天譽置業（控股）有限公司*

SKYFAME REALTY (HOLDINGS) LIMITED

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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

FINAL RESULTS

The board (the "Board") of directors (the "Directors") of Skyfame Realty (Holdings) Limited (the "Company") is pleased to announce the consolidated final results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010, together with comparative figures for the corresponding year of 2009. The consolidated final results have been reviewed by the audit committee of the Company.

* *for identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated) (Note 5)
Revenue	7	**422,812**	304,780
Cost of sales and services		**(353,965)**	(122,854)
Gross profit		**68,847**	181,926
Other income		**16,188**	2,840
Sales and marketing expenses		**(10,522)**	(29,407)
Administrative expenses		**(64,528)**	(150,731)
Fair value changes in investment properties		**133,759**	14,769
Write-down of properties under development		**–**	(70,623)
Fair value changes in financial derivative liabilities in relation to convertible notes		**–**	93,162
Gain on debt extinguishment	8	**1,077,764**	–
Share of loss of associate, net of tax		**(8,537)**	–
Gain on disposal of a subsidiary, net of tax		**–**	284,353
Finance costs	9	**(164,590)**	(1,883,222)
Finance income		**4,323**	1,062
Profit (loss) before income tax	10	**1,052,704**	(1,555,871)
Income tax (expense) credit	11	**(53,970)**	464
PROFIT (LOSS) FOR THE YEAR		**998,734**	(1,555,407)
Other comprehensive income:			
Exchange differences arising on foreign operations		**92,662**	4,717
Realisation of exchange differences upon disposal of a subsidiary		**–**	(157,575)
		92,662	(152,858)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,091,396**	(1,708,265)

	Notes	**2010**	2009
		HK$'000	*HK$'000*
			(Restated)
			(Note 5)
Profit (loss) for the year attributable to:			
– Owners of the Company		**987,522**	(1,548,450)
– Non-controlling interests		**11,212**	(6,957)
		998,734	(1,555,407)
Total comprehensive income for the year attributable to:			
– Owners of the Company		**1,079,148**	(1,701,339)
– Non-controlling interests		**12,248**	(6,926)
		1,091,396	(1,708,265)
Earnings (loss) per share	12		
– Basic		**HK66.83 cents**	(HK104.79 cents)
– Diluted		**HK66.83 cents**	(HK104.79 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

		As at 31 December		As at 1 January
		2010	2009	2009
	Notes	***HK$'000***	*HK$'000*	*HK$'000*
			(Restated)	(Restated)
			(Note 5)	*(Note 5)*
Non-current assets				
Property, plant and equipment		**2,840**	1,111	1,046,987
Prepaid lease payments		**–**	–	237,966
Investment properties		**568,182**	416,951	401,543
Properties held for development		**2,262,817**	1,564,059	1,458,142
Goodwill		**16,214**	15,562	68,316
Interest in an associate	14	**–**	631,094	–
Consideration receivable for disposal of a subsidiary – non-current portion	15	**84,718**	–	–
		2,934,771	2,628,777	3,212,954
Current assets				
Properties held for sale		**133,121**	–	960,202
Properties under development		**362,388**	325,750	211,999
Inventories		**–**	–	19,542
Consideration receivable for disposal of subsidiaries – current portion	15	**653,673**	1,213,031	–
Trade and other receivables	16	**19,303**	31,956	33,900
Restricted and pledged deposits		**630,213**	38,547	67,737
Cash and cash equivalents		**28,820**	114,719	53,720
		1,827,518	1,724,003	1,347,100
Assets classified as held for sale		**–**	–	713,399
		1,827,518	1,724,003	2,060,499

