

If HNA Hotel delays payment of Consideration without any reasonable excuse, HNA Hotel shall be obliged to pay a daily penalty payment of 0.03% of the overdue amount of the Consideration.

Completion

Completion shall take place upon the change of the registered shareholders of Huan Cheng at the State Administration for Industry and Commerce of the PRC and completion of all the subsequent procedures.

As at the Latest Practicable Date, Yaubond is owned as to 51% and 49% by Sky Honest and Nicco Limited, an indirect wholly-owned subsidiary of the Company. Upon the appointment of receivers to Sky Honest over the security assets under the security documents of Sky Honest Loan on 9 November 2009, the Company has lost control of the 51% equity interest in Yaubond, which in turn holds the entire interest in Huan Cheng, and nominee directors have been appointed to the board of directors of Yaubond and Sky Honest, both are indirect wholly-owned subsidiaries of the Company. In light of these, the Directors consider that the Company has lost control to govern, but is only able to exercise significant influence in the determination of the financial and operating policies of Yaubond as a result of losing the 51% voting power at the board of directors of Yaubond. Accordingly, the Group's interest in Yaubond and Huan Cheng has been classified as interest in an associate stated in the consolidated statements of financial position of the Group as at 31 December 2009 and 30 June 2010. However, on 15 July 2010 and 23 July 2010, the boards of directors of Sky Honest and Yaubond have been restored respectively, and as such, the classification of the equity interest in Yaubond and Huan Cheng stated in the consolidated statement of financial position of the Group has been re-classified from interest in an associate to a subsidiary of the Company. For the purpose of reporting of the consolidated statement of comprehensive income for the year ended 31 December 2009, the results of Huan Cheng were included in the consolidated income statement as a subsidiary until 9 November 2009 and the results of Huan Cheng for the period from 10 November 2009 to 31 December 2009 was immaterial.

Upon Completion, Huan Cheng will cease to be a subsidiary of the Company and the Company will not hold any shares in Huan Cheng. The financial results, assets, liabilities and cash flows of Huan Cheng will be deconsolidated from the Group's consolidated financial statements. The Directors expect that Completion will take place on or about 10 October 2010, and that the first installment of the Consideration will be received on or about 15 November 2010. The construction works on the Tianhe Land and the Disposal are expected to be completed in around 2013.

INFORMATION ON HUAN CHENG

Huan Cheng was incorporated in the PRC on 12 October 2004 and is currently a wholly foreign-owned enterprise with a registered capital of RMB220 million (equivalent to approximately HK$253 million) which has been fully paid up. The application for an increase of the registered capital to RMB420 million (equivalent to approximately HK$483 million) has been approved by the Ministry of Commerce of the PRC on 14 August 2008 but the increase of registered capital has not been completed by Yaubond. Upon Completion, Huan Cheng will be changed from a wholly-owned foreign enterprise to a domestic PRC-incorporated company. As at the Latest Practicable Date, Yaubond has contributed approximately RMB41 million (equivalent to approximately HK$47 million) and after Completion, the Company will not be obliged for any further increase in registered capital. Huan Cheng has not carried on any business since its establishment other than having the land use right of the Tianhe Land.

On 21 February 2010, Huan Cheng and an independent third party, Guang Li, entered into the Second Agreement pursuant to which Guang Li would negotiate with the relevant government authorities to resolve the idle land issue of the Tianhe Land and to obtain concession granted by the relevant government authorities in the form of extending the land use right. Guang Li will bear all the costs in relation to resolving the issue of idle land. In return, Guang Li would share equally the after tax profit or loss, risk and third party liabilities in relation to the sales or leasing of the commercial properties of the Tianhe Land upon completion of the construction. For further information regarding the Second Agreement, please refer to the announcement of the Company dated 23 February 2010. Subsequently, on 30 July 2010, the Company and Guang Li entered into an agreement to terminate the Second Agreement and all prior agreements.

The Directors reported that the issue of idle land has been resolved, and all necessary regulatory permits and approvals for the construction of the Tianhe Land have been obtained.

The Tianhe Land is situated at the junction of Tianhe Bei Road and Linhe Dong Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC and having a development site area of approximately 7,217 sq.m.. Huan Cheng has obtained the land use right certificate issued by Bureau of Land Resources and Housing Management of Guangzhou Municipal for a term of 40 years for commercial use, commencing from 12 April 2005 and the relevant land use permits in respect of the Tianhe Land. As valued by DTZ Debenham, the market value of the Tianhe Land in its existing state as at 30 June 2010 was RMB1,147 million (equivalent to approximately HK$1,319 million). Under the current plan, the Tianhe Land is planned to be developed into a 50-storey (portion 4-storey commercial podium and 43-storey hotel building) for commercial, hotel and office use (with six levels of basement) with a total gross floor area of 112,490 sq.m.. As at the Latest Practicable Date, foundation works on the Tianhe Land has been commenced. The Company is in the process of relocating the fire station which is expected to be completed on or before 31 December 2010. According to the reply letter of the development proposal application issued on 23 July 2008, Guangzhou Urban Planning Bureau has agreed the development proposal to relocate and reconstruct the fire station outside the current site and the entire site of the Tianhe Land can be used for commercial and/or office purpose after the relocation of the fire station is completed.

Set out below is the financial information of Huan Cheng which is prepared in accordance with the Hong Kong Financial Reporting Standards by the Directors:

	For the year ended 31 December		**For the six months ended 30 June**
	2008	**2009**	**2010**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*
	(unaudited)	(unaudited)	(unaudited)
Revenue	–	–	–
Loss before and after income tax	(4.2)	(5.3)	(8.5)

The net loss before and after income tax recorded for the year ended 31 December 2009 was mainly attributable to operating costs, mainly staff costs, incurred in the early stage of development of the Tianhe Land.

	As at 31 December		**As at 30 June**
	2008	**2009**	**2010**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*
	(unaudited)	(unaudited)	(unaudited)
Net assets value	244.8	239.9	234.3

The decrease in net assets value of Huan Cheng as at 31 December 2009 was mainly attributable to the operating losses incurred during the year.

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

The Company is an investment holding company and its principal subsidiaries are engaged in investment holding, property development, provision of project management and related services in the PRC. Upon Completion, the Company's properties held for/under development include its 55% interest in the development project in Guiyang City, Guizhou Province, the PRC and the interest in the development project in Zhoutouzui, Guangzhou City, Guangdong Province, the PRC. The Company will also continue its principle activities in lease of investment properties and sale of developed properties.

Prior to entering into the Agreement, the Company has entered into the Noteholders Agreement and the Restructuring Agreement to discharge the receivers appointed by the security trustee under the Trust Deed and intends to settle the outstanding loans owed by the Company. Payment terms are set out below.

Noteholders Agreement

On 7 June 2010, parties have entered into the Noteholders Agreement, pursuant to which the parties agreed to settle the outstanding principal amount of the Notes of US$192 million (equivalent to approximately HK$1,500 million).

According to the Noteholders Agreement, Yue Tian agrees and undertakes to pay the settlement payment of US$153.6 million in two installments: (i) US$100 million (approximately HK$780 million) (the "NA First Installment") on or before 3 August 2010 and (ii) the remaining balance of US$53.6 million (approximately HK$418 million) (the "NA Second Installment") by 4 October 2010.

In the event that Yue Tian fails to pay the NA First Installment in full by 3 August 2010, Yue Tian will have a further 2 months to meet the NA First Installment together with a penalty calculated on a daily basis of approximately US$27,000 (equivalent to approximately HK$211,000) per day for each day of the first extension month and a penalty of approximately US$111,000 (equivalent to approximately HK$866,000) for each day of the second extension month. The Noteholders will have the right to terminate the Noteholders Agreement if the NA First Installment and the penalty have not been received by 4 October 2010. If the Noteholders do not elect to terminate the Noteholders Agreement, a penalty of approximately US$111,000 will be charged per day after 4 October 2010 until such time as the NA First Installment together with all penalty have been received in full.

In the event that Yue Tian fails to pay the NA Second Installment in full by 4 October 2010, Yue Tian will have a further 3 months to meet the NA Second Installment in full together with a penalty calculated on a daily basis of approximately US$60,000 (equivalent to approximately HK$468,000) per day for each day of the first extension month, and a penalty of approximately US$102,000 (equivalent to approximately HK$796,000) per day for each day of the second and third extension months. This extension is subject to the receipt of the NA First Installment together with any penalty payable by 4 October 2010. The Noteholders will have the right to terminate the Noteholders Agreement if the NA Second Installment and the penalty interest have not been received by 4 January 2011.

For further information of the Noteholders Agreement, please refer to the announcement of the Company dated 8 June 2010.

Restructuring Agreement

On 9 June 2010, parties have entered into the Restructuring Agreement, pursuant to which the parties agreed to, among others, settle the Sky Honest Loan.

The Company shall advance by way of loan an amount equal to HK$114,400,000 (the "RA First Installment") to Sky Honest by not later than the earlier of (a) 4 July 2010 and (b) one business day of the transfer of a sum of US$100,000,000 from HSBC account to the Trustee in respect of the Notes and the remaining amount equal to HK$61,600,000 (the "RA Second Installment") by 4 October 2010 to Sky Honest. Sky Honest shall pay the same to the facility agent on the same payment date.

In the event that the Company fails to pay the RA First Installment on or before 4 August 2010, the Company shall pay an additional HK$31,342 per day for the period between 5 August 2010 and 3 September 2010 (both days inclusive), and HK$127,365 per day thereafter. The long stop date for the RA First Installment shall not be later than 4 October 2010 (or such later date as the parties agree).

In the event that the Company fails to pay the RA Second Installment on or before 4 October 2010, the payment date of the RA Second Installment (i.e. 4 October 2010) shall be extended to 4 January 2011 together with the payment of interest subject to certain conditions. The interest is calculated as follows:

a. if less than 1 month immediately following 4 October 2010, the Company shall pay a monthly rate of 3.334% on the RA Second Installment from 4 October 2010 to the date of the advance in full of the RA Second Installment; or

b. if more than 1 month immediately following 4 October 2010, an aggregate amount of (i) a monthly rate of 3.334% on the RA Second Installment up to the date falling 1 month after 4 October 2010, i.e. HK$2,053,744; and (ii) a monthly rate of 3.334% on HK$105,600,000 from the date falling 1 month after 4 October 2010, i.e. 4 November 2010, to the date of the advance in full of the RA Second Installment.

For further information of the Restructuring Agreement, please refer to the announcement of the Company dated 9 June 2010.

Since the reaching of moratoriums with the Noteholders and the Sky Honest Loan lenders in June 2010, the Notes and the Sky Honest Loan have been recorded at the settlement amounts as compromised under the Noteholders Agreement and Restructuring Agreement. As a result, the amounts of indebtedness of US$192 million and HK$220 million due for the Notes and the Sky Honest Loan are written down to US$153.6 million (approximately HK$1,198 million) and HK$176 million respectively, which are 80% of the outstanding principal of debts, and the accrued interests of HK$592 million up to 31 December 2009 are reversed in the consolidated statement of comprehensive income of the Group for the six months ended 30 June 2010. As at the Latest Practicable Date, the Remaining Group has carried out due performance by paying the first installments to the Noteholders and Sky Honest Loan lenders an aggregate amount of approximately HK$894 million. Subject to due payment of the remaining installments totaling approximately HK$480 million, plus surcharges (if applicable) and reimbursable costs on or before 4 January 2011, the Notes will be cancelled and the Sky Honest Loan will be discharged. In the event that the final installments cannot be settled in due course, the indebtedness, in outstanding principal and interests accrued thereon in respect of the Notes and the Sky Honest Loan, will be restated to their original outstanding balances net of payments made by the Remaining Group. In such event, the Remaining Group will have to bear additional liabilities arising from the restatement of principal sums due to the Noteholders and Sky Honest Loan lenders of approximately HK$344 million and interests accrued thereon up to 30 June 2010 of approximately HK$754 million in aggregate of approximately HK$1,098 million.

In the event that the Company fails to pay the NA Second Installment and RA Second Installment, the Notes and the Sky Honest Loan will be in default. The Noteholders and the lenders of the Sky Honest Loan might take action to recover the Notes and the Sky Honest Loan, including receivership of the Company.

As set out in the announcement of the Company dated 8 June 2010 and 9 June 2010, the Company entered into the Noteholders Agreement and the Restructuring Agreement respectively, pursuant to which the Company has paid the first installment to the Noteholders on 30 June 2010 and the lenders of the Sky Honest Loan on 2 July 2010. The payment of the NA First Installment has been reflected in the financial statements of the Group as at 30 June 2010 annexed as note 7 of Appendix II (b) to this circular. The payment of the NA First Installment and the RA First Installment has been satisfied by the proceeds from the disposal of the entire equity interest in CJTY which was completed on 28 December 2009. It will be required to pay the outstanding second installment of approximately US$51,420,000 (approximately HK$400 million) (after setting off the cash balances of approximately US$2,180,000 (approximately HK$17 million) in escrow accounts) under the Noteholders Agreement and HK$61,600,000 under the Restructuring Agreement, which total to an outstanding indebtedness of approximately HK$463 million. Such amount shall be paid on or before 4 October 2010 without incurring any additional interest. Given that the first installment of the Consideration is expected to be received on or about 15 November 2010 and the Company will immediately use this proceed to repay the Noteholders and the lenders of the Sky Honest Loan, the Company is obliged to pay an additional interest costs of approximately HK$22 million, reimbursable expenses of approximately HK$5 million to the Noteholders and an additional interest of approximately HK$3 million to the lenders of the Sky Honest Loan pursuant to the Noteholders Agreement and the Restructuring Agreement respectively.

As at the Latest Practicable Date, the Group only had a balance of unrestricted cash of approximately HK$22 million, which is insufficient to meet the upcoming second installments under the Restructuring Agreement and the Noteholders Agreement, and the Company thus decided to dispose the entire interests in Huan Cheng to satisfy the payment.

After considering the Company's current financial position and the payment obligations of the Company pursuant to the Noteholders Agreement and Restructuring Agreement and the terms of the Disposal, the Directors are of the view that the Disposal is in the best interest to the Company and the Shareholders as a whole. The net proceeds from the Disposal will be approximately HK$992 million, being the estimated adjusted consideration of HK$1,129 million net of transaction costs and taxes totalling HK$137 million, of which approximately HK$499 million will be mainly used as working capital for the development projects in Zhoutouzui and approximately HK$493 million will be used for fulfilling its obligations under the Noteholders Agreement and the Restructuring Agreement.

The Disposal is expected to be completed in October 2010. Pursuant to the Noteholders Agreement and Restructuring Agreement, the shares of Yaubond are pledged in favour of the Noteholders and the Sky Honest Loan lenders and the Company has reached an understanding with the Noteholders and the Sky Honest Loan lenders to apply an amount of approximately HK$566 million, being the net amount of the first installment payment from HNA Hotel of RMB600 million (approximately HK$690 million) after adjustment for (i) net adjusting asset of HK$13 million or such net adjusting asset based on completion accounts and (ii) payment of transaction costs and taxes of HK$137 million, for the payments of the outstanding balances due to the Noteholders and Sky Honest Loan lenders under the Noteholders Agreement and Restructuring Agreement. If the Disposal is implemented on schedule and funds are repatriated in Hong Kong in mid-November 2010, the total committed sum payable to the Noteholders and Sky Honest Loan lenders is estimated at approximately HK$493 million, inclusive of surcharges, costs and expenses. Upon full settlement, the Notes of outstanding principal of US$192 million (approximately HK$1,500 million) will be cancelled and the Sky Honest Loan of HK$220 million will be fully discharged. The remaining balance of the Consideration receivable from HNA Hotel totaling RMB370 million (approximately HK$425 million), being the second installment of RMB350 million (approximately HK$402 million) plus the final installment of RMB140 million (approximately HK$161 million) net of price adjustments estimated at RMB120 million (approximately HK$138 million) for future development costs on design and project management charges of RMB20 million (approximately HK$23 million) and finance costs of RMB100 million (approximately HK$115 million) that are to be borne by the vendor, will be retained in the Group for its working capital for the existing development projects.

FINANCIAL EFFECT OF THE DISPOSAL

As a result of the Disposal, based on the Directors' estimation of costs incurred and to be incurred under the Agreement but subject to meeting the criteria set out in generally accepted accounting standard, the Group expects to realise a gain on disposal of approximately HK$309 million from the Disposal, which is calculated after making adjustments to the Consideration by adding the net adjusting asset balance of approximately HK$13 million (based on the management accounts of Huan Chen as at 30 June 2010 and excluding the Tianhe Land and shareholders' loans due by Huan Cheng) and deducting the amount of the following items, inter alia, (1) the 50% of the finance cost for the development costs of the Tianhe Land which is estimated to be approximately HK$115 million, (2) known and future design and project management costs in relation to the development of the Tianhe Land in total of approximately HK$23 million, (3) estimated transaction costs and resulting taxes of approximately HK$137 million, and (4) the carrying value of the investment in Tianhe Land of approximately HK$756 million attributable to the Group (being the total assets of approximately HK$874 million less liabilities of approximately HK$118 million), and adding the realisation of foreign exchange reserve and other reserve upon the Disposal of approximately HK$74 million.

The Directors consider that the Agreement constitutes an agreement for the sale of goods/services and the criteria for recognition of revenue set out in paragraph 14 of HKAS 18 'Revenue' apply. The revenue and associated costs of the Disposal will be deferred in the consolidated statement of financial position until the construction is completed to a substantial progress where associated costs can be reliably measured. However, since the Directors are uncertain about the due performance of some obligations under the Agreement, as in particular, to the costs to be incurred in respect of the transaction under the prevailing agreement caused by overruns in construction costs not due to the change in design plan proposed by HNA Hotel and the delay in construction of the project beyond 32 months from the date of the first installment payment. The Directors are of the view that not all the conditions set out in HKAS 18 have been satisfied. Accordingly, the associated costs cannot be measured reliably and the revenue therefore was not recognised in the year of Completion. Revenue will only be recognised when substantial part of the associated costs can be ascertained reliably. The Directors expect that the revenue and gain on the Disposal will be fully recognised by the end of 2013. Assuming that the Disposal was completed on 30 June 2010, the consideration received and receivable from the Disposal are categorised as current assets for the first and second installment payments or non-current assets for the final installment which is expected to be received in 2013, and no adjustment is taken in the proforma consolidated statement of comprehensive income of the Remaining Group to reflect the estimated gain resulting from the Disposal which will be recorded, instead, as separate items of properties held for development and deferred income on the statement of financial position on Completion. The deferred income of HK$1,065 million arises from the net proceeds from the Disposal of approximately HK$991.6 million and the release of the attributable foreign exchange reserve of approximately HK$73.9 million. For further details of the adjustment to the pro-forma information of the Remaining Group, please refer to Appendix II to this circular.

As set out in the unaudited pro forma financial information of the Remaining Group in Appendix II, assuming Completion was completed on 30 June 2010, the total assets of the Remaining Group as at 30 June 2010 would be approximately HK$4,592 million, an increase of approximately HK$992 million as compared with the Group led by the net proceeds from the Disposal. On the other hand, the total liabilities of the Remaining Group as at 30 June 2010 would be approximately HK$2,886 million, which is increased by deferred income in an amount of HK$1,065 million relating to the income resulting from the Disposal.