	Notes	As at 31 December **2010** ***HK$'000***	As at 31 December 2009 *HK$'000* (Restated) *(Note 5)*	As at 1 January 2009 *HK$'000* (Restated) *(Note 5)*
Current liabilities				
Trade and other payables	17	**258,458**	418,071	219,761
Bank and other borrowings – current portion	18	**804,689**	277,627	280,228
Convertible notes		**–**	2,057,326	–
Loan from non-controlling shareholder of a subsidiary – current portion		**47,998**	–	–
Deferred income		**–**	–	3,779
Income tax payable		**130,937**	120,052	48,080
		1,242,082	2,873,076	551,848
Liabilities associated with assets classified as held for sale		**–**	–	108,884
		1,242,082	2,873,076	660,732
Net current assets (liabilities)		**585,436**	(1,149,073)	1,399,767
Total assets less current liabilities		**3,520,207**	1,479,704	4,612,721
Non-current liabilities				
Other payable		**–**	–	63,573
Bank and other borrowings – non-current portion	18	**87,003**	239,150	1,042,480
Convertible notes		**–**	–	306,337
Financial derivative liabilities		**–**	–	93,162
Loan from non-controlling shareholder of a subsidiary – non-current portion		**173,225**	234,690	273,968
Deferred income	19	**1,106,861**	–	–
Deferred tax liabilities		**197,441**	157,405	276,693
		1,564,530	631,245	2,056,213
Net assets		**1,955,677**	848,459	2,556,508
Capital and reserves				
Share capital		**14,777**	14,777	14,777
Reserves		**1,903,724**	815,874	2,516,997
Equity attributable to owners of the Company		**1,918,501**	830,651	2,531,774
Non-controlling interests		**37,176**	17,808	24,734
Total equity		**1,955,677**	848,459	2,556,508

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The principal activity of the Company continues to be investment holding. The principal activities of its subsidiaries are property development, property investment, hotel operation and the provision of related ancillary services.

2. DEBT RESTRUCTURING, DISMISSAL OF WINDING-UP PETITION AND DISCHARGE OF PROVISIONAL LIQUIDATORS AND RECEIVERS

(a) Settlement agreements with the holders of convertible notes and lenders of a term loan of HK$220,000,000

Since November 2009, the Company started off a series of negotiations with the holders of the convertible notes (the "Noteholders") in an outstanding principal amount of US$192,000,000 (the "Notes" or "convertible notes") and the lenders of a term loan of HK$220,000,000 ("Sky Honest Loan") as triggered by the lodgement of a notice to accelerate the full repayment of the Notes and appointments of receivers by the trustee and security trustee (collectively the "Trustee") acting for the Noteholders. On 7 June 2010 and 9 June 2010, the Company and certain of its subsidiaries entered into agreements respectively with, among others, the Trustee and Lehman Brothers Commercial Corporation Asia Limited (In Liquidation) ("LBCCAL") (as facility and security agent acting for the lenders of Sky Honest Loan), namely the Noteholders Agreement and Restructuring Agreement, setting out the terms including the compromised amounts of the debts to be settled and obligations of the Company and the subsidiaries.

(b) Settlement with a creditor

On 28 July 2010, a supplemental settlement agreement was entered into between the Company and a creditor of a subsidiary who was the petitioner of the winding-up order issued on 6 November 2009. Pursuant to the supplemental settlement agreement, those terms in a settlement agreement reached on 27 January 2010 between the same parties were amended in order that the repayment period of the outstanding debt due to the creditor in a principal amount of approximately HK$38,674,000 plus accrued interests was extended to 31 December 2010. On 30 December 2010 and 8 March 2011, the due date for repayment of the principal and interest was further extended to 30 April 2011 by other two supplemental agreements entered into between a subsidiary and the creditor.

(c) Dismissal of winding-up petition and discharge of provisional liquidators

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 of the Hong Kong Special Administrative Region (the "High Court") discharged the winding-up order of the Company and dismissed the provisional liquidators of the Company ("Provisional Liquidators") appointed by the High Court on 6 November 2009.

(d) Discharge of receivers

Pursuant to the two agreements entered into with the Trustee and LBCCAL mentioned in (a) above, receivers appointed by the creditors by reason of defaults under the trust deed dated 4 May 2007 (the "Trust Deed") and the loan agreement of the Sky Honest Loan were discharged on 23 July 2010 and 15 July 2010 respectively. Simultaneously, the boards of directors of the subsidiaries of the Company under receivership were restored to their original positions at the time prior to the appointment of receivers and operations of the Group have resumed normal since then.

(e) Settlement of the Notes and Sky Honest Loan

To raise fund to repay the Notes and Sky Honest Loan, besides the disposal of the Westin Project in 2009, in July 2010, the Group entered into an agreement with a third party to dispose of the entire equity interest in the subsidiary, which holds the interest in the Tianhe Project, at a gross consideration of RMB1,090,000,000 (equivalent to approximately HK$1,270,100,000). (The transaction was completed in September 2010 and the first instalment payment of the consideration received from the disposal was utilised for full settlement of the obligations under the Noteholders Agreement and Restructuring Agreement. Consequently, the Notes were cancelled on 28 October 2010 and the Sky Honest Loan was discharged on 14 October 2010.