The outstanding debts due to the Noteholders and Sky Honest Loan as shown on the proforma financial statements will be fully settled. The RA First Installment paid to the lenders of the Sky Honest Loan on 2 July 2010 and the subsequent payments of the RA Second Installment and the NA Second Installment are not reflected in the proforma consolidated statement of financial position as they do not directly attributable to the Disposal. After settlement of the NA Second Installment (with the net of the escrow monies of US$2,180,000) and the RA First and Second Installments, the total liabilities of the Group will be reduced by HK$576 million as compared with that on 30 June 2010.

Furthermore, assuming Completion was completed on 1 January 2009, the loss of the Remaining Group for the year ended 31 December 2009 would be approximately HK$1,539 million, a decrease of approximately HK$5 million as compared with the Group, which is mainly attributable to a decrease in administrative expense. According to HKAS 18 as described earlier, no adjustment is taken to reflect the estimated gain, resulting from the Disposal in the proforma income statement of the Remaining Group.

OPERATIONS ON THE REMAINING GROUP

The Directors believe that the anticipated settlements with the Noteholders and Sky Honest Loan lenders after the second installments are paid with the net proceeds from the Disposal will substantially reduce the liabilities and finance costs of the Group. In addition, the Disposal can provide the Group with sufficient financial resources to allow the management to use its endeavors in running its existing development projects on hand.

Subsequent to the Disposal, the Remaining Group will have one investment property, a commercial podium of approximately 20,000 sq.m. at Tianyu Garden Phase 2 in Tianhe District, a prime business hub in Guangzhou. The Group has been receiving stable rental annualized income of approximately HK$17 million from the leasing of the property which now has an occupancy rate of approximately 64%, with renowned corporations and the US consulate as tenants. The property's open market value is approximately HK$417 million as at 31 December 2009.

As at the Latest Practicable Date, the Group has no intention to change the current principal business, and to acquire any new business and/or dispose of any existing business.

For the property development business, the Remaining Group holds the land use right of two pieces of land in the PRC:

Guiyang Project

The Group holds a 55% stake of the project, which consists of high-end residential apartments of a total GFA of approximately 580,000 sq.m. and community facilities in Guiyang, Guizhou Province, the PRC. The first phase of the project with a total GFA of approximately 90,000 sq.m. was launched for pre-sale in the second quarter of 2009 and 90% of which have been contracted and sale proceeds of HK$370 million have been received from buyers as at 30 June 2010. The proceeds will be recognised as income in the second half of the year after the completed residential units are delivered to buyers for occupation starting from early July. The second phase of the project with a total GFA area of approximately 209,000 sq.m. is under construction which is ready to be marketed before the end of this year. The Directors expect that the construction costs of Guiyang Project will be sufficiently financed by loans from commercial banks.

The project is held by a 55%-held subsidiary of the Company. The land and construction in progress has an open market value attributable to the Group of approximately HK$501 million as at 31 December 2009.

Zhoutouzui Project

The management is applying and will imminently complete all procedures in obtaining the necessary permits and approvals from the government to facilitate the immediate commencement of construction work on the site, which is realistically expected to take place within 2010. Properties will be developed on a plot of land with a site area of approximately 86,557 sq.m. with a planned GFA of approximately 316,141 sq.m. consisting of mainly residential, office and service apartments, and ancillary facilities of commercial and carparks. The site, opposite to the renounced White Swan Hotel, Guangzhou Guangdong Province, the PRC, offers a GFA of approximately 146,077 sq.m. for the construction of riverfront residential units with full view of the Pearl River. After obtaining all the licences, in particular the land use right certificate, and approval from the relevant government authorities in 2010, the project will commence construction in 2011 and is expected to be completed by the end of 2013. The Group will finance part of the pre-construction costs of Zhoutouzui Project with the remaining installments of the Consideration to be received from HNA Hotel. The Directors expect that the construction costs of Zhoutouzui Project will be sufficiently financed by loans from commercial banks.

The land use right is 100% held by a wholly-owned subsidiary of the Company. However, pursuant to a joint development agreement dated 18 September 2001 entered into among the wholly-owned subsidiary and the other two independent third parties, namely 廣州越秀企業(集

團)有限公司 (Guangzhou Yuexiu Enterprise Group Ltd*) ("Guangzhou Yuexiu") and 廣州港集團有限公司 (Guangzhou Port Group Co. Ltd.*) ("Guangzhou Port"), both of which are not active partners in the development of the project. Guangzhou Yuexiu, the licensed land use right holder, is responsible for transferring the land use right title to the project company and Guangzhou Port, the original land user, will only share 28% interest in the completed properties and the Group will share 72% interest in the completed properties to be completed on the site. The land is in vacant possession and has an open market value attributable to the Group of approximately HK$1.6 billion as at 31 December 2009.

SHARE OPTION SCHEME – REFRESHMENT OF THE 10% GENERAL LIMIT

At the special general meeting of the Company held on 4 August 2005, an ordinary resolution was passed by the Shareholders for the adoption of the Share Option Scheme.

The purpose of the Share Option Scheme is to provide incentives or rewards to the directors (including non-executive directors) and employees of members of the Group and such entity in which any member of the Group holds an equity interest for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. Under the existing 10% General Limit which was refreshed in the special general meeting of the Company held on 15 February 2006, the Company is allowed to grant options under the Share Option Scheme and any other share option scheme(s) of the Group carrying the rights to subscribe for a maximum of 64,071,871 Shares, representing only 4.3% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, the Directors proposed to refresh the 10% General Limit to 10% of the Shares in issue as at the date of the SGM, so that the Share Option Scheme can continue to serve its intended purpose for the benefits of the Group and its Shareholders. An ordinary resolution will be proposed at the SGM to approve the refreshment of the 10% General Limit.

Since the adoption of the Share Option Scheme and as at the Latest Practicable Date, share options entitling the holders thereof to subscribe for a total of 63,850,000 Shares upon full exercise of the subscription rights upon attaching thereto have been granted under the Share Option Scheme.

If the 10% General Limit is "refreshed", on the basis of 1,477,687,450 Shares in issue as at the Latest Practicable Date and assuming that, prior to the SGM, no Shares are issued or repurchased by the Company, the 10% General Limit will be re-set at 147,768,745 Shares and the Company will be allowed to grant options under the Share Option Scheme and any other share option scheme(s) of the Group carrying the rights to subscribe for a maximum of 147,768,745 Shares (the "Available Limit"). The refreshment of the 10% General Limit is subject to Shareholders' approval at the SGM. Application will be made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares which may fall to be allotted and issued upon the exercise of options which may be granted pursuant to the Share Option Scheme under the Available Limit.

Pursuant to the Share Option Scheme, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme(s) of the Group) previously granted under the Share Option Scheme and any other share option scheme(s) of the Group will not be counted for the purpose of calculating the Available Limit. However, the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Group must not exceed 30% of the Shares in issue from time to time.

On the basis of 1,477,687,450 Shares in issue as at the Latest Practicable Date, the 30% Overall Limit represents a total of 443,306,235 Shares. Since there are outstanding options under the Share

Option Scheme which entitle the holders thereof to subscribe for 45,900,000 Shares representing only approximately 3.11% of the issued share capital of the Company as at the Latest Practicable Date, the Available Limit arising from the "refreshing" of the 10% General Limit together with such outstanding options would not exceed the 30% Overall Limit as at the Latest Practicable Date.

The refreshment of the 10% General Limit is conditional upon:

(a) the Shareholders passing an ordinary resolution to approve the refreshment of the 10% General Limit at the SGM; and

(b) the Stock Exchange granting the approval of the listing of, and permission to deal in the new Shares which may fall to be allotted and issued pursuant to the exercise of the share options which may be granted under the Available Limit.

The Directors consider that it will be for the benefit of the Company and its Shareholders as a whole that eligible participants of the Share Option Scheme are granted rights to obtain equity holdings of the Company through the grant of options under the Share Option Scheme. This will motivate the eligible participants to contribute to the success of the Group.

PROPOSED GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

At the forthcoming SGM, resolutions will be proposed, inter alia:

(a) to grant to the Directors a general mandate authorizing them to allot, issue and deal with additional Shares not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue as at the date of passing of such resolution;

(b) to grant to the Directors a general mandate authorizing them to repurchase Shares not exceeding 10% of the aggregate nominal value of the share capital of the Company in issue as at the date of passing of such resolution;

(c) subject to the passing of the proposed ordinary resolutions to approve the New Issue Mandate and the Repurchase Mandate at the SGM, to add to the New Issue Mandate set out in (a) above the number of Shares repurchased by the Company pursuant to the Repurchase Mandate set out in (b) above.

Repurchase Mandate

The general repurchase mandate granted to the Directors at the annual general meeting of the Company held on 8 June 2009 to repurchase up to 147,768,642 shares of HK$0.01 each in the share capital of the Company lapsed at the conclusion of the annual general meeting of the Company held on 7 June 2010.

At the SGM, it will be proposed, by way of an ordinary resolution, that the Directors be given a general and unconditional mandate to exercise all powers of the Company to repurchase Shares on the Stock Exchange up to a maximum of 10% of the Shares in issue at the date of passing of such ordinary resolution granting the general mandate. As at the Latest Practicable Date, there were 1,477,687,450 Shares in issue. Subject to the passing of the relevant ordinary resolution approving the Repurchase Mandate and on the basis that no further Shares are issued or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the Company would be authorized to repurchase a maximum of 147,768,745 Shares under the Repurchase Mandate.

At the annual general meeting of the Company held on 7 June 2010, the resolution to approve the general repurchase mandate was voted down by the controlling Shareholder, Grand Cosmos Holdings Limited, a company which is indirectly held by Mr. Yu and holds 963,776,271 Shares representing approximately 65.22% of the issued share capital of the Company, which was then under the control of the receivers appointed by Trustee under the Trust Deed. Since 23 July 2010, the control of Grand Cosmos Holdings Limited has been restored to Mr. Yu who is also the Chairman of the Board. The repurchase of Shares, if performed at prices lower than the intrinsic value of the Share with funds from free cash of the Company, will enhance the earning per Share and net book value per Share. The Directors therefore consider that the grant of the Repurchase Mandate is in the interest of the shareholders of the Company.

The Repurchase Mandate if granted will continue in force until (a) the conclusion of the next annual general meeting of the Company after the SGM; or (b) the expiration of the period within which the next annual general meeting of the Company is required to be held under its bye-laws or laws applicable to the Company; or (c) it is revoked or varied by an ordinary resolution passed in a general meeting of the Company.

An explanatory statement containing information relating to the Repurchase Mandate as required pursuant to the Listing Rules is set out in Appendix VI on pages VI-1 to VI-3 of this circular.

New Issue Mandate

The general mandate granted to the Directors at the annual general meeting of the Company held on 8 June 2009 to allot, issue and deal with 295,537,490 new Shares lapsed at the conclusion of the annual general meeting held on 7 June 2010.

At the SGM, it will be proposed, by way of an ordinary resolution, that the Directors be granted a general and unconditional mandate to exercise all powers of the Company to allot, issue and deal with new Shares up to 20% of the aggregate nominal value of the issued share capital of the Company as at the date of the passing of such resolution. As at the Latest Practicable Date, there were 1,477,687,450 Shares in issue. Subject to the passing of the relevant ordinary resolution approving the New Issue Mandate and on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the date of the SGM (assuming no Shares have been repurchased by the Company under the Repurchase Mandate), the Company would be authorized to allot, issue and deal with up to a maximum of 295,537,490 Shares under the New Issue Mandate.

At the annual general meeting of the Company held on 7 June 2010, the resolution to approve the general new issue mandate was voted down by the controlling Shareholder, Grand Cosmos Holdings Limited, a company which is indirectly held by Mr. Yu and holds 963,776,271 Shares representing approximately 65.22% of the issued share capital of the Company, which was then under the control of the receivers appointed by Trustee under the Trust Deed. Since 23 July 2010, the control of Grand Cosmos Holdings Limited has been restored to Mr. Yu who is also the Chairman of the Board. The New Issue Mandate provides flexibility to the Company to raise funds without finance cost burden to the Company and also serves a valuable channel for the Company to enlarge the Shareholder and capital base of the Company. The Directors therefore consider the New Issue Mandate in the interest of the shareholders of the Company.

In addition, it is further proposed, by way of a separate ordinary resolution, that the New Issue Mandate be extended so that the Directors be given a general mandate to issue further Shares of an aggregate nominal value equal to the aggregate nominal value of the share capital of the Company repurchased under the Repurchase Mandate.

The New Issue Mandate if granted will continue in force until (a) the conclusion of the next annual general meeting of the Company after the SGM; or (b) the expiration of the period within which the next annual general meeting of the Company is required to be held under its bye-laws or laws applicable to the Company; or (c) it is revoked or varied by an ordinary resolution passed in a general meeting of the Company.

IMPLICATIONS OF THE LISTING RULES

The Disposal constitutes a very substantial disposal of the Company and is subject to, among other things, announcement and Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll and therefore the ordinary resolutions to be put to vote at the SGM will be taken by way of poll as required by the Listing Rules.

CONTINUED SUSPENSION OF TRADING IN THE SHARES

Trading in the Shares has been suspended since 9:30 a.m. on 3 November 2009 at the request of the Company and will remain suspended until further notice. The Company is currently preparing an application to the Stock Exchange for resumption of trading in the Shares. The Director will use its best endeavors to resume trading in the Shares as soon as possible.

The Company will keep the shareholders of the Company informed when material developments take place.

THE SGM

Set out on pages SGM-1 to SGM-5 of this circular is a notice convening the SGM to be held at Empire Room 1, M/Floor, Empire Hotel Hong Kong Wanchai, 33 Hennessy Road, Wanchai, Hong Kong on Friday, 3 September 2010 at 3:00 p.m. at which resolution(s) will be proposed to the Shareholders to consider and, if thought fit, approve (i) the Agreement and the transactions contemplated thereunder; (ii) the refreshment of the 10% General Limit on the grant of options under the Share Option Scheme; (iii) the grant of the New Issue Mandate; (iv) the grant of the Repurchase Mandate; and (v) the extension of the New Issue Mandate, all of which shall be voted by way of poll.

Sharp Bright International Limited, a company wholly-owned by Mr. Yu, has given a first priority fixed charge over its 100% interest in Grand Cosmos Holdings Limited, a company indirect wholly-owned by Mr. Yu and holding 65.22% shareholding of the Company as at the Latest Practicable Date, and a first priority floating charge in respect of its undertaking in favour of the Trustee as part of security for the Notes (the "Grand Cosmos Share Charge"). Grand Cosmos Holdings Limited has given a first priority fixed charge in favour of the Trustee over, among other things, all its shareholding interest in the Company as further security for the Notes (the "Skyfame Share Charge"). In addition, the Company has given certain share charges over its interest in certain of its subsidiaries in favour of the Trustee also as security for the Notes. For details of the Grand Cosmos Share Charge and the Skyfame Share Charge and other securities for the Notes, please refer to the Company's circular dated 4 April 2007.

Given that the shares charged under the Grand Cosmos Share Charge and the Skyfame Share Charge respectively shall be released upon full settlement of the Notes and, together with the fact that Mr. Yu is involved in the negotiation of the Disposal, Mr. Yu, Grand Cosmos Holdings Limited and Sharp Bright International Limited are considered to have an interest in the Disposal which is different from other Shareholders.

Accordingly, Shareholders who have material interest in the Disposal, including (i) Mr. Yu, Grand Cosmos Holdings Limited and Sharp Bright International Limited which together held 1,058,112,271 Shares; (ii) lender of the Sky Honest Loan, namely Lehman Brother Commercial Corporation Asia Limited (In Liquidation), which held 7,699,184 Shares or such other number of Shares; and (iii) other Noteholders, namely DKR Capital Inc., DKR Management Co. Inc., DKR Capital Partners LP, Oasis Management Holdings LLC, DKR Oasis Management Co. LP and DKR SoundShore Oasis Holding Fund Ltd., which together directly or indirectly held 6,335,185 Shares as at the Latest Practicable Date, shall abstain from voting to approve the Agreement and the transactions contemplated thereunder at the SGM.

Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquires, no other Shareholder is required to abstain from voting in respect of the resolutions in relation to the Disposal at the SGM. In addition, no Shareholder is required to abstain from voting on the resolutions regarding the refreshment of the 10% General Limit, the Repurchase Mandate, the New Issue Mandate and the extension of the New Issue Mandate.

A form of proxy for use at the SGM is also enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrars in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors consider that (i) the terms of the Agreement and the transactions contemplated thereunder; (ii) the refreshment of the 10% General Limit on the grant of options under the Share Option Scheme; (iii) the grant of the Repurchase Mandate; (iv) the grant of the New Issue Mandate; and (v) the extension of the New Issue Mandate are all fair and reasonable and are in the best interest of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the ordinary resolutions to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder, the refreshment of the 10% General Limit, the grant of the Repurchase Mandate, the grant of the New Issue Mandate and the extension of the New Issue Mandate.

GENERAL

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Skyfame Realty (Holdings) Limited
YU Pan
Chairman

REVIEWED FINANCIAL INFORMATION

A summary of the unaudited statements of comprehensive income, statements of changes in equity and statements of cash flows of Huan Cheng for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 ("Relevant Periods") and the six months ended 30 June 2009, and statements of financial position of Huan Cheng as at 31 December 2007, 2008 and 2009 and 30 June 2010, as extracted from the financial information of Huan Cheng, is set out as below. The accounting policies adopted in the preparation of the financial information of Huan Cheng are consistent with those of the Group. The financial information of Huan Cheng for the Relevant Periods and the six months ended 30 June 2009 has been reviewed by our independent auditor, BDO Limited, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, without any qualified or modified conclusion in their related review report.

(a) The statements of comprehensive income of Huan Cheng for the Relevant Periods and the six months ended 30 June 2009 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	–	–	–	–	–
Sales and marketing expenses	–	(218)	(389)	(198)	(274)
Administrative expenses	(24)	(4,006)	(4,912)	(2,244)	(8,251)
Finance income	9	8	2	1	40
Loss before income tax expense	(15)	(4,216)	(5,299)	(2,441)	(8,485)
Income tax expense	–	–	–	–	–
Loss for the year/period	(15)	(4,216)	(5,299)	(2,441)	(8,485)
Other comprehensive income:					
Exchange differences arising on difference in functional currency and presentation currency	14,085	11,415	383	(27)	2,878
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	14,070	7,199	(4,916)	(2,468)	(5,607)

(b) The statements of financial position of Huan Cheng as at 31 December 2007, 2008 and 2009 and 30 June 2010 are as follows:

	As at 31 December			As 30 June
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	–	–	–	77
Properties held for development	131,322	253,453	278,250	406,583
	131,322	253,453	278,250	406,660
Current assets				
Amount due from immediate holding company	69,836	–	–	–
Other receivables	157	191	403	2,082
Cash and cash equivalents	1,404	863	2,743	694
	71,397	1,054	3,146	2,776
Current liabilities				
Accruals and other payables	4,671	995	1,811	8,685
Net current assets (liabilities)	66,726	59	1,335	(5,909)
Total assets less current liabilities	198,048	253,512	279,585	400,751
Non-current liabilities				
Amount due to immediate holding company	–	8,678	34,879	35,303
Amount due to fellow subsidiary	–	–	4,788	131,137
	–	8,678	39,667	166,440
Net assets	198,048	244,834	239,918	234,311
Capital and reserves				
Capital	210,277	210,277	210,277	210,277
Reserves	(12,229)	34,557	29,641	24,034
Total equity	198,048	244,834	239,918	234,311

(c) The statements of changes in equity of Huan Cheng for the Relevant Periods and the six months ended 30 June 2009 are as follows:

	Capital	Capital reserve	Foreign exchange reserve	Accumu-lated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2007					
At 1 January 2007	210,277	–	6,871	(33,170)	183,978
Total comprehensive income for the year	–	–	14,085	(15)	14,070
At 31 December 2007	210,277	–	20,956	(33,185)	198,048
Year ended 31 December 2008					
At 1 January 2008	210,277	–	20,956	(33,185)	198,048
Total comprehensive income for the year	–	–	11,415	(4,216)	7,199
Capital contribution	–	39,587	–	–	39,587
At 31 December 2008	210,277	39,587	32,371	(37,401)	244,834
Year ended 31 December 2009					
At 1 January 2009	210,277	39,587	32,371	(37,401)	244,834
Total comprehensive income for the year	–	–	383	(5,299)	(4,916)
At 31 December 2009	210,277	39,587	32,754	(42,700)	239,918
Six months ended 30 June 2009					
At 1 January 2009	210,277	39,587	32,371	(37,401)	244,834
Total comprehensive income for the period	–	–	(27)	(2,441)	(2,468)
At 30 June 2009	210,277	39,587	32,344	(39,842)	242,366
Six months ended 30 June 2010					
At 1 January 2010	210,277	39,587	32,754	(42,700)	239,918
Total comprehensive income for the period	–	–	2,878	(8,485)	(5,607)
At 30 June 2010	210,277	39,587	35,632	(51,185)	234,311

(d) The statements of cash flows of Huan Cheng for the Relevant Periods and the six months ended 30 June 2009 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating activities					
Loss before income tax expense	(15)	(4,216)	(5,299)	(2,441)	(8,485)
Adjustments for:					
Finance income	(9)	(8)	(2)	(1)	(40)
Depreciation of property, plant and equipment	–	–	–	–	5
Operating loss before working capital changes	(24)	(4,224)	(5,301)	(2,442)	(8,520)
Increase in other receivables	(57)	(24)	(212)	(181)	(1,666)
Increase (decrease) in accruals and other payables	564	367	816	(604)	(1,225)
Decrease in amount due to a related company	(333)	–	–	–	–
Net cash from (used in) operating activities	150	(3,881)	(4,697)	(3,227)	(11,411)
Investing activities					
Interest received	9	8	2	1	40
Additions to properties held for development	(6,828)	(77,974)	(24,366)	(20,191)	(116,219)
Purchase of property, plant and equipment	–	–	–	–	(79)
Net cash used in investing activities	(6,819)	(77,966)	(24,364)	(20,190)	(116,258)
Financing activities					
New other borrowings	–	–	5,673	5,673	–
Repayment of other borrowings	–	–	(5,673)	(5,673)	–
Advance from immediate holding company	7,992	81,211	26,155	22,748	–
Advance from fellow subsidiary	–	–	4,782	–	125,598
Net cash from financing activities	7,992	81,211	30,937	22,748	125,598
Net increase (decrease) in cash and cash equivalents	1,323	(636)	1,876	(669)	(2,071)
Effect of foreign exchange rate changes	62	95	4	1	22
Cash and cash equivalents at beginning of year/period	19	1,404	863	863	2,743
Cash and cash equivalents at end of year/period	1,404	863	2,743	195	694

1. BASIS OF THE PREPARATION OF THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE REMAINING GROUP

The unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effect of the Disposal that might have on the financial information of the Group.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2009 are prepared based on the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2009, respectively, as extracted from the 2009 Annual Report as if the Disposal had been completed on 1 January 2009.

The unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2010 is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2010 as extracted from the 2010 Interim Report as if the Disposal had been completed on 30 June 2010.

The unaudited pro forma financial information is prepared to provide information on the Remaining Group as a result of the completion of the Disposal. It is prepared for illustrative purposes only and because of its hypothetical nature, it does not purport to represent what the results and cash flows of the Remaining Group for the year ended 31 December 2009 or any future period, and financial position of the Remaining Group as at 30 June 2010 or any future date would have been had the Disposal been completed.

(a) Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group

	The Group for the year ended 31 December 2009	Pro forma adjustments relating to the Disposal		Unaudited pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
Revenue	304,780	–	–	304,780
Cost of sales and services	(122,854)	–	–	(122,854)
Gross profit	181,926			181,926
Other income	2,840	–	–	2,840
Sales and marketing expenses	(29,407)	389	–	(29,018)
Administrative expenses	(159,466)	4,912	–	(154,554)
Fair value changes in investment properties	14,769	–	–	14,769
Write-down of properties under development	(70,623)	–	–	(70,623)
Fair value changes in financial derivative liabilities in relation to convertible notes	93,162	–	–	93,162
Gain on disposal of a subsidiary, net of tax	302,011	–	–	302,011
Finance costs	(1,883,222)	–	–	(1,883,222)
Finance income	1,062	(2)	–	1,060
Loss before income tax	(1,546,948)			(1,541,649)
Income tax credit	2,386	–	–	2,386
Loss for the year	(1,544,562)			(1,539,263)

	The Group for the year ended 31 December 2009	Pro forma adjustments relating to the Disposal		Unaudited pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
Other comprehensive income:				
Exchange differences arising on consolidation of foreign operations	4,691	(947)	–	3,744
Realisation of exchange differences upon disposal of a subsidiary and an associate	(157,315)	–	(65,663)	(222,978)
	(152,624)			(219,234)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(1,697,186)			(1,758,497)
Loss for the year attributable to:				
– Owners of the Company	(1,537,605)	5,299	–	(1,532,306)
– Minority interests	(6,957)	–	–	(6,957)
	(1,544,562)			(1,539,263)
Total comprehensive income for the year attributable to:				
– Owners of the Company	(1,690,260)	4,352	(65,663)	(1,751,571)
– Minority interests	(6,926)	–	–	(6,926)
	(1,697,186)			(1,758,497)

Notes:

(1) Figures are extracted from the audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2009 included in the 2009 Annual Report of the Group.

(2) The adjustment reflects the exclusion of the results of Huan Cheng for the year ended 31 December 2009, as shown in the Financial Information of Huan Cheng in Appendix I to this circular, assuming that the Disposal was completed on 1 January 2009. For the purpose of reporting of the consolidated statement of comprehensive income for the year ended 31 December 2009, the results of Huan Cheng were included in the consolidated income statement as a subsidiary until 9 November 2009 and the result of Huan Cheng for the period from 10 November 2009 to 31 December 2009 was immaterial.

(3) The Directors consider that the Agreement constitutes an agreement for the sale of goods/services and the criteria for recognition of revenue set out in paragraph 14 of HKAS 18 'Revenue' apply. However, since the Directors are uncertain about the due performance of some obligations under the Agreement in particular, the costs to be incurred in respect of the transaction under the prevailing agreement caused by overruns in construction costs not due to the change in design plan proposed by HNA Hotel and the delay in construction of the project beyond 32 months from the date of the first installment payment. The Directors are of the view that not all the conditions set out in HKAS 18 have been satisfied. Accordingly, the associated costs cannot be measured reliably and the revenue therefore are not recognised. Revenue will only be recognised when substantial part of the associated costs can be ascertained reliably. The revenue and associated costs of the Disposal will be deferred in the consolidated statement of financial position until the construction is completed to a substantial progress where associated costs can be reliably measured. The Directors expect that the gain on Disposal will be fully recognised by the end of 2013. Therefore, no adjustment is taken in the proforma consolidated statement of comprehensive income of the Remaining Group to reflect the estimated gain resulting from the Disposal, but the attributable foreign exchange reserve of approximately HK$65.7 million is released as part of the deferred income in relation to the Disposal, assuming that the Disposal was completed on 1 January 2009. The revenue and associated costs of the Disposal will be deferred in the consolidated statement of financial position until the construction is completed to a substantial progress where associated costs can be reliably measured.

(4) The adjustments made to the proforma consolidated statement of comprehensive income reflect the transaction of the Disposal and do not have a continuing effect on the Group.

(b) Unaudited pro forma consolidated statement of financial position of the Remaining Group

	The Group as at 30 June 2010	Pro forma adjustments relating to the Disposal		Unaudited pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*		
Non-current assets				
Property, plant and equipment	899	–	–	899
Investment properties	422,033	–	–	422,033
Properties held for development	1,386,747	–	756,164 *(Note 6)*	2,142,911
Goodwill	15,752	–	–	15,752
Consideration receivable for disposal of an associate	–	–	22,999 *(Note 3)*	22,999
Interests in an associate	756,164	(756,164)	–	–
	2,581,595			2,604,594
Current assets				
Properties under development	638,849	–	–	638,849
Trade and other receivables	31,899	–	–	31,899
Consideration receivable for disposal of a subsidiary and an associate	50,722	–	402,484 *(Note 3)*	453,206
Restricted and pledged deposits *(note 7)*	31,637	–	566,127 *(Note 3)*	597,764
Cash and cash equivalents	265,195	–	–	265,195
	1,018,302			1,986,913
Current liabilities				
Trade and other payables	490,000	–	–	490,000
Bank and other borrowings – current portion *(note 7)*	268,223	–	–	268,223
Convertible notes *(note 7)*	399,671	–	–	399,671
Income tax payable	29,414	–	–	29,414
	1,187,308			1,187,308

	The Group as at 30 June 2010	Pro forma adjustments relating to the Disposal		Unaudited pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*		
Net current (liabilities) assets	(169,006)			799,605
Total assets less current liabilities	2,412,589			3,404,199
Non-current liabilities				
Bank and other borrowings – non-current portion	238,040	–	–	238,040
Loan from minority shareholder of a subsidiary	235,370	–	–	235,370
Amount due to immediate holding company	–	35,303	(35,303)*(Note 4)*	–
Amount due to fellow subsidiary	–	131,137	(131,137)*(Note 4)*	–
Deferred tax liabilities	159,324	–	–	159,324
Deferred income in relation to a disposal of a development project	–	–	1,065,476*(Note 6)*	1,065,476
	632,734			1,698,210
Net assets	1,779,855			1,705,989
Capital and reserves				
Share capital	14,777	–	–	14,777
Reserves	1,749,177	–	(73,866)*(Note 5)*	1,675,311
Total equity attributable to owners of the Company	1,763,954			1,690,088
Minority interests	15,901	–	–	15,901
Total equity	1,779,855			1,705,989

Notes:

(1) Figures are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2010 included in the 2010 Interim Report of the Group.

(2) The adjustment reflects the exclusion of the assets and liabilities of Huan Cheng as at 30 June 2010, as shown in the Financial Information of Huan Cheng in Appendix I to this circular, assuming that the Disposal was completed on 30 June 2010.

	Huan Cheng as at 30 June 2010	**Consolidation Adjustment**	**The carrying value attributable to the Group**
		(Note A)	
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	77	–	77
Properties held for development	406,583	464,687	871,270
Other receivables	2,082	–	2,082
Cash and cash equivalents	694	–	694
	409,436		874,123
Accruals and other payables	(8,685)	–	(8,685)
Deferred tax liabilities	–	(109,274)	(109,274)
	(8,685)		(117,959)
Net assets before inter-group current accounts	400,751		
Amount due to immediate holding company	(35,303)		
Amount due to fellow subsidiary	(131,137)		
Net assets	234,311		
The carrying value of the investment in Tianhe Project, stated as "interest in an associate" in the consolidated statement of financial position			756,164

Note A: The consolidation adjustment reflects the fair value adjustments recognised at the group level upon the acquisition and also taking into account the capitalised finance costs incurred by the Group.

(3) Net sales proceeds receivable is estimated to be approximately HK$991.6 million. The total Consideration is payable in three instalments. Except for the first instalment which is mainly specifically restricted for the settlements of the remaining debts due to Noteholders and Sky Honest Loan lenders, the residue balance and the other two instalments are for general working capital of the Remaining Group.

The first installment payment of the Consideration received on Completion from HNA Hotel of RMB600.0 million (approximately HK$689.9 million) after adjustment for net asset balance taken up by HNA Hotel (other than Tianhe Land and shareholders' loans due by Huan Cheng) of increment of approximately of HK$13.1 million and payment of estimated transaction costs and relevant taxes of approximately

HK$136.9 million, amounting to approximately HK$566.1 million, which is expected to be received in October 2010.

The second installment payment of the Consideration of RMB350.0 million (approximately HK$402.5 million), which is classified under current assets, will be received six months after the payment of first installment of the Consideration (i.e. May 2011).

Final installment of net amount of HK$23.0 million, which is classified under non-current assets, being gross payment of RMB140.0 million (approximately HK$161.0 million) after taking into account price adjustments for 50% of estimated future finance costs incurred on construction and development of the Tianhe Land of RMB100.0 million (approximately HK$115.0 million) and committed and future design costs and project management charges of approximately RMB20.0 million (approximately HK$23.0 million), will be received upon completion of the construction (i.e. on or before December 2013);

(4) The amounts totalling HK$166.4 million due by Huan Cheng to Yaubond and its fellow subsidiary of HK$35.3 million and HK$131.1 million respectively will be assigned to HNA Hotel upon Completion and have already been included in the Consideration;

(5) The foreign exchange reserve of approximately HK$73.9 million as at 30 June 2010 will be released and recognised as part of the deferred income upon the Completion of the Disposal;

(6) The Directors consider that the Agreement constitutes an agreement for the sale of goods/services and the criteria for recognition of revenue set out in paragraph 14 of HKAS 18 'Revenue' apply. However, since the Directors are uncertain about the due performance of some obligations under the Agreement in particular, the costs to be incurred in respect of the transaction under the prevailing agreement caused by overruns in construction costs not due to the change in design plan proposed by HNA Hotel and the delay in construction of the project beyond 32 months from the date of the first installment payment. The Directors are of the view that not all the conditions set out in HKAS 18 have been satisfied. Accordingly, the associated costs cannot be measured reliably and the revenue therefore was not recognised. Revenue will only be recognised when substantial part of the associated costs can be ascertained reliably. The revenue and associated costs of the Disposal will be deferred in the consolidated statement of financial position until the construction is completed to a substantial progress where associated costs can be reliably measured. The Directors expect that the gain on disposal will be full recognised by the end of 2013. Assuming that the Disposal was completed on 30 June 2010, the considerations receivable from the Disposal are categorised as current or non-current assets depending on the due dates of payments, and no adjustment is taken in the proforma consolidated statement of comprehensive income of the Remaining Group to reflect the estimated gain resulting from the Disposal which will be recorded, instead, as separate items of properties held for development of HK$756.2 million and deferred income on the consolidated statement of financial position.

The deferred income of HK$1,065.5 million arises from the net proceeds from the Disposal of approximately HK$991.6 million and the release of the attributable foreign exchange reserve of approximately HK$73.9 million.

The gain to be deferred is estimated at approximately HK$309.3 million resulting from the Disposal, consisting of (i) net proceeds of approximately HK$991.6 million, (ii) release of the attributable foreign reserve of approximately HK$73.9 million and (iii) deducting the entire interest of the carrying value of the investment in Tianhe Project as at 30 June 2010 of approximately HK$756.2 million.

(7) The carrying values of the convertible notes of US$51,420,000 (approximately HK$399.6 million) and Sky Honest Loan of HK$176,000,000 included in bank and other borrowings are presented as outstanding debts as compromised under the Noteholders Agreement and Restructuring Agreement.

Consideration from the disposal of the Westin Project was used as to US$100,000,000 (HK$777.2 million) to the Noteholders for the first payment under the Noteholders Agreement on 30 June 2010 and as to HK$114,400,000 for the first instalment payment under the Restructuring Agreement on 2 July 2010. The outstanding debts of approximately US$51,420,000 (after setting off the cash balances of approximately US$2,180,000 in escrow accounts) under the Noteholders Agreement and HK$61,600,000 under the Restructuring Agreement in aggregate of approximately HK$462.5 million will be paid on or before 4 October 2010 without incurring any additional interest or incurring interest if paid on before 4 January 2011. The Company expects to apply the first installment payment of the Consideration received on Completion from HNA Hotel to fully settle the full amount of the Notes and Sky Honest Loan.

(c) Unaudited pro forma consolidated statement of cash flows of the Remaining Group

	The Group for the year ended 31 December 2009	Pro forma adjustments relating to the Disposal		Unaudited pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
Operating activities				
Loss before income tax	(1,546,948)	5,299	–	(1,541,649)
Adjustments for:				
Finance costs	1,883,222	–	–	1,883,222
Finance income	(1,062)	2	–	(1,060)
Equity-settled share-based payment expenses	216	–	–	216
Depreciation of property, plant and equipment	59,182	–	–	59,182
Amortisation of prepaid lease payments	13,715	–	–	13,715
Fair value changes in financial derivative liabilities of convertible notes	(93,162)	–	–	(93,162)
Impairment losses on trade and other receivables	534	–	–	534
Gain on disposal of a subsidiary, net of tax	(302,011)	–	–	(302,011)
Gain on disposal of property, plant and equipment	(32)	–	–	(32)
Fair value changes in investment properties	(14,769)	–	–	(14,769)
Write-down of properties under development	70,623	–	–	70,623
Write-back of trade and other payables	(1,788)	–	–	(1,788)
Operating profit before working capital changes	67,720			73,021

	The Group for the year ended 31 December 2009	Pro forma adjustments relating to the Disposal		Unaudited pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
Decrease in inventories	12,344	–	–	12,344
Increase in trade and other receivables	(19,540)	212	–	(19,328)
Increase in trade and other payables	214,414	(816)	–	213,598
Decrease in deferred income	(1,192)	–	–	(1,192)
Disposal of an associate, net of cash disposal of	–	–	566,127	566,127
Cash generated from operations	273,746			844,570
Income tax paid	(7,087)	–	–	(7,087)
Other borrowing costs paid	(11,211)	–	–	(11,211)
Interest paid	(162,214)	–	–	(162,214)
Net cash generated from operating activities	93,234			664,058
Investing activities				
Interest received	1,062	(2)	–	1,060
Disposal of a subsidiary, net of cash disposed of	(31,651)	–	–	(31,651)
Additions to properties held for/under development	(225,695)	24,366	–	(201,329)
Additions to prepaid lease payments	(16,816)	–	–	(16,816)
Payment of construction costs of completed properties in prior year	(60,720)	–	–	(60,720)
Purchase of property, plant and equipment	(2,488)	–	–	(2,488)
Proceeds from sale of property, plant and equipment	144	–	–	144
Advance to a former associate	–	(30,937)	–	(30,937)
Net cash used in investing activities	(336,164)			(342,737)

	The Group for the year ended 31 December 2009	Pro forma adjustments relating to the Disposal		Unaudited pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
Financing activities				
Decrease (increase) in restricted and pledged deposits *(note 4)*	29,229	–	(566,127)	(536,898)
Proceeds from bank and other borrowings	487,348	(5,673)	–	481,675
Repayment of bank and other borrowings	(172,962)	5,673	–	(167,289)
Short-term loan advance from a director	15,031	–	–	15,031
Repayment of short-term loan from a director	(15,031)	–	–	(15,031)
Repayment to loan from minority shareholder of a subsidiary	(39,664)	–	–	(39,664)
Net cash from (used in) financing activities	303,951			(262,176)
Net increase in cash and cash equivalents	61,021			59,145
Effect of foreign exchange rate changes	(22)	(4)	–	(26)
Cash and cash equivalents at beginning of year	53,720			53,720
Cash and cash equivalents at end of year	114,719			112,839

Notes:

(1) Figures are extracted from the audited consolidated statement of cash flows of the Group for the year ended 31 December 2009 included in the 2009 Annual Report of the Group.