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

(a) Impact of new/revised HKFRSs which are effective during the year

In the current year, the Group has applied the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial period beginning on 1 January 2010:

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 2 (Amendments)	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
Amendments to HKAS 39	Eligible Hedged Items
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners
HK – Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HKFRS 3 (Revised) – Business Combinations and HKAS 27 (Revised) – Consolidated and Separate Financial Statements

The revised accounting policies are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact on the consolidated financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Accordingly, such transactions are recognised within equity. When control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year as there is no such transaction during the year.

HKAS 17 (Amendments) – Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group concludes that the classification of such leases as operating leases continues to be appropriate. Hence, the adoption of the amendment has had no impact on the consolidated financial statements during the current and prior years.

HK Interpretation 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

Under the requirements of HK Interpretation 5, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. The adoption of the interpretation has had no material impact on the consolidated financial statements during the current and prior years as the Group's existing accounting policies are already in compliance with the interpretation.

Other than these, adoption of the other new or revised HKFRSs has had no material effects on the Group's consolidated financial statements nor resulted in substantial changes to the Group's accounting policies.

(b) Potential impact arising on new/revised HKFRSs not yet effective

The Group has not early applied the following new/revised HKFRSs that have been issued, potentially relevant to the Group's operations, but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets[3]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKFRS 9	Financial Instruments[5]

[1] *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.*

[2] *Effective for annual periods beginning on or after 1 January 2011.*

[3] *Effective for annual periods beginning on or after 1 July 2011.*

[4] *Effective for annual periods beginning on or after 1 January 2012.*

[5] *Effective for annual periods beginning on or after 1 January 2013.*

The Directors are in the process of making an assessment of the potential impact of these new/revised HKFRSs and they anticipate that the application of these new/revised HKFRSs will have no material impact on the Group's consolidated financial statements.

4. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except that the investment properties are stated at their fair values.

(c) Basis of presentation

As detailed in note 2, for the period from 1 January 2010 to 23 July 2010, the Company was under provisional liquidation where Provisional Liquidators had been appointed by the High Court and receivers had been appointed by LBCCAL and the Noteholders, resulting that the boards of directors of certain subsidiaries of the Company had been replaced by representatives of the receivers.

Yaubond Limited ("Yaubond") had been previously owned as to 51% and 49% respectively by Sky Honest Investments Corp. ("Sky Honest") and Nicco Limited, both of which were indirect wholly-owned subsidiaries 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 Group lost control of its 51% equity interest in Yaubond, which holds the entire interest in 廣州寰城實業發展有限公司 (Guangzhou Huan Cheng Real Estate Development Company Limited) ("Huan Cheng"), and directors nominated by the receivers were appointed to the boards of directors of Yaubond and Sky Honest. The Company lost control to govern the operations of Yaubond, but was 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 was classified as interest in an associate in the published consolidated statements of financial position of the Group as at 31 December 2009 and 30 June 2010, and the results of Yaubond and Huan Cheng were included in the consolidated statement of comprehensive income as share of loss of associate for the period from 1 January 2010 to 23 July 2010.

Nonetheless, since the dismissal of winding-up petition by the High Court on 9 July 2010, on 15 July 2010 and 23 July 2010, the boards of directors of Sky Honest and Yaubond were restored respectively, and the Company has been able to exercise unilateral control over all its subsidiaries. As such, the Group's interest in Yaubond and Huan Cheng has been re-classified from "interest in an associate" to "interests in subsidiaries". The corresponding line items of the underlying assets and liabilities of Yaubond and Huan Cheng were consolidated in the consolidated statement of financial position of the Group.

Upon the disposal of the subsidiary Huan Cheng completed in September 2010 as detailed in note 19, the underlying assets and liabilities in relation to the Tianhe Project, the interest of which was previously directly held by Huan Cheng, mainly comprising cost of properties held for development and deferred tax liabilities, were not derecognised, but instead all aggregated and classified as the separate item "net assets of the Tianhe Project" under properties held for development in the consolidated statement of financial position.