(2) The adjustment reflects the exclusion of the cash flows of Huan Cheng for the year ended 31 December 2009, as shown in the Financial Information of Huan Cheng in Appendix I to this circular, assuming the Disposal was completed on 1 January 2009. For the purpose of reporting of the consolidated statement of cash flows for the year ended 31 December 2009, cash flow of Huan Cheng were included in the statement of cash flows as a subsidiary until 9 November 2009 and cash flow of Huan Cheng for the period from 10 November 2009 to 31 December 2009 was immaterial.

(3) The pro forma adjustment represents the cash inflow from the first installment payment of the Consideration received on Completion from HNA Hotel of RMB600.0 million (approximately HK$689.9 million) after adjustment for net asset balance of HK$13.1 million and payment of transaction costs and taxes of HK$136.9 million, amounting to approximately HK$566.1 million, which is expected to be received in October 2010.

(4) Consideration from the disposal of the Westin Project was used as to US$100,000,000 (HK$777.2 million) to the Noteholders for the first payment under the Noteholders Agreement on 30 June 2010 and as to HK$114,400,000 for the first instalment payment under Restructuring Agreement on 2 July 2010. The outstanding debts of approximately US$51,420,000 (after setting off the cash balance of approximately US$2,180,000 in escrow accounts) under the Noteholders Agreement and HK$61,600,000 under the Restructuring Agreement in aggregate of approximately HK$462.5 million will be paid on or before 4 October 2010 without incurring any additional interest or incurring interest if paid on before 4 January 2011. The Company expects to apply the first installment payment of the Consideration received on Completion for HNA Hotel to fully settle the full amount of the Notes and Sky Honest Loan.

(5) The adjustments made to the proforma consolidated statement of cash flows reflect the transaction of the Disposal and do not have a continuing effect on the Group.

2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.

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19 August 2010

The Board of Directors
Skyfame Realty (Holdings) Limited
2502B, Tower 1, Admiralty Centre
18 Harcourt Road
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Skyfame Realty (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), as set out on pages 2 to 12 in Appendix II to the circular dated 19 August 2010 ("Circular"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information on how the proposed disposal of the entire interest in and the assignment of the shareholder's loan due by 廣州寰城實業發展有限公司 (Guangzhou Huan Cheng Real Estate Development Company Limited), an associate of the Company as at 30 June 2010 which holds interest in a piece of land in Guangzhou, People's Republic of China, might have affected the financial information presented in respect of the Group, for inclusion in Appendix I to the Circular. The Group without Huan Cheng is referred to as the Remaining Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page 1 in Appendix II to the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Remaining Group as at 30 June 2010 or any future date; and
- the results and cash flows of the Remaining Group for the year ended 31 December 2009 or any future period.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
BDO Limited
Certified Public Accountants
Hong Kong

Li Yin Fan
Practising Certificate Number P03113

1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the consolidated financial information of the Group for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, details of which are extracted from the annual reports of the Company for the years ended 31 December 2007, 2008 and 2009 and the interim reports of the Company for each of the six months ended 30 June 2009 and 2010.

The Company's independent auditors, BDO Limited, have issued disclaimer of opinion on the Group's consolidated financial statements for the two years ended 31 December 2008 and 2009. For details of the qualifications, please refer to the 2008 and 2009 Annual Reports of the Company.

	For the year ended 31 December			For the six months ended	
				30 June	30 June
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	125,631	564,650	304,780	142,077	8,645
Profit (loss) before income tax	160,096	634,678	(1,546,948)	398,064	908,258
Profit (loss) after income tax	221,335	684,348	(1,544,562)	396,276	908,258
Attributable to					
– Owners of the Company	209,078	685,128	(1,537,605)	392,268	910,369
– Minority interests	12,257	(780)	(6,957)	4,373	(2,111)

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
Total assets	4,946,528	5,259,355	4,352,780	3,599,897
Total liabilities	(3,259,846)	2,713,926	3,504,321	1,820,042
Net assets	1,686,682	2,545,429	848,459	1,779,855
Minority interests	–	(24,734)	(17,808)	(15,901)
Total equity attributable to owners of the Company	1,686,682	2,520,695	830,651	1,763,954

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

FOR THE YEAR ENDED 31 DECEMBER 2007

Business review

The Remaining Group's revenue reached HK$126 million, representing an increase of 150% when compared with last year. The changes were resulted from the Remaining 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 Remaining Group's hotel operation contributes a dominant and recurring income to the Remaining 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. In addition, the Remaining Group received rental income of HK$20 million from the leasing of its properties at the commercial podium of Tianyu Garden Phase 2 and Skyfame Tower.

The result for the year showed a profit attributable to equity holders despite losses from operations. The hotel operation contributed cash ever since its starting-off but its operating result was adversely affected by high hotel pre-opening costs and depreciation and amortisation costs. As a result of the borrowings to finance for the acquisitions and liabilities taken up from the projects acquired, substantial amounts of finance costs, including interests amortised on Notes, issue cost and interests paid to banks and financial institution on borrowings, and revaluation deficit of an investment property were charged to the profit and loss account for the year. These negative effects were however compensated by non-operating gains, largely the gain from revaluation of financial derivative liabilities embedded in the Notes at the year-end, deferred tax credit resulted from the decrease in the PRC corporate income tax rate, the gains recognised on acquisition of land, and property interests with fair values over their acquisition costs.

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 the 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 new Shares at an initial conversion price of HK$1.35 per new Share which is subject to a reset mechanism gearing to share price performance. The issue of the Notes has enlarged the base of potential Shareholders and strengthened its capital resources.

In the acquisition of the other 29% interest in the Westin Project and the 100% interest in the commercial podium at Tianyu Garden Phase 2 that were both beneficially owned by Mr. Yu Pan, the Company's controlling shareholder, convertible preference shares valued totaling HK$709 million were issued to Mr. Yu in consideration which were fully converted into new Shares and hence increased the Company's equity by HK$721 million.

The acquisition of the Westin Project and Tianyu Garden Phase 2 led to liabilities for outstanding development costs of HK$155 million and long-term commercial loans of HK$963 million.

As at 31 December 2007, the Remaining Group's total liabilities were mainly consist of the Notes, commercial loans, deferred tax liabilities and development costs payable. The Remaining Group's gearing ratio at the end of the reporting period increased as a result of the increased indebtedness of the Remaining Group. As at 31 December 2007, the Group's gearing ratio (the ratio of total debt to total equity plus debt) was 65.9% (2006: 47.4%). Nonetheless, the management considered the gearing level is maintained at an affordable level.

The issue of the Notes strengthened and increased the Remaining Group's post acquisition cash position at the end of the reporting period. The current ratio improved as a result.

Bank borrowings and pledge of assets

As at 31 December 2007, the Remaining Group had borrowings from commercial banks and Sky Honest Loan. Such borrowings were used to finance the acquisition costs and working capital. To secure for the banking facilities granted, the Remaining Group had mortgages over its property interests in the Westin Project and Tianyu Garden Phase 2. In addition, to secure for the Notes and Sky Honest Loan, cash in escrow accounts and shares of certain intermediary holding companies of project companies were charged in favour of the Noteholders and Sky Honest Loan.

Foreign currency management

The Remaining Group's property development activities are conducted in the PRC. Its major activities are conducted in the PRC and denominated in RMB, the functional currency of the Company's principal subsidiaries. However, certain financing activities of the Remaining Group are denominated in other currencies, such as, the Notes are denominated in US 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 Remaining 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 Remaining Group's financial position. In view of the foreseeable insignificant unfavourable impact of the exchange exposure, the Remaining 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 Remaining Group's results and financial position.

Material acquisitions during the year

During the year ended 31 December 2007, the Remaining Group completed the acquisitions of certain subsidiaries, details of which are as follows:

(a) On 2 March 2007, the Remaining Group entered into two separate agreements with (i) a subsidiary of Poly (Hong Kong) Investments Limited ("Poly HK") which was a substantial shareholder of a subsidiary of the Company, and an independent third party, and (ii) Wise Gain Investment Limited, a company wholly-owned by Mr. Yu Pan. Both agreements were for the acquisition of the entire equity interest in and shareholders' loans of Yue Tian and its wholly-owned subsidiary incorporated in the PRC (the "Yue Tian Group"). The total consideration of the two agreements amounted to approximately HK$887 million. The activity of the Yue Tian Group is the development of a property, comprising a hotel and office tower in Westin Project. The acquisition was completed on 4 May 2007.

The acquisition of the Westin Project was satisfied by approximately HK$629 million in cash, which was financed by the proceeds of the Notes, and the issue of 190,447,209 convertible preference shares of the Company to Mr. Yu's associate at a face value of approximately HK$257 million.

(b) On 24 April 2007, the Remaining Group entered into an agreement to acquire from the vendor, a subsidiary of Poly HK, an entire interest in Bright Able Developments Limited ("Bright Able") at an aggregate consideration of approximately HK$321 million. Bright Able is an investment company holding 49% equity interest in Zhoutouzui Project. The acquisition was completed on 4 June 2007. The acquisition of the Zhoutouzui Project was satisfied by approximately HK$321 million in cash which was financed by the proceeds of the Notes.

(c) Pursuant to the agreement dated 28 May 2007 in relation to the acquisition from a company, wholly-owned by Mr. Yu Pan, of a commercial podium at 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.

The acquisition of the Tianyu Garden Phase 2 was satisfied by the issue of convertible preference shares to Mr. Yu's associate at a face value of approximately HK$196 million.

Contingent liabilities

The Remaining Group had no material contingent liabilities as at 31 December 2007.

Employees

To keep pace with the fast growth, the Remaining Group continues to recruit and take in staff with capable calibre. As at 31 December 2007, other than the Executive Directors, the Remaining Group employed 631 staff of which 531 are in its hotel operation and 105 staff for property development and central management. During the year, certain staff costs relating to development projects were capitalised as property development costs whilst the remaining charged to the profit and loss account.

The increase in staff costs was led by the increase in the headcount in the project development operations acquired by the Remaining Group during the year. Employees are remunerated according to qualifications and experience, job nature and performance. Remuneration packages are aligned with job markets in the business territories.

FOR THE YEAR ENDED 31 DECEMBER 2008

Business review and outlook

Business and financial review

During the year ended 31 December 2008, the Remaining Group recorded a total turnover of approximately HK$565 million, representing approximately 4.5 times of that in the year before. The increase in turnover was contributed by revenue from hotel operation of approximately HK$255 million which represents operating result for the first full calendar year since the grand opening of the Westin Hotel Guangzhou in October 2007, and the sales of approximately 9,000 square meters of office spaces in Skyfame Tower, giving rise to sale revenue of approximately HK$257 million.

The operation turned to be profitable in the year as a result of the growing turnover and the operating costs which became stabilised. Finance costs, consisting of effective interests amortised on the Notes, interests paid to banks and financial institutions on borrowings, so far as not capitalised as development costs, amounted to approximately HK$173 million. Due to adjustment in property prices in the year led by the PRC central government's austerity measures, the Remaining Group records revaluation losses of approximately HK$119 million, income tax credit of approximately HK$29 million, and write down of goodwill. The decrease in fair value of financial derivative embedded in the Notes as induced by the sharp declines in the prices of the Company's shares during the year against which the valuation was benchmarked leads to an exceptional gain of HK$977 million for the year. The outstanding face value of the Notes is US$192 million (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$399 million as shown on the consolidated statement of financial position.

Since the completion of various acquisitions in 2007, the Remaining Group has completely transformed to a property developer in the mainland China. The Remaining Group's revenue at present comprises primarily revenue from hotel operation and rental income from leasing of investment properties and sale of developed properties. The operations in these segments are as follows:

Hotel operation

The Remaining Group gained encouraging operating results from the operation of its signature property, The Westin Guangzhou. Being the best performer in the hotel industry in Guangzhou City in both the room rates and occupancy in 2008 due to its prominent location, it is expected that the property continues to contribute stable and promising profits to the Remaining Group.

Investment and sale of completed properties

Completed in late 2007, Skyfame Tower, an office tower annexed to the hotel tower where The Westin Guangzhou situates, adds unsold above-the-ground area of approximately 32,000 sq.m. for offices and 9,000 sq.m. for commercial podium to the Remaining Group's property portfolio available for sale or leasing. The office tower is currently approximately 81% tenanted with mostly multinational corporations with tenancies at an average monthly rental of approximately RMB162 per sq.m. and with usual lease period of 3 years. The Remaining Group also receives stable rental income from the leasing of approximately 20,000 sq.m. commercial podium at Tianyu Garden Phase 2, which is located adjacent to Skyfame Tower. The property is now 63% occupied, tenanted with renowned corporations and the US consulate with lease periods ranging from 1 to 10 years.

Properties held for/under development

Guiyang Project

The Remaining Group acquired the land interest in January 2008, through a subsidiary of which it holds a 55% stake, in a public tender which is being developed into a residential development in the edge of the centre district of Guiyang, the provincial capital of Guizhou Province. The development, consisting of high-end residential apartments of a total GFA of approximately 480,000 sq.m. and full range of one-stop comprehensive community facilities, offers beautiful hill view and natural beauty near the municipal forest park and reservoir.

Zhoutouzui Project

The management has obtained during the year the approval from the Planning Authority in Guangzhou on the revised parameters of the development based on the new delineation of site boundary of the land. The Remaining Group is going through administrative procedures in connection with the transfer of the land use right certificate to the project company whilst at the same time in preparatory procedures for other permits leading to the commencement of construction that is planned to take place in 2010.

Going Concern

The Group is exposed to two non-compliances with the terms in a Trust Deed entered into between the Noteholders and the Company caused by a subsidiary not yet been able to obtain the land use right certificate and other permits in respect of the Zhoutouzui Project by 31 March 2009, and a loan agreement entered into between the lenders and a subsidiary of the Company for the Sky Honest Loan which was already due to be repaid on 29 January 2009.

The Company reached an agreement with the Noteholders for an extension to meet with the timeline to 31 May 2009 in obtaining the title deeds and permits in relation to the Zhoutouzui Project, failing which, the Noteholders are entitled to an early redemption of the Notes of US$75 million in principal and accrued interests.

The lenders of the Sky Honest Loan and the Noteholders have given consents to certain standstill arrangements to refrain from taking legal actions against the Company and its subsidiaries before the expiry of the standstill periods subject to respectively the completion of the disposal of certain interest in Yaubond and the reaching of some restructured terms of the Notes which, the Directors expect, will lead to relaxation of certain conditions on the timelines of redemption terms and conditions of the Notes on or before 31 May 2009. The Company is in negotiations with the Noteholders about the restructuring of the Notes and no concrete terms have been reached.

Outlook

In the midst of the financial crisis spread out in 2008, the global economy has not bottomed out and the recent recovery signs in the capital markets and the local PRC property markets have not yet been confirmed. There may still be some setbacks in the mainland market in the coming months prior to the full recovery of sectors of the economy. In the longer run, the strong basic demand for domestic housing in the PRC continues to be a key driver to a recovery. Whilst maintaining a positive attitude towards the prospect, the Remaining Group remains conservative in its development plans and will closely manage its existing projects to keep a progressive pace in the challenging and dynamic environment.

Liquidity and financial resources

Capital structure and liquidity

To provide for financing in the acquisitions of development projects in 2007, the Company raised funds by the issue of US$200 million Notes to several institutional investors. The Notes, bearing a coupon interest rate of 4% per annum and maturing at an annualised yield of 15% in 2013, are convertible for ordinary shares of the Company at a reset conversion price of HK$1 per share.

As at 31 December 2008, the Remaining Group's total liabilities consisted of mortgage loan from commercial banks, Sky Honest Loan, advance from a minority shareholder of a subsidiary, deferred tax liabilities and development costs payable and the Notes shown at the fair value.

The gearing ratio of the Group was 44%, based on the net debt (represented by bank and other borrowings, Sky Honest Loan, the Notes and financial derivative liabilities, loan from minority shareholder and long-term other payable net of cash and bank balances) to the equity attributable to equity holders plus net debt at the end of the reporting period of the year 2008 has become high due to the issue of the Notes for the acquisitions of projects. To cope with the liquidity requirement induced by the possible redemption of the Notes, the Remaining Group has been working on feasible plans to realise assets to reduce the gearing level.

The acquisition of the Guiyang Project during the year has utilised some US$30 million cash in the account escrowed by the Noteholders. Cash balance of the Remaining Group decreased as a result.

Borrowings and pledge of assets

Some of the Remaining Group's cash in accounts was restricted for the payment of interests to the Noteholders. Apart from the escrowed money, shares of certain intermediate holding companies of the property developing subsidiaries of the Remaining Group were charged in favor of the security agent acting for the Noteholders and Sky Honest Loan lenders. To secure for banking facilities granted to an operating subsidiary for working capital by commercial banks in the mainland China, property interests in The Westin Guangzhou, Skyfame Tower and Tianyu Garden Phase 2 was mortgaged in favour of the bank.

Foreign currency management

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

Due to the appreciation of RMB against HK and US dollars during the year, a foreign exchange reserve surplus arises from the consolidation of the assets and liabilities of the PRC subsidiaries of the Remaining Group. The surplus adds to the equity attributable to shareholders of the Company. Since both of the US and HK dollars are pegged whilst RMB moves within narrow extents with the US and HK dollars, the Remaining Group foresees no significant foreign currency exposure in the near future but rises in the exchange rates of RMB against HK dollars. Such fluctuations will not have unfavourable effect on the financial position of the Remaining Group. Hence, the Remaining 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 Remaining Group's results and financial position.

Contingent liabilities

The Remaining Group had no material contingent liabilities as at 31 December 2008.

Material acquisition during the year

In January 2008, the Remaining Group formed a subsidiary with a third party, 貴州協輝房地產開發有限公司(Guizhou Xiehui Property Development Company Limited) in which 55% equity interest was held by the Remaining Group, acquired a piece of land located in Guiyang City, Guizhou Province, the PRC through an open tender on 11 January 2008. The total cost of the land is approximately HK$629 million (RMB555 million). The contribution into the subsidiary was partly financed by cash of US$30 million released from an escrow account held in respect of the Notes and a short term advance from a third party for the remaining which was paid down to HK$32 million as at 31 December 2008 and repaid in full after the year ended 31 December 2008.

Employees

To keep pace with the growth of the Remaining Group after the acquisitions of projects, the Remaining Group recruits suitable staff in capable caliber. As at 31 December 2008, other than the Executive Directors, the Remaining Group employed 659 staff, of which 569 were for hotel operation and 90 staff for property development and central management. Employees are remunerated according to qualifications and experience, job nature and performance. Remuneration packages are aligned with job markets in the business territories.

FOR THE YEAR ENDED 31 DECEMBER 2009

Business Review and Outlook

Business review

During the year ended 31 December 2009, the Remaining Group recorded a total turnover of approximately HK$305 million, a 46% decrease from the previous year. The decrease in turnover is mainly due to the adoption of different accounting treatment in respect of the sales of Skyfame Tower during the year which is recorded as gain on disposal of a subsidiary, whilst this was presented as revenue from property development in the preceding year. Further, the hotel operation reflected a moderate adverse impact affected by the economic crisis spread in the last quarter of 2008. Hotel revenue, as the income earner, contributes to revenue of approximately HK$244 million, a downward adjustment of 5%. Rental income from the leasing of investment properties, however, brought an improved revenue of approximately HK$61 million to the Remaining Group as a result of the increased occupancy in Skyfame Tower.

Due to the substantial legal and professional expenses resulted from the Noteholders and creditors taking receivership actions, the operating results present a decreased EBITDA (earning before interest, tax, depreciation and amortization).