As at 31 December 2010, Yaubond becomes wholly-owned by Fine Luck Group Limited, a wholly-owned subsidiary of the Company, upon the implementation of an internal corporate restructuring completed in December 2010.

5. CHANGE IN ACCOUNTING POLICY ON LAND USE RIGHTS

During the year ended 31 December 2010, the Group changed its accounting policy for land use rights which are held for development for sale. Land use rights which are held for development for sale meet the definition of both inventories under HKAS 2 "Inventories" and leasehold land and land use rights under HKAS 17 "Leases". Previously, land use rights that are held for development for sale were classified as prepaid lease payments and were amortised on a straight-line basis over the period of the lease in accordance with HKAS 17. Amortisation of prepaid lease payments during the development phase was capitalised as part of the construction cost of the property. Amortisation charges incurred prior to development and following completion of the property were recognised in profit or loss. Subsequent to the change in accounting policy, land use rights which are held for development for sale are classified as inventories under properties held for/under development in accordance with HKAS 2 and measured at the lower of cost and net realisable value.

Management believes that the new classification of land use rights as inventories results in a more relevant presentation of the financial position of the Group, and of its performance for the period. The revised treatment reflects management's intent regarding the use of land use rights and results in a presentation consistent with industry practice.

The change in accounting policy has been accounted for retrospectively in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the consolidated financial statements have been restated by reversing the amortisation charged in prior years. The effect on the consolidated financial statements is as follows:

	2010	2009
	HK$'000	*HK$'000*
Consolidated statement of comprehensive income		
Decrease in administrative expenses	**(329)**	(8,735)
Increase in income tax expense	**–**	1,922
Decrease in gain on disposal of a subsidiary	**–**	17,658
	(329)	10,845
Increase in profit (loss) attributable to owners of the Company	**181**	10,845
Increase in profit attributable to non–controlling interests	**148**	–
Increase in profit (loss) for the year	**329**	10,845
Increase in earnings (loss) per share attributable to ordinary owners of the Company (basic and diluted)	**HK0.01 cents**	HK0.73 cents

	As at 31 December		As at 1 January
	2010	2009	2009
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position			
Decrease in prepaid lease payments – non-current	**(1,273,706)**	(501,942)	(498,584)
Increase in properties held for development – non-current	**1,247,491**	501,942	495,275
Increase in properties held for sale	**45,674**	–	386,394
Increase in properties under development – current	**–**	127,423	125,731
Decrease in prepaid lease payments – current	**(19,121)**	(127,423)	(494,718)
Increase in deferred tax liabilities	**–**	–	3,019
Increase in retained profits	**181**	–	10,845
Increase in foreign exchange reserve	**9**	–	234
Increase in non–controlling interests	**148**	–	–

6. SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment, the Group is currently organised into three operating divisions – property development, property investment and hotel operation and related ancillary services ("hotel operation"). As management of the Group considers that all consolidated revenue are attributable to the markets in the People's Republic of China (the "PRC") and consolidated non-current assets are substantially located in the PRC, no geographical information is presented. The Group's reportable segments are as follows:

Property development	–	Property development and sale of properties
Property investment	–	Property leasing
Hotel operation	–	Hotel operation and provision of related ancillary services

The Group's senior executive management monitors the results attributable to each reportable segment on the basis that revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments, the expenses directly incurred by those segments and the depreciation charges of assets attributable to those segments. Corporate income and expenses, finance costs and income, results of associate and any non-operating items which cannot be directly associated with the reportable segments are not allocated to the respective segments.

The measure used for reporting segment results is operating earning (loss) before interest (finance costs and income), income tax, depreciation and amortisation ("adjusted EBITDA"). In addition to information concerning adjusted EBITDA, management also provides other segment information concerning depreciation and fair value changes in investment properties.

Segment assets/liabilities include all assets/liabilities attributable to those segments with the exception of cash and bank balances, unallocated bank and other borrowings, convertible notes and taxes.