Finance costs, consisting of effective interests amortised on the Notes, interests paid to banks and financial institutions on borrowings, so far are not capitalised as development costs, amounted to approximately HK$1,883 million for the year ended 31 December 2009. The substantial increase is explained by the acceleration of liabilities payable to the convertible Noteholders to its entire outstanding principal value and interest as referred in the following sentences, and the compounded effective interest expense of approximately HK$194 million accrued to the convertible notes. On 2 November 2009, the Company received an acceleration notice from the trustee of the Notes demanding the repayment in full of the entire outstanding amount of US$192 million (approximately HK$1,500 million) of the Notes and interest accrued in full due to breach of the term of the Notes. Accordingly, the outstanding principal value of US$192 million plus accrued interest in an aggregate of approximately HK$2,057 million is reflected on the reporting date on the financial position of the Remaining Group as a current liability whilst the financial derivative component embedded in the Notes extinguishes. The acceleration has taken effect in profit or loss account for the year as finance cost of approximately HK$1,542 million.

To cope with the financial pressure, the Remaining Group disposed of its entire interest in the Westin Project to a third party at a gross consideration of RMB2,200 million (equivalent to approximately HK$2,499 million). The transaction was completed on 28 December 2009 and as a result, net proceeds of approximately HK$1,063 million, after netting off liabilities assumed by the purchaser from the gross consideration, was/will be received in full in 2009 and 2010 and be applied to redeem the Notes. The disposal transaction records an exceptional gain on disposal of approximately HK$302 million, net of recognised exchange reserve and transaction expenses.

The economic recovery in the mainland China has led to rebound in prices and volumes of the property market, the value of the asset portfolio of the Remaining Group is on a rising trend. Consequently, there is no adverse adjustment in the valuation of investment properties or other assets held by the Remaining Group but an impairment loss of approximately HK$71 million was booked to write down the carrying value of Guiyang Project due to the substantial interests capitalised as development costs of the project.

Hotel operation

Due to the lower passage of business travelers to Guangzhou since the break out of the global financial crisis, the performance of the Westin hotel was affected in both revenue and bottom line. The revenue derived by the operation of approximately HK$244 million was down by 5%, and EBITDA was approximately HK$82 million, down by 8% as compared with last year. As mentioned earlier, the transaction to dispose of The Westin Guangzhou and the Skyfame Tower was completed in December 2009 pursuant to which most of the net sale proceeds, amounting to approximately HK$1,070 million has been received and the balance will be collected in late 2010.

Investment property and properties for sale

The improved occupancy rate of the Skyfame Tower, consisting of 32,000 sq.m. for grade-A offices and 9,000 sq.m. for commercial podium, has brought stable revenue and earning to the Remaining Group prior to being disposed of in late December 2009.

The Remaining Group also receives stable rental income from the leasing of about 20,000 sq.m. commercial podium at Tianyu Garden Phase 2. The property is now 63% occupied, tenanted with renowned corporations and the US consulate.

Properties development

Guiyang Project

The development, which the Remaining Group holds a 55% stake, consists of high-end residential apartments with a total GFA of approximately 480,000 sq.m. and community facilities. The first phase of the development with GFA of about 91,000 sq.m. was launched for pre-sale in the second quarter of 2009 and are expected to be delivered for occupation in late 2010. As at the date of the despatch of the Company's 2009 annual report, approximately 82,000 sq.m. GFA were pre-sold with satisfactory results.

Zhoutouzui Project

The management is going through the 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. All the licensing procedures are expected to be completed in 2010.

Going concern

Due to the Remaining Group's non-compliance with the Trust Deed in relation to the 4% secured convertible notes due 2013 with principal amount of US$200 million on the grounds that a subsidiary of the Company cannot obtain the land use right certificate and other permits in respect of the Zhoutouzui Project by the extended deadline of 31 May 2009, it constitutes a breach of the term of the Notes as a subsidiary's failure to repay Sky Honest Loan of HK$220 million which was due on 29 January 2009, the trustee of the Notes and Sky Honest Loan lenders appointed receivers to replace the existing directors in the boards of certain subsidiaries of the Remaining Group which shares are pledged in favour of the Noteholders and Sky Honest Loan lenders. Since the receiverships, the Company have been discussing with the creditors about a feasible debt restructuring proposal.

In light of the forthcoming settlement with the Noteholders as detailed in the "Outlook" section below and a debt restructuring plan moving forward, the financial statements are prepared on a going concern basis. The Directors considered that the business of the Remaining Group is a going concern after having considered the assumptions and qualifications that may have material effects on the foreseeable period covering the next twelve months since the end of the reporting period. Key assumptions and qualifications are: (i) the fulfillment of the obligations of the Company and other obligors; (ii) the successful implementation of the terms as laid down in the settlement agreement to be entered into with the Noteholders and Sky Honest Loan lenders respectively; (iii) the general economic performance in the PRC and the specific industrial parameters affecting the real estate sectors continue to be stable; and (iv) additional and new banking facilities will be available to the Remaining Group from financial institutions to finance the construction work in progress of the Zhoutouzui and Guiyang Projects in accordance with respective construction timetables.

Outlook

On 14 April 2010, the Company and the Noteholders signed a second term sheet (the "Second Term Sheet") to restructure the Notes stipulating a full settlement of the entire outstanding principal amount of US$192 million of the Notes together with accrued interests on conditions of the Company's repaying US$100 million by 16 June 2010, with two months extension due on 17 August 2010, and the remaining US$53.6 million due on 17 August 2010 but with a three-month extension up to 30 November 2010 subject to some penalty charges if payment of the two payments are paid in the extended months. The Directors intend to use the proceeds from the disposal of the Westin Project to repay the Noteholders and it is seeking additional financial resources from potential financiers or investors to meet with the remaining balance. To comply with the terms in the settlement agreement, the Company will compromise with the petitioner in relation to the winding up petition for the dismissal of the winding up proceeding and discharge of the Provisional Liquidators pending court approval in the next court hearing. Upon the dismissal of the Provisional Liquidators, the receivers appointed by the trustee will be discharged. A formal binding settlement agreement with similar terms as on the Second Term Sheet is expected to be executed amongst the parties soon after the report date.

The Company is negotiating with the lenders of the Sky Honest Loan about the terms of settlement of the outstanding principal amount of HK$220 million and accrued interest owed to the lenders. Discussions are at a very mature stage however, the Directors expect an agreement to facilitate a full settlement of the claims will be entered into imminently. Upon the execution of this restructuring agreement and the fulfillment of certain terms and conditions, the receiver appointed by the lenders will be discharged.

The Directors envisage the aforesaid settlement agreement as important steps to restore the control of the Remaining Group and business standing and will serve the best interest of its stakeholders.

The global economy has been at its early stage of recovery, given that the super-loose monetary policy and the unprecedented stimulus measures have boosted investments in the mainland's real estate industry to a record high in 2009. Though the Directors predict the stimulus will slow down this year and the tightening lending and other austerity measures may stabilise prices, given the implementation of debt restructuring of the Notes and Sky Honest Loan that enable a substantial reduction in debt obligations, the Remaining Group will revive from the financial struggle with its creditors and has staged itself for a more financially stable and better business prospect.

Liquidity and Financial Resources

Capital structure and liquidity

The Notes have an outstanding face value of US$192 million as at the date of this annual report (equivalent to approximately HK$1,500 million) and interest accrued for yield calculated at 15% per annum less coupon interest paid amounting to approximately HK$557 million at the reporting date. Upon receipt of an acceleration notice from the trustee calling for immediate repayment of the entire outstanding principal and interests accrued up to the end of the reporting period, the Notes are treated as a current liability of approximately HK$2,057 million whilst the financial derivative component embedded to the Notes as presented in the corresponding previous period at approximately HK$93 million extinguishes.

Excluding the Notes and Sky Honest Loan, the Remaining Group is indebted to commercial banks for mortgage loan and construction loan, advance from a minority shareholder of a subsidiary, deferred tax liabilities, advanced payments received from pre-sale and trade payable, totaling approximately HK$1,227 million. The decrease was caused by the drop in bank borrowing as a result of the bank loan associated with the Westin Project being acquired by the purchaser upon the disposal.

The gearing ratio of the Group was 76%, based on the net debt (represented by bank and other borrowings, Sky Honest Loan, the convertible notes, loan from minority shareholder and other payable net of cash and bank balances) to the equity attributable to equity holders plus net debt at the end of the reporting periods of the year in 2009 rose as a result of the restatement of the Notes to its full principal value. Assuming the debt restructuring has been successfully implemented, the gearing level will be substantially reduced.

The current assets increased as a result of the proceeds received from the purchaser of the Westin Project which, according to the debt restructuring, will be used to redeem the Notes and to fund the working capital of the Remaining Group. The current ratio decreased due to the impact caused by the recognition of the full outstanding principal value and the accrued interests of the Notes as the Remaining Group's current liabilities at 31 December 2009.

Borrowings and pledge of assets

Other than the deposit restricted for construction costs of work-in-progress, cash in accounts totaling approximately HK$17 million was restricted for the redemption of the Notes and payment of interests to the Noteholders. Apart from the escrowed money, shares of certain intermediate holding companies of the property developing subsidiaries of the Remaining Group were charged in favor of a security trustee acting for the Noteholders. To secure for banking facilities with loans credit lines of RMB221 million granted to operating subsidiaries for working capital and construction costs by a commercial bank in the mainland China, mortgages of property interests in Tianyu Garden Phase 2 and works in progress and land of the Guiyang Project were charged in favour of the banks.

Foreign currency management

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

Due to the slight appreciation of RMB against HK and US dollars during the year, a foreign exchange gain arises on consolidation of the assets and liabilities of the PRC subsidiaries. The foreign exchange reserve adds to the equity attributable to shareholders of the Company. Since the US and HK dollars are pegged whilst RMB moves with a small band, the Remaining 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 significant effect on the financial position of the Remaining Group. For these reasons, the Remaining 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 the peg system of US dollars with HK dollars may have possible impact on the Remaining Group's results and financial position.

Contingent liabilities

The Remaining Group had no material contingent liabilities as at 31 December 2009.

Material disposal during the year

On 14 September 2009 and 13 October 2009, a subsidiary of the Company, Yue Tian, and a third party, HNA Hotel, entered into an agreement and a supplemental agreement respectively, pursuant to which Yue Tian has conditionally agreed to dispose of the entire equity interest in 廣州市城建天譽房地產開發有限公司 (Guangzhou Cheng Jian Tianyu Real Estate Development Limited*) ("CJTY") and assign the shareholder loan due by CJTY to Yue Tian and HNA Hotel has conditionally agreed to acquire the same from Yue Tian. The entire equity interest in CJTY was transferred and the shareholder loan due by CJTY to Yue Tian was assigned to HNA Hotel at an aggregate consideration of approximately RMB1,087,710,000 (equivalent to approximately HK$1,235,753,000), being gross consideration of RMB2,200,000,000 for the properties net of assumed liabilities of approximately RMB1,046,901,000 and allowed adjustments as stipulated in the agreements mentioned above. The disposal was completed on 28 December 2009.

The underlying assets of the equity interest in CJTY are the properties comprising The Westin Guangzhou and Skyfame Tower (except for the office premises from the 17th floor to 22nd floor of the Skyfame Tower which have been sold in 2008).

The net proceeds from the disposal of approximately HK$1,062,656,000 (net of transaction costs and taxes) is to be paid to the Noteholders for the settlement of the Notes in accordance with terms of the proposed settlement agreement.

Employees

To keep pace with the growth of the Remaining Group after the acquisitions of projects, the Remaining Group recruits suitable staff in capable caliber. As at 31 December 2009, other than the Executive Directors, the staff force consists of 138 employees maintained for the property development and central management business. Employees are remunerated according to qualifications and experience, job nature and performance. Remuneration packages are aligned with job markets in the business territories.

FOR THE SIX MONTHS ENDED 30 JUNE 2010

Business Review and Outlook

Business review

During the six months ended 30 June 2010, the Remaining Group recorded a total turnover of HK$9 million, representing shrinkage of 94% when compared with the correspondence period in last year due to the disposal of the Remaining Group's major revenue generating asset, The Westin Guangzhou and Skyfame Tower, in December 2009. The Remaining Group has however maintained a stable stream of income from the leasing of the Tianyu Garden Phase II for the period.

The operating results of the Remaining Group present a loss of HK$13 million before interest, income tax, depreciation and amortisation of HK$0.3 million. Other than holding an investment property for stable income, the Remaining Group continued its property development business, though no revenue has been booked in the period as the Guiyang Project will only contribute to the income statement in the second half of the year when the completed properties are delivered to buyers for occupation. Hence, routine expenses incurred have put burden to the income statement for the current period and coupled with administrative expenses incurred in the debt rescheduling and provisional liquidation, resulting in a loss from operation.

In addition, interests paid to banks and financial institutions on borrowings, so far not capitalised as development costs, totaling HK$8 million, brought further loss for the period. The current period charges are solely interests paid to banks for bank financing for the Remaining Group's working capital needs and development of the Guiyang Project whilst that for the last period includes interests charged for the Notes and Sky Honest Loan which were waived when settlements were reached with the Noteholders and Sky Honest Loan lenders in June 2010.

Upon the issue of an acceleration notice from the trustee of the Notes due to a default under the Trust Deed, the Notes have been presented on the financial statement of the Remaining Group as at 31 December 2009 as a liability at the outstanding principal value of US$192 million plus accrued interests, whilst in the last corresponding period in 2009, the financial derivative embedded in the Notes is presented at fair value when adjustment of HK$264 million was booked to recognise the increase in fair value of the derivative. Taking the view of the entering into a moratorium with the Noteholders and Sky Honest Loan lenders in June 2010, the Notes and Sky Honest Loan are recorded in the accounts at the compromised amounts. Accordingly, the indebtedness due for the Notes and Sky Honest Loan are written down and the accrued interests reversed, leading to a gain recognised in the current period.

Property prices have become stable since late 2009, and based on valuation of the Directors, no adjustment is made to revalue the Remaining Group's investment property or write-down of goodwill in the acquired investments.

Investment property

Subsequent to the disposal of the Skyfame Tower, the Remaining Group remains to hold an investment property of a 20,000 sq.m. commercial podium at Tianyu Garden Phase 2 in Tianhe District, Guangzhou. The property is now 64% occupied, tenanted with renowned corporations and the US consulate.

Properties development

Guiyang Project

The development, which the Remaining Group holds a 55% stake, consists of high-end residential apartments of a total GFA of approximately 580,000 sq.m. and community facilities. The first phase of the development for a total GFA of 90,000 sq.m. were launched for pre-sale in the second quarter of 2009 and 90% of which have been contracted and sale proceeds of HK$370 million have been received from buyers up to 30 June 2010. The proceeds will be recognised as income in the second half of the year as the completed residential units are delivered to buyers for occupation starting from early July this year. The second phase of the development of a total GFA area of approximately 209,000 sq.m. are under construction which are ready to be marketed later this year.

Zhoutouzui Project

The management is applying and will imminently complete all procedures in obtaining the necessary permits and approvals from the government to facilitate the immediate commencement of construction work on the site, which is realistically expected to take place later this year. The property is a plot of land with a site area of approximately 86,557 sq.m. and a planned GFA of 316,141 sq.m. consisting of mainly residential, office and service apartments, and ancillary facilities of commercial and carparks. The site, opposite to the renounced White Swan Hotel, offers a GFA of 146,077 sq.m. for the construction of riverfront residential units with full view of the Pearl River.

Subsequent events

After series of negotiations with Noteholders and the lenders of Sky Honest Loan, there have been breakthroughs since 7 June 2010, the Company and certain subsidiaries entered into the Noteholders Agreement and the Restructuring Agreement respectively with, amongst others, the trustee and security trustee acting on behalf of the Noteholders and the facility and security agent acting for the Sky Honest Loan lenders. Pursuant to the two agreements, the indebtedness due to the two groups of creditors are reduced to US$153.6 million for the Notes and HK$176 million for the Sky Honest Loan if the Remaining Group can satisfy the payment obligations on or before 4 October 2010. Settlements beyond then but before 4 January 2011 are subject to surcharges. However, failure to meet with these obligations before 4 January 2011 will render the Noteholders Agreement and Restructuring Agreement invalid. In view of the moratorium, the petitioner for the winding up order made an application for the discharge of the winding up order and subsequently on 9 July 2010, the High Court discharged the winding up order of the Company and dismissed the provisional liquidators.

Pursuant to the two agreements entered with the creditors, securities that have been accelerated by receivers appointed by the creditors by reason of defaults under the Trust Deed and the Sky Honest Loan were restored and the receivers appointed by the Noteholders and Sky Honest Loan lenders were discharged on 23 July 2010. Simultaneously, the boards of directors of the subsidiaries of the Company under receivership are restored to their original positions at the time prior to the acceleration of the Notes and operations of the Remaining Group has now resumed normal.

On 26 July 2010, a framework agreement for the disposal of the entire equity interest in a subsidiary engaged in the development of the Tianhe Project was entered into with a third party for a gross sale consideration of RMB1,090,000,000 (equivalent to approximately HK$1,253 million). The Disposal is expected to be completed in October 2010 and the amount of approximately HK$566 million, being the gross amount of the first installment payment from HNA Hotel of RMB600 million (approximately HK$690 million) after adjustment for net adjusting asset of HK$13 million or such net adjusting assets based on completion accounts and payment of transaction costs and taxes of HK$137 million, will be applied sufficiently for the payments of the outstanding balances due to the Noteholders and Sky Honest Loan lenders under the Noteholders Agreement and Restructuring Agreement. The total committed sum payable to the Noteholders and Sky Honest Loan lenders, if the Disposal is implemented on schedule and funds are repatriated in Hong Kong in mid-November 2010, is estimated at approximately HK$493 million, inclusive of surcharges, costs and expenses. Upon full settlement, the Notes of an outstanding principal of US$192 million (approximately HK$1,500 million) will be cancelled and the Sky Honest Loan of HK$220 million will be fully discharged. The residue installments receivable from HNA Hotel totaling RMB370 million (approximately HK$425 million), being the second installment of RMB350 million (approximately HK$402 million) plus the final installment of RMB140 million (approximately HK$161 million) net of price adjustments estimated at RMB120 million for future development costs on design and project management charges of RMB20 million (approximately HK$23 million) and finance costs of RMB100 million (approximately HK$115 million) that are to be borne by the vendor, will be retained in the Remaining Group for its working capital.

The Directors believe that the anticipated settlements with the Noteholders and Sky Honest Loan lenders and the satisfactory completion of the debt restructuring afterwards will substantially reduce the liabilities and finance costs of the Group and the Disposal can provide the Group with sufficient financial resources to allow the management to use its endeavors in running its development projects on hand.

Going concern

The debt restructuring mentioned in the aforesaid paragraphs indicate that the financial position of the Remaining Group is being stabilised. Accordingly, the financial statements are prepared using the going concern basis, a fundamental accounting concept adopted in the presentation of the financial statements. The Directors considered that the business of the Remaining Group is a going concern after having considered the assumptions and qualifications that may have material effects on the foreseeable period covering the next twelve months since 30 June 2010. Key assumptions of a going concern rest on successful implementation of the Disposal, the fulfillment of all the Remaining Group's obligations under the Noteholders Agreement and Restructuring Agreement, a stable general economic performance in the PRC and the real estate sector, and additional banking facilities, if required, to finance the construction work in progress and project commencing construction.

Outlook

In light of the executed agreement to the Disposal and the implementation of the Noteholders Agreement and Restructuring Agreement, the liabilities of the Remaining Group will be reduced and gearing improved. The Remaining Group will also be completely relieved from the financial crisis faced in the past year or more that had caused interruptions to the Remaining Group's business activities. With sufficient resources derived from the Disposal, we envisage a promising future in the coming years.

In the last quarter of the year 2010, the emerging European sovereign debt crisis brought downside risks to the recovery of the global economy by the adversely affected confidence in the investment markets, though economy in the mainland China is still sustaining steady growth. To continue the economic trend, the central government maintains loose monetary measures after putting consolidation measures in particular on the real estate sector to curb speculation and bubbles in early of the year. Amid such threats, thanks to the Remaining Group's experience in managing the one-year long financial crisis, the management has proven ability to overcome the difficulties and will concentrate full efforts on its existing development projects whilst at the same time look for expansion opportunities. The directors believe that the Remaining Group has strong essence and sufficient financial strength to survive amid the confronting challenges.

Liquidity and Financial Resources

Capital structure and liquidity

In the annual report of the Company for the year ended 31 December 2009, the convertible notes with outstanding principal value of US$192 million (equivalent to approximately HK$1,500 million) were presented in the statement of financial position as a liability and the embedded financial derivative component was de-recognised. Following the moratorium reached with Noteholders and Sky Honest Loan lenders, the convertible notes are carried in the books at the compromised value of US$153.6 million (equivalent to approximately HK$1,198 million) and the Sky Honest Loan at HK$176 million, representing a substantial reduction in liabilities which is recognised as a gain in the income statement for the period.

Apart from the Notes and Sky Honest Loan, the Remaining Group is indebted to commercial banks for a mortgage loan and construction loan, other borrowings and advance from a minority shareholder of a subsidiary, totaling approximately HK$566 million. The increase is caused by the growing proceeds received from the pre-sale of the property units that have been sold to buyers of the Guiyang Project since mid-2009.

The gearing ratio of the Group was 33%, based on the net debt (represented by bank and other borrowings, the Sky Honest Loan, the Notes and loan from minority shareholder net of cash and bank balances) to the equity attributable to equity holders plus net debt at the balance sheet dates of 30 June 2010 dropped substantially as is explained by the reduction in debts as compromised with the Noteholders and Sky Honest Loan lenders.

The current assets decreased substantially as a result of the consideration receivable from the disposal of the Westin Project was received of which US$100 million (approximately HK$777 million) was used to pay for the first payment to the Noteholders on 30 June 2010 pursuant to the Noteholders Agreement. Then subsequently on 2 July, HK$116.4 million was used to pay for the first installment plus reimbursable expenses to the Sky Honest Loan lenders in compliance with the Restructuring Agreement. The Remaining Group's low current ratio reflects that the Remaining Group is still under pressure to settle the short-term liabilities, in particular the convertible notes and Sky Honest Loan when they are due in the coming months.

Borrowings and pledge of assets

Cash of approximately of HK$32 million held at 30 June 2010 was restricted for construction costs of works-in-progress whilst cash in bank accounts of HK$17 million previously placed in deposits and restricted for the payment of interests to Noteholders was transferred out from the deposits for the partial payment of the final installment due to the Noteholders pursuant to the Noteholders Agreement. Apart from the escrowed deposits, shares of certain intermediate holding companies of the property developing subsidiaries of the Remaining Group were charged in favor of the security agents acting for the Noteholders and Sky Honest Loan lenders. To secure for banking facilities in the total of RMB221 million granted to operating subsidiaries for working capital and construction costs by a commercial bank in the mainland China, mortgages of property interests in Tianyu Garden Phase 2 and works in progress and land of the Guiyang Project were charged in favour of the banks. On 30 June 2010, other than the Notes, secured bank borrowings in an aggregate amount of HK$246 million were outstanding of which HK$8 million are due within one year.

Foreign Currency Management

The Remaining Group is principally engaged in property development activities which are all conducted in the PRC and denominated in RMB, the functional currency of the Company's principal subsidiaries. At the same time, certain financing activities of the Remaining Group are denominated in other currencies, such as the convertible notes are in US dollars.

Due to the slight appreciation of RMB against HK and US dollars during the period, a foreign exchange gain arises on consolidation of the assets and liabilities of the PRC subsidiaries. An exchange reserve as at 30 June 2010 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 Remaining 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 Remaining Group. For these reasons, the Remaining 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 Remaining Group's results and financial position.

Contingent Liabilities

Since the reaching of moratoriums with the Noteholders and the Sky Honest Loan lenders in June 2010, the Notes and the Sky Honest Loan have been recorded at the settlement amounts as compromised under the Settlement Agreement and Restructuring Agreement. As a result, the amounts of indebtedness due for the Notes and the Sky Honest Loan are written down and the accrued interests reversed in the current period. Up to the Latest Practicable Date, the Remaining Group has carried out due performance in the first installment payments to the Noteholders and Sky Honest Loan lenders in an aggregate amount of approximately HK$894 million. Subject to the due payment of the remaining final installments totaling approximately HK$480 million, plus surcharges (if applicable) and reimbursable costs on or before 4 January 2011, the Notes will be cancelled and the Sky Honest Loan will be discharged. In the event that the final installments cannot be settled in due course, the indebtedness, in outstanding principal and interests accrued thereon in respect of the Notes and the Sky Honest Loan will be restated to their original outstanding balances net of payments made by the Remaining Group. In such event, the Remaining Group will have to bear additional liabilities arising from the restatement of principal sums due to the Noteholders and Sky Honest Loan lenders and interests accrued thereon up to 30 June 2010 in an aggregate of approximately HK$1,098 million.

Employees

To keep pace with the growth of the Remaining Group after the acquisitions of projects, the Remaining Group recruits suitable staff in capable caliber. As at 30 June 2010, other than the Executive Directors, the Remaining Group employed 134 staff for property development and central management. Employees are remunerated according to qualifications and experience, job nature and performance. Remuneration packages are aligned with job markets in the business territories.

3. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 June 2010, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the printing of this circular, the Group has outstanding bank and other borrowings and long-term liabilities of approximately HK$1,141.3 million which comprised:

(i) secured bank loans of RMB214.0 million (equivalent to approximately HK$246.1 million) which were secured by mortgages of ownership titles of prepaid lease payments, investment properties and properties under/held for development;

(ii) the Sky Honest Loan at compromised value of HK$176.0 million under the Restructuring Agreement, which is secured by mortgage of shares in certain subsidiaries, assignment of interest and benefits in the shareholder’s loans to subsidiaries, and fixed and floating charges of assets in certain subsidiaries of the Company;

(iii) the Notes at outstanding compromised value of approximately US$51.4 million (equivalent to approximately HK$399.7 million) under the Noteholders Agreement, which are secured by shares of certain subsidiaries of the Company which indirectly hold equity interests in certain property development projects;

(iv) other borrowings in relation to balance of purchase consideration of approximately HK$49.7 million in respect of the acquisition of 51% equity interest in Zhoutouzui Project in 2006, which is guaranteed by the Company, carries interest at the rate of 20% per annum and is repayable by 31 December 2010;

(v) unsecured short-term loan of RMB30.0 million (equivalent to approximately HK$34.5 million), which carries interest at the rate of 20% per annum and is repayable by 1 June 2011; and

(vi) unsecured loan from a minority shareholder of a subsidiary of approximately HK$235.3 million.

Since the reaching of a moratorium with the Noteholders and the Sky Honest Loan lenders in June 2010, the Notes and the Sky Honest Loan have been recorded at the settlement amounts as compromised under the Noteholders Agreement and Restructuring Agreement. As a result, the carrying amounts of indebtedness due for the Notes and the Sky Honest Loan are written down and the accrued interests reversed in the current period. Up to the Latest Practicable date, the Group has carried out due performance in the first installment payments to the Noteholders and Sky Honest Loan lenders in an aggregate amount of approximately HK$894 million. Subject to the due payment of the remaining final installments totaling approximately HK$480 million, plus surcharges (if applicable) and reimbursable costs on or before 4 January 2011, the Notes will be cancelled and the Sky Honest Loan will be discharged. In the event that the final installments cannot be settled in due course, the indebtedness, in outstanding principal and interests accrued thereon, due in respect of the Notes and the Sky Honest Loan will be restated to their original outstanding balances net of payments made by the Group. In such event, the Group will have to bear additional liabilities arising from the restatement of principal sums due to the Noteholders and Sky Honest Loan lenders and interests accrued thereon up to 30 June 2010 in aggregate of approximately HK$1,098.4 million.

In addition, as at 30 June 2010, the Group had capital commitments contracted but not provided for in respect of the property development costs of approximately HK$1,099.1 million.

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, and term loans or agreed to be issued, outstanding bank borrowings or indebtedness, including, bank overdrafts, liabilities under acceptances, acceptance credits, mortgages, charges, other indebtedness in the nature of borrowing, finance lease or hire purchase commitments, guarantees or material contingent liabilities as at 30 June 2010.

4. WORKING CAPITAL

Due to the Group's non-compliance with the Trust Deed in relation to the Notes on the grounds that a subsidiary of the Company cannot obtain the land use right certificate and other permits in respect of the Zhoutouzui Project by the extended deadline of 31 May 2009, and a subsidiary's failure to repay Sky Honest Loan which was due on 29 January 2009, the trustee of the Notes and the Sky Honest Loan lenders appointed receivers to replace the existing directors in the boards of directors of certain subsidiaries of the Group which shares are pledged in favour of the Noteholders and the Sky Honest Loan lenders.

On 6 November 2009, a winding-up petition was presented to the High Court of the Hong Kong Special Administrative Region (the "High Court") by a creditor of the Group alleging that the Company was in breach of a guarantee given to the creditor. On the same day, the High Court ordered Messrs. Stephen Liu Yiu Keung and David Yen Ching Wai, both of Ernst & Young Transactions Limited, be appointed as the joint and several provisional liquidators of the Company.

After series of negotiations with Noteholders and the lenders of Sky Honest Loan, there have been breakthroughs since 7 June 2010, the Company and certain subsidiaries entered into two agreements respectively with, amongst others, the trustee and security trustee of the Noteholders acting on behalf of the Noteholders and the facility and security agent acting for the Sky Honest Loan lenders. Pursuant to the two agreements, the indebtedness due to the two groups of creditors are reduced to US$153.6 million for the Notes and HK$176 million for the Sky Honest Loan if the Group can satisfy the payment obligations on or before 4 October 2010. Settlements beyond then but before 4 January 2011 are subject to surcharges. However, failure to meet with these obligations before 4 January 2011 will render the Noteholders Agreement and Restructuring Agreement invalid.

In view of the moratorium, the petitioner for the winding up order made an application for the discharge of the winding up order and subsequently on 9 July 2010, the High Court discharged the winding up order of the Company and dismissed the provisional liquidators.

Pursuant to the two agreements entered with the creditors, securities that have been accelerated by receivers appointed by the creditors by reason of defaults under the Trust Deed and the Sky Honest Loan were restored and the receivers appointed by the Noteholders and Sky Honest Loan lenders were discharged on 23 July 2010. Simultaneously, the boards of directors of the subsidiaries of the Company under receivership are restored to their original positions at the time prior to the acceleration of the Notes and operations of the Group has now resumed normal.

On 26 July 2010, a framework agreement for the Disposal of the entire equity interest in a subsidiary engaged in the development of the Tianhe Land was entered into with a third party for a gross sale consideration of RMB1,090,000,000 (equivalent to approximately HK$1,253 million). The Disposal is expected to be completed in October 2010 and the amount of approximately HK$566 million, being the gross amount of the first installment payment from HNA Hotel of RMB600 million (approximately HK$690 million) after adjustment for net adjusting asset of HK$13 million or such net adjusting assets based on completion accounts and payment of transaction costs and taxes of

HK$137 million, will be applied sufficiently for the payments of the outstanding balances due to the Noteholders and Sky Honest Loan lenders under the Noteholders Agreement and Restructuring Agreement. The total committed sum payable to the Noteholders and Sky Honest Loan lenders, if the Disposal is implemented on schedule and funds are repatriated in Hong Kong in mid-November 2010, is estimated at approximately HK$493 million, inclusive of surcharges, costs and expenses. Upon full settlement, the Notes of an outstanding principal of US$192 million (approximately HK$1,500 million) will be cancelled and the Sky Honest Loan of HK$220 million will be fully discharged. The remaining balance of the Consideration receivable from HNA Hotel totaling RMB370 million (approximately HK$425 million), being the second installment of RMB350 million (approximately HK$402 million) plus the final installment of RMB140 million (approximately HK$161 million) net of price adjustments estimated at RMB120 million for future development costs on design and project management charges of RMB20 million (approximately HK$23 million) and finance costs of RMB100 million (approximately HK$115 million) that are to be borne by the vendor, will be retained in the Group for its working capital.

The Directors believe that the anticipated settlements with the Noteholders and Sky Honest Loan lenders and the satisfactory completion of the debt restructuring afterwards will be satisfied by the net proceeds from the Disposal and will substantially reduce the liabilities and finance costs of the Group.

The series of restructuring programs mentioned in the aforesaid paragraphs indicate that the financial position of the Group is being stabilised. The Directors are of the opinion, after considering the bases that (i) the Disposal can be completed as currently envisaged; (ii) the fulfillment of all the Remaining Group's obligations under the Noteholders Agreement and Restructuring Agreement; (iii) no material change in general economic performance in the PRC and the real estate sector maintains a steady sentiment in the consumption of properties that drive the sales of the properties launched for pre-sale in Guiyang; (iv) no material change in regulatory policies leading to adverse impact on the banks' general lending polices to property developers; (v) the Disposal offers sufficient working capital to enable the Group to meet the prevailing banking requirement on capital contribution by the borrowing entity which will obtain the necessary permits and regulatory approvals to apply for banking facilities and the banking facilities will be available to finance the construction of the Zhoutouzui Project which is planned to commence in 2011. Currently, negotiations with the banks are being made and necessary financing will be available once the permits and licences are obtained. As at the Latest Practicable Date, the Directors do not foresee any impediments to obtain the banking facilities to finance the Zhoutouzui Project; (vi) construction costs to be incurred in the work in progress of the Guiyang Project are sufficiently financed by the pre-sale proceeds from property units sold and the existing banking facilities; and (vii) taking into account the Remaining Group's present available banking facilities, the Remaining Group would have sufficient working capital for its present requirement in the absence of unforeseen circumstances.

As such, the Directors are in the opinion that the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

Up to and including the Latest Practicable Date, the Directors confirm that there is no material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited financial statements of the Group were made up.

6. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

On 7 June 2010 and 9 June 2010, the Company entered into the Noteholders Agreement and the Restructuring Agreement respectively, pursuant to which the Company has paid the first installment to the Noteholders and the lenders of the Sky Honest Loan. As at the Latest Practicable Date, the Company is required to pay the outstanding second installment of HK$61,600,000 and approximately US$51,420,000 (after setting off the cash balances of US$2,180,000 in escrow accounts), which total to an aggregate outstanding indebtedness of approximately HK$463 million under the Noteholders Agreement and the Restructuring Agreement. Such amount shall be paid interest-free on or before 4 October 2010 or before 4 January 2011 with additional interest cost.

After Completion, the Company will obtain net proceeds from the Disposal of approximately HK$992 million and the proceeds will be mainly used as working capital for the development projects in Zhoutouzui and Guiyang City and for fulfilling its obligations under the Noteholders Agreement and the Restructuring Agreement.

Amid the threats of the unstability in certain European countries due to the emerging sovereign debt problem and the central government in the mainland China imposed on the real estate sector to curb speculation and bubbles in property market, the management has proven experience gained from the handling of its financial crisis in the past year and will concentrate on its projects on hand whilst at the same time look for expansion opportunities. The Directors expect that the property market will be stabilised in its normal track in the coming 2 to 3 years which will coincide with the completion of the Guiyang and Zhoutouzui Projects. The Directors consider that the Disposal will improve the gearing position of the Remaining Group and give sufficient financial strength to pave a solid way for the Remaining Group's development business for a better return to its shareholders.

The following is the text of the letter and valuation certificate, prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent valuer, in connection with its valuation as at 30 June 2010 of the Property.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

19 August 2010

The Directors
Skyfame Realty (Holdings) Limited
Unit 2502B
Tower 1, Admiralty Centre
18 Harcourt Road
Hong Kong

Dear Sirs,

Re: A plot of land together with the construction works, known as Skyfame Phase 4, situated at the north of Tianhe Bei Road, Tianhe District, Guangzhou, Guangdong Province, the People's Republic of China (中華人民共和國廣東省廣州市天河區天河北路以北天譽四期項目土地及地上在建工程)

Instructions, Purpose & Date of Valuation

In accordance with the instruction of Skyfame Realty (Holdings) Limited (the "Company") for us to carry out the valuation of the market value of the captioned property (the "Property") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the value of the Property in its existing state (on assumption that the Property is a clear and vacant site) as at 30 June 2010 (the "date of valuation").

Definition of Market Value

Our valuation of the Property represents its market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Valuation Basis and Assumption

Our valuation of the Property exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Property situated in the PRC, we have assumed that transferable land use rights in respect of the Property for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company and the opinion of the Company's PRC legal adviser, Geenen Law Office (廣東經綸律師事務所), regarding the title to the Property and the interest in the Property. In valuing the Property, we have assumed that the owners have enforceable title to the Property and have free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired term as granted.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Method of Valuation

In valuing the Property which is held under development in the PRC, we have valued it on the basis that it will be developed and completed in accordance with the latest development scheme provided to us. We have assumed that all consents, approvals and licences from relevant government authorities for the development scheme have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development. The "Market value as if completed of the proposed development" represents our opinion of the aggregate selling price of the property assuming that it would have been completed as at the date of valuation.

In valuing the Property, we have complied with the requirements set in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

Source of Information

In respect of the Property in the PRC, we have been provided with extracts of documents in relation to the title to the Property. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Company and the opinion of the PRC legal adviser, Geenen Law Office, as to the PRC laws in respect of the interest in the Property. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of buildings, completion date of buildings, particulars of occupancy, tenancy details, operation status, site and floor areas and all other.

Dimension, measurements and areas included in the valuation certificate are based on the information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by the Company with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

We have inspected the exteriors and, where possible, the interiors of the Property. However, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have not been able to carry out detailed on-site measurements to verify the site areas of the Property and we have assumed that the areas shown on the copies of documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuation are in Renminbi, the official currency of the PRC.

We attach herewith our valuation certificate.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor (GP)
China Real Estate Appraiser
Msc, MRICS, MHKIS
Director

Note: Mr. Philip C Y Tsang is a Registered Professional Surveyor who has over 17 years' experience in the valuation of properties in the PRC.

Valuation Certificate

Property held under development in the PRC

Property

A plot of land together with the construction works, known as Skyfame Phase 4, situated at the North of Tianhe Bei Road, Tianhe District, Guangzhou, Guangdong Province, the PRC

Description and tenure

The Property comprises a roughly rectangular-shaped site with a site area of 6,057 sq.m..

The Property is planned to be developed into a 50-storey (4-storey commercial podium and 43-storey hotel building) for commercial, hotel and office use (with six levels of basement) with a total gross floor area of 112,490 sq.m.. It is scheduled to be completed in 2013.

The details of the planned gross floor area are shown as follows:

Use	**Approximate Planned Gross Floor Area** *(sq.m.)*
Hotel	25,941
Office	40,048
Serviced Apartment	13,779
Commercial	4,204
Stilt Floor & Refuge Floor	3,734
Others	1,020
Above ground total:	**88,726**
Basement Ancillary Facilities for Hotel	1,001
Basement Car parks for Office (369 nos.)	19,931
Basement Car parks for Hotel (52 nos.)	2,832
Underground total:	**23,764**
Grand total:	**112,490**

(Please see Note (9) below.)

The land use rights of the Property have been granted for terms of 70 years for residential use, 40 years for commercial, tourism, entertainment uses and 50 years for the other uses from 12 April 2005.

Particulars of occupancy

As at the date of valuation, the Property was under construction.

Only a 2-storey fire station and some temporary structures are pending for clearance.

According to the reply letter of the development proposal application issued on 23 July 2008, Guangzhou Urban Planning Bureau has agreed the development proposal to relocate and reconstruct the fire station outside the site area of the Property and the entire site of the Property can be used for commercial and/or office purpose after the demolition completion.

Market Value in existing state as at 30 June 2010

RMB1,147,000,000
(Note 13)

Notes:

(1) According to Certificate for the State-owned Land Use Rights No. (2004)10053(穗國用(2004)第10053號), the details are shown as follows:

(i)	Location	:	North of Tianhe Bei Road, Tianhe District
(ii)	Nature of Land Use	:	Granted
(iii)	Owner	:	Guangzhou Huan Cheng Development Company Limited (廣州寰城實業發展有限公司)
(iv)	Site Area	:	6,057 sq.m.
(v)	Land Use Term	:	70 years for residential use, 40 years for commercial, tourism, entertainment uses and 50 years for the other uses from 12 April 2005
(vi)	Land Usage	:	Commercial and Services
(vii)	Boundaries	:	East to Guangdong Academy of Social Science (廣東省社會科學院), south to Tianhe Bei Road, west to Linhe Dong Road (林和東路), and north to Tianhe District Gynaecological and Paediatric Hospital and Health Institute (天河區婦幼保健院).
(viii)	Excursus	:	(a) Grant Contract of Land Use Right No.(2003)385 of this land has been signed. (b) Land use term commence on 12 April 2005. The land use fee has been fully settled. (c) Source of land use right: Purchased from Guangzhou Dongzhi Property Co., Ltd. (廣州東置房產有限公司) on 30 December 2004. (d) The site clearance works have not been carried out. According to the Notification No.(2003)1534 issued by Guangzhou Intermediate People's Court, Guangzhou Huan Cheng Development Company Limited (廣州寰城實業發展有限公司) is responsible for the site clearance and relocation works.

(2) According to Grant Contract of Land Use Rights No.(2003)385 (穗國地出合(2003)385號) entered into between Bureau of Land Resources and Housing Management of Guangzhou Municipality and Guangzhou Dongzhi Property Co., Ltd. (廣州東置房產有限公司) on 2 December 2003, the details are shown as follows:

(i)	Location	:	North of Tianhe Bei Road, Tianhe District
(ii)	Site Area	:	7,217 sq.m. (among which 6,057 sq.m. is the granted site area)
(iii)	Land Use	:	Composite Business Building
(iv)	Land Use Term	:	70 years for residential use, 40 years for commercial and tourism uses, 50 years for composite use.
(v)	Total Land Premium	:	RMB45,196,084
(vi)	Plot Ratio	:	13.74
(vii)	Total Planned Gross Floor Area	:	96,105 sq.m. (Office: 67,308 sq.m.; Basement: 12,876 sq.m.; Exhibition Hall and Club House: 10,521 sq.m.; Fire Station: 5,400 sq.m.)

(3) According to the Agreement of Transfer Land Use Rights dated 21 October 2004, the land use rights of the Property has been transferred from Guangzhou Dongzhi Property Co., Ltd. (廣州東置房產有限公司) to Guangzhou Huan Cheng Development Company Limited (廣州寰城實業發展有限公司) for a consideration of RMB35,000,000.

(4) According to Approval for the Use of Construction Land No. (2005)250 issued by Bureau of Land Resources and Housing Management of Guangzhou Municipality dated 16 July 2005, the details are shown as follows:

(i)	Construction Party	:	Guangzhou Huan Cheng Development Company Limited (廣州寰城實業發展有限公司)
(ii)	Construction Project Name	:	Composite Business Building
(iii)	Location	:	North of Tianhe Bei Road
(iv)	Site Area	:	7,217 sq.m.
(v)	Land Use	:	Commercial and services

(5) According to Planning Permit for Construction Use of Land No. (1995)259 (穗城規東片地字(1995)第259號) issued by Guangzhou Urban Planning Bureau dated 4 July 1995, the details are shown as follows:

(i)	Construction Party	:	Guangzhou Public Security Bureau (廣州市公安局) and Guangzhou Dongya Real Estate Development Co. (廣州東亞房地產開發公司)
(ii)	Construction Project Name	:	Office, Commercial and Residential Building
(iii)	Location	:	North of Tianhe Bei Road
(iv)	Site Area	:	7,217 sq.m. (among which 1,160 sq.m. is road area)

(6) According to two Reply Letters of Change Constructor Name of Construction-use Land Nos. (2003)3584 and (2005)1731 (《關於申請變更建設用地單位名稱的覆函》「穗規函(2003)3584號」和「穗規函(2005)1731號」), Guangzhou Urban Planning Bureau agreed to change the constructor's name issued on the Planning Permit for Construction Use of Land No.(1995)259 from Guangzhou Public Security Bureau (廣州市公安局) and Guangzhou Dongya Real Estate Development Co. (廣州東亞房地產開發公司) to Guangzhou Dongzhi Property Co., Ltd. (廣州東置房地產開發公司); and then to Guangzhou Huan Cheng Development Company Limited (廣州寰城實業發展有限公司).

(7) According to Planning Permit for Construction Use of Work No. (2010)191 (穗規建證(2010)191號) issued by Guangzhou Urban Planning Bureau dated 20 January 2010, the details are summarized as follows:

(i)	Construction Party	:	Guangzhou Huan Cheng Development Company Limited (廣州寰城實業發展有限公司)
(ii)	Construction Project Name	:	a 50-storey building used for commercial, hotel and office (Phase IV of Skyfame)
(iii)	Location	:	East of Linhe Dong Road, North of Tianhe Bei Road
(iv)	Construction Scale	:	50 storey(portion 4 and 43 storey) above ground:88,726 sq.m., 6 storey under ground:23,764 sq.m.

(8) According to the Contract and Agreements of Demolition entered into between Guangzhou Public Security and Fire Bureau (廣州市公安消防局) and Guangzhou Huan Cheng Development Company Limited (廣州寰城實業發展有限公司) on 31 July 2007 and 13 January 2010, the gross floor area of approximately 5,400 sq.m. is going to be demolished. We have also assumed that the fire station with the gross floor area of 5,400 sq.m. as specified in the Grant Contract of Land Use Rights has been agreed to be relocated off the Property.

(9) According to Permit for Commencement of Construction Works No. 440106201005240201 dated 25 May 2010 issued by Guangzhou Construction Committee, the construction works of a 50-storey building used for commercial, hotel and office with a total gross floor area of 112,490 sq.m. is in compliance with the requirements for works commencement and are permitted.

(10) As advised by the Company, the total expended construction cost for the property as at the date of valuation was approximately RMB96,780,000 whilst the outstanding construction cost for completion of the property as at the date of valuation was approximately RMB1,210,000,000. We have taken into account such amount in our valuation.

(11) The market value as if complete of the development, with a proposed total gross floor area of approximately 112,490 sq.m., was RMB2,901,000,000.

(12) According to Business License No. 008541, Guangzhou Huan Cheng Development Company Limited (廣州寰城實業發展有限公司) was established on 12 October 2004 as a limited company with a registered capital of RMB220,000,000 for an operation period from 21 July 2005 to 21 July 2020.

According to the Reply Letter of Capital Increase by the Ministry of Commerce of the PRC on 14 August 2010, the registered capital of Guangzhou Huan Cheng Development Company Limited (廣州寰城實業發展有限公司) has been approved to increase to RMB420,000,000.

As advised by the Company, the latest paid-up registered capital is RMB261,033,430.

(13) As at the Latest Practicable Date, Yaubond Limited, which is owned as to 51% by Sky Honest Investments Corp. and 49% by Nicco Limited, held 100% equity interest in Guangzhou Huan Cheng Development Company Limited (廣州寰城實業發展有限公司).

The acquisition of the 49% and 51% equity interest and the debt in Yaubond Limited was completed in 16 December 2005 and 27 July 2007 respectively, cost of acquisition of which was approximately HK$166,000,000 and HK$204,000,000 respectively.

(14) According to the PRC legal opinion prepared by the Company's PRC legal adviser, Geenen Law Office (廣東經綸律師事務所):

(i) According to Certificate for the State-owned Land Use Rights No. (2004)10053 (穗國用(2004)第10053號), the land use rights with a site area of 6,057 sq.m. have been granted to Guangzhou Huan Cheng Development Company Limited (廣州寰城實業發展有限公司) for terms of 70 years for residential use, 40 years for commercial, tourism, entertainment uses and 50 years for the other uses from 12 April 2005;

(ii) Guangzhou Huan Cheng Development Company Limited (廣州寰城實業發展有限公司) is in possession of the legal land use rights and development rights to the Property and is entitled to transfer the Property with the residual term of its land use rights at no extra land grant fee payable to the government;

(iii) all land grant fee have been settled in full; and

(iv) the Property has obtained the Approval for Construction of the Land and the proposed usage and design of the development, with a total gross floor area of 112,490 sq.m., are in compliance with the local planning and have been approved by the relevant Land and Planning Department of the government.

(15) The status of land use rights and grant of major approvals, licenses in accordance with the PRC legal opinion and the information provided by the Company are as follows:

Certificate for the State-owned Land Use Rights	Yes
Grant Contract of Land Use Rights	Yes
Agreement of Transfer Land Use Rights	Yes
Approval for the Use of Construction Land	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Use of Work	Yes
Permit for Commencement of Construction Works	Yes
Business License	Yes

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests in the securities of the Company and its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) to be notified to the Company and the Stock Exchange; or (ii) pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("Model Code") to be notified to the Company and the Stock Exchange are as follows:

(i) Interests in the Shares or underlying Shares

Name of Director	Company/ Associated corporation	Capacity	Number of Shares or underlying Shares (long position)	Approximate shareholding percentage
Mr. Yu Pan	Company	Interest of controlled corporation and/or beneficial owner	1,058,112,271 *(note 1)*	71.61% *(note 2)*

Notes:

1. These Shares comprised (i) 94,336,000 existing Shares; and (ii) 963,776,271 existing Shares held directly by Grand Cosmos Holdings Limited ("Grand Cosmos"). The entire issued share capital of Grand Cosmos was held by Sharp Bright International Limited ("Sharp Bright"), the entire issued share capital of which was held by Mr. Yu Pan. The 963,776,271 Shares were charged in favour of the security trustee by way of a share charge dated 4 May 2007.

2. For the purposes of this section, the shareholding percentage in the Company was calculated on the basis of 1,477,687,450 Shares in issue as at the Latest Practicable Date.

(ii) Interests in underlying Shares arising from share options

As at the Latest Practicable Date, the following Directors had interests as beneficial owners in options to subscribe for Shares granted under the Share Option Scheme:

Name of Director	Exercise price *(HK$)*	Exercise period	Number of underlying Shares	Approximate shareholding percentage *(Note)*
Mr. Lau Yat Tung, Derrick	1.31	13 March 2007 to 31 July 2015	3,000,000	0.20%
Mr. Choy Shu Kwan	1.31	13 March 2007 to 31 July 2015	600,000	0.04%
Mr. Cheng Wing Keung, Raymond	1.31	13 March 2007 to 31 July 2015	600,000	0.04%
Ms. Chung Lai Fong	1.31	13 March 2007 to 31 July 2015	600,000	0.04%

Note: For the purpose of this section, the shareholding percentage in the Company was calculated on the basis of 1,477,687,450 Shares in issue as at Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) to be notified to the Company and the Stock Exchange; or (ii) pursuant to Section 352 of the SFO to be entered in the register referred to therein, or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(b) Directors' interests in service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group other than contracts expiring or determinable by the Company or the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

(c) Substantial Shareholders' interests

As at the Latest Practicable Date, so far as known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

(i) Interests in the Shares or underlying Shares

Name of shareholder	Capacity	Number of Shares and underlying Shares	Approximate percentage *(note 9)*
Sharp Bright International Limited	Interest of controlled corporation	963,776,271 (long) *(note 1)*	65.22%
Grand Cosmos Holdings Limited	Beneficial owner	963,776,271 (long) *(note 1)*	65.22%
Bank of America Corporation	Interests of controlled corporation	1,354,371,271 (long) *(note 2)*	91.65%
Lehman Brothers Holdings Inc. (in liquidation)	Interests of controlled corporation and/or person having a security interest in Shares	979,287,355 (long) *(note 3)*	66.27%
	Interests of controlled corporation	2,700,000 (short)	0.18%
Walkers SPV Limited	Interests of controlled corporation	335,911,700 (long) *(note 4)*	22.73%
DKR Capital Inc.	Interests of controlled corporation and/or person having a security interest in Shares and/or parties to an agreement under s.317(1)(b) and s.318 of the SFO	1,345,082,656 (long) *(note 5)*	91.03%
DKR Management Co., Inc.	Interests of controlled corporation and/or person having a security interest in Shares and/or parties to an agreement under s.317(1)(b) and s.318 of the SFO	1,345,082,656 (long) *(note 5)*	91.03%

Name of shareholder	Capacity	Number of Shares and underlying Shares	Approximate percentage *(note 9)*
DKR Capital Partners LP	Interests of controlled corporation and/or person having a security interest in Shares and/or parties to an agreement under s.317(1)(b) and s.318 of the SFO	1,345,082,656 (long) *(note 5)*	91.03%
Oasis Management Holdings LLC	Interests of controlled corporation and/or person having a security interest in Shares and/or parties to an agreement under s.317(1)(b) and s.318 of the SFO	1,345,082,656 (long) *(note 5)*	91.03%
DKR Oasis Management Co. LP	Investment manager and/or person having a security interest in Shares and/or parties to an agreement under s.317(1)(b) and s.318 of the SFO	1,345,082,656 (long) *(note 5)*	91.03%
DKR SoundShore Oasis Holding Fund Ltd.	Beneficial owner and/or person having a security interest in Shares and/or parties to an agreement under s.317(1)(b) and s.318 of the SFO	285,240,908 (long) *(note 6)*	19.30%
Chestnut Fund Ltd.	Beneficial owner and/or person having a security interest in Shares and/or parties to an agreement under s.317(1)(b) and s.318 of the SFO	1,059,841,748 (long) *(note 7)*	71.72%
Deutsche Bank Aktiengesellschaft	Person having a security interest in Shares	82,806,140 (long)	5.60%
PMA Capital Management Limited	Investment manager and/or person having a security interest in Shares	1,073,142,871 (long) *(note 8)*	72.62%
PMA Prospect Fund	Beneficial owner and/or person having a security interest in Shares	1,046,582,411 (long) *(note 8)*	70.83%
PMA Focus Fund	Beneficial owner and/or person having a security interest in Shares	990,336,731 (long) *(note 8)*	67.02%

Notes:

1 963,776,271 existing Shares were held directly by Grand Cosmos. As the entire issued share capital of Grand Cosmos was held by Sharp Bright, Sharp Bright was deemed to be interested in the Shares in which Grand Cosmos was interested by virtue of the SFO. As the entire issued share capital of Sharp Bright was held by Mr. Yu Pan, Mr. Yu Pan was deemed to be interested in the Shares in which Sharp Bright was interested by virtue of SFO. The 963,776,271 Shares were charged in favour of the security trustee by way of share charge dated 4 May 2007.

2. These Shares comprised (i) 963,776,271 Shares charged in favour of the security trustee (who held the benefit on trust for the Noteholders) by Grand Cosmos and Mr. Yu Pan; and (ii) 390,595,000 underlying Shares which would be issued upon exercise of the conversion rights attaching to the Notes at the reset conversion price of HK$1.00 held directly or indirectly by Merrill Lynch & Co., Inc., Merrill Lynch International Incorporated, ML GCRE CP, L.L.C., ML Asian R.E. Fund GP, L.L.C., Merrill Lynch Asian Real Estate Fund Manager Pte Ltd. and Merrill Lynch Asian Real Estate Opportunity Fund Pte. Ltd. All of these entities were controlled by Bank of America Corporation.

3. These Shares comprised (i) 7,699,184 existing Shares; (ii) 963,776,271 Shares charged in favour of the security trustee (who held the benefit on trust for the Noteholders) by Grand Cosmos and Mr. Yu Pan; and (iii) 7,811,900 underlying Shares which would be issued upon exercise of the conversion rights attaching to the Notes at the reset conversion price of HK$1.00 held directly or indirectly by Lehman Brothers Commercial Corporation Asia Limited (in liquidation), LBCCA Holdings I LLC., LBCCA Holdings II LLC. All these entities were controlled by Lehman Brothers Holdings Inc.

4. These Shares comprised 335,911,700 underlying Shares which would be issued upon exercise of the conversion rights attaching to the Notes at the reset conversion price of HK$1.00 held by Kingfisher Capital CLO Limited which was controlled by Walkers SPV Limited.

5. These Shares comprised (i) 6,335,185 existing Shares; (ii) 963,776,271 Shares charged in favour of the security trustee (who held the benefit on trust for the Noteholders) by Grand Cosmos and Mr. Yu Pan; and (iii) 374,971,200 underlying Shares which would be issued upon exercise of the conversion rights attaching to the Notes at the reset conversion price of HK$1.00.

6. These Shares comprised (i) 6,335,185 existing Shares; (ii) 200,786,723 Shares charged in favour of the security trustee (who held the benefit on trust for the Noteholders) by Grand Cosmos and Mr. Yu Pan; and (iii) 78,119,000 underlying Shares which would be issued upon exercise of the conversion rights attaching to the Notes at the reset conversion price of HK$1.00.

7. These Shares comprised (i) 762,989,548 Shares charged in favour of the security trustee (who held the benefit on trust for the Noteholders) by Grand Cosmos and Mr. Yu Pan; and (ii) 296,852,200 underlying Shares which would be issued upon exercise of the conversion rights attaching to the Notes at the reset conversion price of HK$1.00.

8. These Shares comprised (i) 963,776,271 Shares charged in favour of the security trustee (who held the benefit on trust for the Noteholders) by Grand Cosmos and Mr. Yu Pan; (ii) 109,366,600 underlying Shares which would be issued upon exercise of the conversion rights attaching to the Notes at the reset conversion price of HK$1.00 held by PMA Prospect Fund (as to 82,806,140 underlying Shares) and PMA Focus Fund (as to 26,560,460 underlying Shares). All of these funds were controlled by PMA Capital Management Limited.

9. For the purpose of this section, the shareholdings percentage in the Company was calculated on the basis of 1,477,687,450 Shares in issue as at the Latest Practicable Date.

(ii) Interests in the shares in a non-wholly owned subsidiary of the Company

Name of minority shareholder of a subsidiary of the Company	**Name of non-wholly owned subsidiary of the Company**	**Shareholding percentage**
貴州協輝房地產有限公司 (Guizhou Xie Hui Real Estate Company Limited*)	貴州譽浚房地產開發有限公司 (Guizhou Yu Jun Real Estate Development Company Limited*)	45%

Save as disclosed above, as at the Latest Practicable Date and so far as known to the Directors or chief executive of the Company, no other person (not being a Director or chief executive of the Company) had any interests or short positions in Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

Save that Mr. YU was the sole director of Sharp Bright and Grand Cosmos and also the sole shareholder of Sharp Bright which in turn was the sole shareholder of Grand Cosmos as at the Latest Practicable Date, none of the Directors held any directorship or employment in a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(d) Directors' interests in assets/contracts and other interests

As at the Latest Practicable Date,

(i) none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2009, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2009, being the date to which the latest audited consolidated accounts of the Group were made up), or were proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2009, being the date to which the latest audited consolidated accounts of the Group were made up); and

(ii) none of the Directors was materially interested in any contract or arrangement entered into by the Company or any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2009, being the date to which the latest audited consolidated accounts of the Group were made up) which contract or arrangement was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group (including any company which will become subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2009, being the date to which the latest audited consolidated accounts of the Group were made up).

3. COMPETING INTERESTS

Directors' interests in Competing Businesses

As at the Latest Practicable Date, Mr. YU Pan, the Chairman of the Company, is also a director and substantial shareholder of a company listed on the Shenzhen Stock Exchange, namely 綠景地產股份有限公司 (Lujing Real Estate Co., Limited*) ("LJR") which is engaged in the residential real estate development business in the mass market in the PRC. Save as the aforesaid, none of the Directors and his/her respective associates had any interests in any business, which competes or is likely to compete, either directly or indirectly, with the Company's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder of the Company).

Mr. YU has undertaken to the Company that for so long as he remains as a Director or a controlling shareholder of the Company, all enquiries and actual or potential business opportunities received by him (and/or his associates) in relation to property development project management and property investment in the PRC (the "Business Opportunities") shall be referred by Mr. YU to the Company on a timely basis and the Business Opportunities must be first offered or made available to the Group.

In addition, Mr. YU has executed a deed of non-competition on 4 May 2007 with the subscribers of the Notes that he and his affiliates will not be engaged or interested in any business in the Group which is engaged in property development of luxury hotels and service apartments, luxury residential and/or high grade commercial buildings in the PRC except for the business undertaken by LJR. The deed will terminate upon the earliest of (i) the date on which all of the Notes have been redeemed, converted or purchased and cancelled in accordance with the conditions of the Trust Deed; (ii) Mr. Yu and the Noteholders agree in writing to terminate the deed; (iii) liquidation, administration, winding-up, bankruptcy or dissolution of the Company; and (iv) the Noteholders and/or their respective affiliates collectively own or are entitled to own (by giving effect to the conversion rights under the Notes) less than 10% of the total issued share capital of the Company from time to time.

4. MATERIAL CONTRACTS

Set out below are the material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date:

a. a second supplemental agreement dated 20 October 2008 entered into between Mr. LUO Dong Ling and Smartford Limited relating to the extension of time for the settlement of the outstanding consideration by Smartford Limited of approximately HK$63.6 million to 31 December 2010 (bears interest at 20% per annum from 1 January 2009 up to date of settlement);

b. a loan agreement entered into between the Company as the borrower and Mr. Yu as the lender dated 1 April 2009 relating to an unsecured loan of RMB30,000,000 made by Mr. Yu to the Company;

c. a sale and purchase agreement dated 20 May 2009 entered into between Sky Honest, Nicco Limited, the Company, Happy Genius Management Limited ("Happy Genius") and General Fortune Investment Limited ("General Fortune") in relation to the sale and purchase of 80% of the issued share capital of and shareholders' loan due by Yaubond Limited, a wholly owned subsidiary of the Company;

d. an escrow agreement dated 20 May 2009 in relation to the escrow deposit of RMB4,600,000 received from General Fortune;

e. an escrow agreement dated 20 May 2009 in relation to escrow deposit of HK$36,572,780 received from Happy Genius;

f. a deed of undertaking dated 29 May 2009 executed by Sky Honest, Nicco Limited, Happy Genius and General Fortune (collectively, the "Obligors") in favour of the Trustee and Lehman Brothers Commercial Corporation Asia Limited (In Liquidation) ("LBCCA") pursuant to which each Obligor undertakes certain acts for the benefit of the Trustee and LBCCA;

g. a termination agreement dated 22 July 2009 entered into between Happy Genius, General Fortune, Sky Honest, Nicco Limited and the Company in relation to the termination of the sale and purchase agreement referred to in paragraph (c);

h. an agreement dated 14 September 2009 and two supplemental agreements dated 13 and 28 October 2009 entered into between Yue Tian and HNA Hotel in relation to the disposal of the entire equity interest in 廣州市城建天譽房地產開發有限公司 ("CJTY") (Guangzhou Cheng Jian Tianyu Real Estate Development Company Limited*) and the assignment of shareholder loan due by CJTY to Yue Tian;

i. an escrow agreement dated 19 September 2009 entered into between 廣州譽浚諮詢服務有限公司(Guangzhou Yu Jun Consulting Service Company Limited*), HNA Hotel and Tianhe Sub-branch of Industrial and Commerce Bank of China in relation to the custody of the Earnest Money;

j. a corporate guarantee dated 28 October 2009 executed by the Company in favour of Pioneer Express Holdings Limited ("Pioneer Express") guaranteeing the due performance of Smartford Limited, as the debtor in respect of an indebtedness in outstanding principal of HK$49.6 million plus accrued interests due to Pioneer Express;

k. a share transfer agreement for the purpose of registration of transfer of shares of CJTY in PRC dated 8 December 2009 entered into between Yue Tian and HNA Hotel in relation to the agreement referred to in paragraph (h);

l. a settlement agreement dated 27 January 2010 entered into between the Company and Pioneer Express pursuant to which Pioneer Express conditionally agreed to withdraw the petition for the winding up of the Company;

m. an agreement entered into between Huan Cheng and Guang Li in relation to the resolving the Idle Land Issue and future development of the Tianhe Land dated 4 February 2010 (the "First Agreement");

n. the Second Agreement entered into between Huan Cheng and Guang Li dated 21 February 2010 which supersede the First Agreement referred to in paragraph (m);

o. the Noteholders Agreement dated 7 June 2010 entered into between Yue Tian, the Company, HSBC as trustee and security trustee and for and on behalf of the Noteholders, Mr. Yu, the participating Noteholders and the Provisional Liquidators in relation to settlement of the debt obligations of the Company under the Notes;

p. a deed of warranty, undertaking and indemnity dated 7 June 2010 executed by the Company in favour of the Provisional Liquidators to indemnify the loss and liabilities for Provisional Liquidators arising from and in connection with the entering into the Noteholders Agreement and Restructuring Agreement;

q. the Restructuring Agreement dated 9 June 2010 entered into among Sky Honest, Chain Up Limited, the Company, Yaubond and LBCCA in relation to the settling the Sky Honest Loan;

r. 19 security restoration agreements all dated 16 July 2010 entered into between the Company or its certain subsidiaries and the Security Trustee to restore the Security Trustee's interest under the security documents created by the Company or its certain subsidiaries in favour of the Security Trustee in 2007 and discharge the receivers;

s. an agreement dated 28 July 2010 entered into between Pioneer Express and the Company to extend the date of repayment of the loan due by Smartford Limited to 31 December 2010;

t. an agreement dated 30 July 2010 entered into between Huan Cheng and Guang Li to terminate the agreements as referred to in paragraph (m) and (n); and

u. the Agreement.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

6. EXPERT'S QUALIFICATIONS AND CONSENTS

The qualification of the experts who have provided their advices which are contained in this circular is set out as follows:

Name	Qualification
BDO Limited ("BDO")	Certified public accountants
DTZ Debenham	Independent valuer
廣東經綸律師事務所 (Geenen Law Office) ("Geenen")	PRC legal adviser

BDO, DTZ Debenham and Geenen have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters and the reference to their names in the form and context in which they appear.

As at the Latest Practicable Date, BDO, DTZ Debenham and Geenen did not have any direct or indirect interests in any assets which had been, since 31 December 2009, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2009, being the date to which the latest audited consolidated accounts of the Group were made up), or were proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2009, being the date to which the latest audited consolidated accounts of the Group were made up).

As at the Latest Practicable Date, BDO, DTZ Debenham and Geenen were not beneficially interested in the share capital of any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. MISCELLANEOUS

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The head office and principal place of business of the Company in the PRC is 32nd to 33rd Floors of HNA Tower, 8 Linhe Zhong Road, Tianhe District, Guangzhou, Guangdong Province, the PRC.

(c) The principal place of business of the Company in Hong Kong is at 2502B, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong.

(d) The company secretary of the Company is Ms. CHEUNG Lin Shun, who is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

(e) The Hong Kong branch share registrars and transfer office of the Company is Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(f) The English text of this circular shall prevail over the Chinese text, save as the PRC legal opinion on the Tianhe Land.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal office of the Company in Hong Kong at 2502B, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong up to and including the date of the SGM:

(a) the Agreement;

(b) the annual reports of the Company for the years ended 31 December 2007, 2008 and 2009 and the interim report of the Company for the six months ended 30 June 2010;

(c) the memorandum of association and bye-laws of the Company;

(d) BDO's review report dated 19 August 2010 on the financial information of Huan Cheng for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010;

(e) the letter issued by BDO in connection with the unaudited pro forma financial information of the Remaining Group, the text of which is set out in appendix II to this circular;

(f) the valuation report on the Tianhe Land prepared by DTZ Debenham as set out in appendix IV to this circular;

(g) the PRC legal opinion on the Tianhe Land;

(h) the respective letter issued by BDO, DTZ Debenham and Geenen referred to in the paragraph headed "Expert's qualifications and consents" in this appendix;

(i) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(j) the circular of the Company dated 22 June 2009; and

(k) the circular of the Company dated 16 October 2009.

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide the requisite information to you for your consideration of the Repurchase Mandate.

1. SHARE CAPITAL

As at the Latest Practicable Date, there were 1,477,687,450 fully paid up Shares of HK$0.01 each in issue. Subject to the passing of the relevant ordinary resolution approving the Repurchase Mandate and on the basis that no further Shares are issued or repurchased prior to the date of the SGM, the Company would be authorised to repurchase up to a maximum of 147,768,745 Shares representing 10% of the total issued share capital of the Company.

2. REASONS FOR THE REPURCHASES

The Directors believe that it is in the best interests of the Company and its Shareholders to have general authority from the Shareholders to enable the Directors to repurchase Shares on the Stock Exchange. Such repurchase may, depending on marketing conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share of the Company and/or its earnings per Share and will only be made when the Directors believe that such repurchase will benefit the Company and its Shareholders as a whole.

3. FUNDING OF THE REPURCHASES

It is proposed that repurchases of Shares under the Repurchase Mandate would be financed from available cash flow or working capital facilities of the Company and its subsidiaries. In repurchasing the Shares, the Company may only apply funds legally available for such purpose in accordance with its bye-laws and the laws of Bermuda. The laws of Bermuda provide that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant Shares, or funds of the Company which would otherwise be available for dividend or distribution or the proceeds of a new issue of Shares made for the purpose of the repurchase. The amount of premium payable on the repurchase may only be paid out of either funds of the Company which would otherwise be available for dividend or distribution or out of the share premium account of the Company before the Shares are repurchased.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the latest published audited accounts of the Company for the year ended 31 December 2009) in the event that the proposed Repurchase Mandate was to be exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

4. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the previous twelve months up to the Latest Practicable Date were as follows:

	Per Share	
	Highest	**Lowest**
	HK$	*HK$*
2009		
August	0.7000	0.4900
September	0.6900*	0.4750*
October	0.6000	0.4200
November	0.5300*	0.5300*
December*	–	–
2010		
January*	–	–
February*	–	–
March*	–	–
April*	–	–
May*	–	–
June*	–	–
July*	–	–
August* (up to the Latest Practicable Date)	–	–

* Trading of the Shares was suspended (i) from 15 September 2009 to 18 September 2009; and (ii) from 3 November 2009 to the Latest Practicable Date

5. DISCLOSURE OF INTERESTS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates has any present intention, in the event that the Repurchase Mandate is approved by the Shareholders, to sell any of the Shares to the Company.

No connected person of the Company has notified the Company that he/she has a present intention to sell any of the Shares to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

6. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange that if they shall exercise the power of the Company to make repurchases pursuant to the Repurchase Mandate, they will exercise the same in accordance with the Listing Rules and the laws of Bermuda.

7. EFFECT OF THE TAKEOVERS CODE

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase in shareholding interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, Mr. Yu together with companies controlled by him beneficially held 1,058,112,271 Shares, representing approximately 71.61% of the issued shares of the Company. On the basis that no further Shares are issued or repurchased and in the event that the Repurchase Mandate is exercised in full and there is no change in shareholding in the Company owned by Mr. Yu and companies controlled by him, the shareholding in the Company owned by Mr. Yu and companies controlled by him would be increased to approximately 79.56%. The Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchase which may be made under the Repurchase Mandate. Nevertheless, the exercise in full of the Repurchase Mandate will result in the number of Shares held by the public falling below 25% of the issued share capital of the Company. The Directors have no present intention to exercise the Repurchase Mandate and will not effect repurchase to such an extent which will result in the Company failing to comply with Rule 8.08 of the Listing Rules which requires a public float of 25%.

8. SHARE REPURCHASES MADE BY THE COMPANY

No repurchase of the Shares (whether on the Stock Exchange or otherwise) has been made by the Company during the six months preceding the Latest Practicable Date.

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

NOTICE IS HEREBY GIVEN that the special general meeting of Skyfame Realty (Holdings) Limited (the "**Company**") will be held at Empire Room 1, M/Floor, Empire Hotel Hong Kong Wanchai, 33 Hennessy Road, Wanchai, Hong Kong on Friday, 3 September 2010 at 3:00 p.m. for the following purposes:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (i) the agreement dated 26 July 2010 (the "**Agreement**", a copy of which has been produced to the meeting and marked "A" and signed by the Chairman of the meeting for the purpose of identification) entered into between the Company and Yaubond Limited ("**Yaubond**"), a wholly-owned subsidiary of the Company, as vendor and 海航酒店控股集團有限公司 (HNA Hotel Holdings Group Co. Limited*) as purchaser in relation to the disposal by Yaubond of the entire issued share capital of 廣州寰城實業發展有限公司 (Guangzhou Huan Cheng Real Estate Development Company Limited*) ("**Huan Cheng**") for a consideration of RMB1,090,000,000 (subject to adjustments as stipulated in the Agreement) and the assignment of shareholder loan due by Huan Cheng at a consideration equivalent to its face value on completion date on a dollar for dollar basis and the transactions contemplated thereunder be and are hereby generally and unconditionally approved in all respects; and

   (ii) the directors of the Company (the "**Directors**") be and are hereby authorised to do all things and acts and sign all documents which they consider necessary, desirable or expedient in connection with or/to implement and/or give effect to the Agreement and the transactions contemplated thereunder and to agree to such variation, amendment or waiver as are, in the opinion of the Directors, in the interest of the Company."

2. "**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") granting the listing of, and permission to deal in, the shares of the Company which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the share option scheme adopted by the Company on 4 August 2005 ("**Share Option Scheme**") (a copy of the Share Option Scheme has been produced to this meeting and marked "B" and signed by the Chairman of the meeting for the purpose of identification) representing a maximum of 10 per cent of the total number of issued shares of the Company as at the day on which this resolution is passed:

(i) approval be and is hereby granted for refreshing the scheme limit on the grant of options under the Share Option Scheme ("**Refreshed Mandate Limit**") such that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company and its subsidiaries under the limit as refreshed hereby shall not exceed 10 per cent of the total number of issued shares of the Company as at the date on which this resolution is passed (options previously granted under the Share Option Scheme and any other share option scheme(s) of the Company and its subsidiaries (including option outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option scheme(s) of the Company and its subsidiaries) shall not be counted for the purpose of the calculating the Refreshed Mandate Limit); and

(ii) the directors of the Company or a duly authorized committee thereof be and are hereby authorized (a) from time to time to grant options to subscribe for shares of the Company within the Refreshed Mandate Limit in accordance with the rules of the Share Option Scheme, and (b) to allot, issue and deal with shares of the Company pursuant to the exercise of options granted under the Share Option Scheme within the Refreshed Mandate Limit and to do such acts and execute such documents for or incidental to such purpose."

3(A). "**THAT**:

(i) subject to paragraph (c) below, the exercise by the directors of the Company (the "**Directors**") during the Relevant Period (as hereinafter defined below) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options, including bonds, warrants, debentures and other securities convertible into shares of the Company, which would or might require the exercise of such powers, subject to and in accordance with all applicable laws and bye-laws of the Company ("**Bye-laws**"), be and is hereby generally and unconditionally approved;

(ii) the approval in paragraph (a) above shall be in addition to any authorization given to the Directors and shall authorize the Directors during the Relevant Period to make and grant offers, agreements and options, including bonds, warrants, debentures and other securities convertible into shares of the Company, which would or might require the exercise of such powers after the end of the Relevant Period;

(iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) any issue of shares of the Company on the exercise of rights of subscription or conversion under the outstanding convertible notes to subscribe for shares of the Company or any bonds, warrants, notes, debentures and securities which are convertible into shares of the Company; or (iii) any issue of shares of the Company under any share option scheme or similar arrangement for the time being adopted for the grant to employees (including directors) of the Company and/or any of its subsidiaries of the rights to subscribe for shares of the Company; or (iv) any scrip dividend scheme or similar arrangement providing for the allotment of shares of the Company in lieu of the whole or part of a dividend on shares in accordance with the Bye-laws, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of this resolution, and the said approval shall be limited accordingly; and

(iv) for the purpose of this resolution:

"**Relevant Period**" means the period from the passing of this resolution until whichever is earlier of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any laws applicable to the Company to be held; or

(c) the revocation or variation of the authority set out in this resolution by the passing of an ordinary resolution in a general meeting of the Company.

"**Rights Issue**" means an offer of shares of the Company open for a period fixed by the Directors to holders of shares of the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

3(B). "**THAT**:

(i) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or on any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission or the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange, as amended from time to time, be and is hereby generally and unconditionally approved;

(ii) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution, and the said approval shall be limited accordingly; and

(iii) for the purpose of this resolution:

"**Relevant Period**" means the period from the passing of this resolution until whichever is earlier of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any laws applicable to the Company to be held; or

(c) the revocation or variation of the authority set out in this resolution by an ordinary resolution in a general meeting of the Company."

3(C). "**THAT** conditional upon the resolutions numbered 3(A) and 3(B) in the notice convening this meeting being passed, the general mandate granted to the Directors to allot, issue and deal with additional shares pursuant to the resolution numbered 3(A) above be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the shares of the Company which had been repurchased by the Company under the authority granted pursuant to the resolution numbered 3(B) above, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution."

By Order of the Board
Cheung Lin Shun
Company Secretary

Hong Kong, 19 August 2010

Notes:

1. Any member of the Company entitled to attend and vote at the meeting by the above notice shall be entitled to appoint another person as his/her proxy to attend and vote instead of such member. A proxy need not be a member of the Company.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

3. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority must be delivered to the office of Tricor Abacus Limited, the Company's branch share registrars in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong or by way of notice to or in any document accompanying the notice convening the meeting not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.

4. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. In the case of joint holders of any share, if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person, or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

6. As at the date of this notice, the Board comprises Mr. Yu Pan, Mr. Lau Yat Tung, Derrick and Mr. Wong Lok as the executive directors; and Mr. Choy Shu Kwan, Mr. Cheng Wing Keung, Raymond and Ms. Chung Lai Fong as the independent non-executive directors.