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

(a) Segment results, assets and liabilities

	Property development *HK$'000*	Property investment *HK$'000*	Hotel operation *HK$'000*	Total *HK$'000*
Year ended 31 December 2010				
Reportable segment revenue				
– external, and consolidated revenue	**404,989**	**17,823**	**–**	**422,812**
Operating results	**22,263**	**8,188**	**4,512**	**34,963**
Add: Depreciation	**237**	**45**	**4**	**286**
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	**22,500**	**8,233**	**4,516**	**35,249**
Fair value changes in investment properties	**–**	**133,759**	**–**	**133,759**
Share of loss of associate, net of tax	**–**	**–**	**(8,537)**	**(8,537)**
Bad debts recovered	**41**	**–**	**–**	**41**
Capital expenditure	**289,705**	**–**	**37,461**	**327,166**
As at 31 December 2010				
Assets				
Reportable segment assets	**3,501,726**	**571,077**	**29,495**	**4,102,298**
Liabilities				
Reportable segment liabilities	**1,512,375**	**14,482**	**46,583**	**1,573,440**
Year ended 31 December 2009 (Restated) (Note 5)				
Reportable segment revenue				
– external, and consolidated revenue	44,912	16,118	243,750	304,780
Operating results	12,724	4,350	22,249	39,323
Add: Depreciation and amortisation	200	6	59,431	59,637
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	12,924	4,356	81,680	98,960
Fair value changes in investment properties	–	14,769	–	14,769
Write-down of properties under development	(70,623)	–	–	(70,623)
Impairment loss on trade and other receivables	(534)	–	–	(534)
Gain on disposal of a subsidiary, net of tax	123,210	–	161,143	284,353
Capital expenditure	252,958	–	666	253,624
As at 31 December 2009				
Assets				
Reportable segment assets	2,461,888	417,946	1,318,519	4,198,353
Liabilities				
Reportable segment liabilities	727,930	18,712	40,926	787,568
As at 1 January 2009 (Restated) (Note 5)				
Assets				
Reportable segment assets	3,399,140	403,731	1,242,211	5,045,082
Liabilities				
Reportable segment liabilities	594,419	21,995	69,893	686,307

(b) Reconciliations of reportable segment results, and assets and liabilities

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 5)
Results		
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	**35,249**	98,960
Unallocated corporate expenses before depreciation	**(24,790)**	(30,170)
	10,459	68,790
Depreciation and amortisation		
– Reportable segment	**(286)**	(59,637)
– Unallocated	**(188)**	(4,525)
	9,985	4,628
Fair value changes in investment properties	**133,759**	14,769
Write-down of properties under development	**–**	(70,623)
Fair value changes in financial derivative liabilities in relation to convertible notes	**–**	93,162
Gain on debt extinguishment	**1,077,764**	–
Share of loss of associate, net of tax	**(8,537)**	–
Gain on disposal of a subsidiary, net of tax	**–**	284,353
Finance costs	**(164,590)**	(1,883,222)
Finance income	**4,323**	1,062
Consolidated profit (loss) before income tax	**1,052,704**	(1,555,871)
Capital expenditure incurred during the year		
– Reportable segment	**327,166**	253,624
– Unallocated	**2,045**	1,419
	329,211	255,043

	As at 31 December		As at 1 January
	2010	2009	2009
	HK$'000	*HK$'000*	*HK$'000*
			(Restated)
			(Note 5)
Assets			
Reportable segment assets	**4,102,298**	4,198,353	5,045,082
Restricted and pledged deposits	**630,213**	38,547	67,737
Cash and cash equivalents	**28,820**	114,719	53,720
Unallocated corporate assets	**958**	1,161	106,914
Consolidated total assets	**4,762,289**	4,352,780	5,273,453
Liabilities			
Reportable segment liabilities	**1,573,440**	787,568	686,307
Income tax payable	**130,937**	120,052	48,080
Deferred tax liabilities	**197,441**	157,405	276,693
Financial derivative liabilities	**–**	–	93,162
Convertible notes	**–**	2,057,326	306,337
Unallocated bank and other borrowings	**891,692**	369,083	1,290,440
Unallocated corporate liabilities	**13,102**	12,887	15,926
Consolidated total liabilities	**2,806,612**	3,504,321	2,716,945

7. REVENUE

Revenue represents the net invoiced amounts received and receivable from property development, property investment and hotel operation and the provision of related ancillary services. The amounts of each significant category of revenue recognised during the year are as follows:

	2010	2009
	HK$'000	*HK$'000*
Sale of properties	**404,270**	–
Rental income	**18,542**	61,030
Hotel operation	**–**	243,750
	422,812	304,780

8. GAIN ON DEBT EXTINGUISHMENT

	2010			2009
	Other borrowings	**Convertible notes**	**Total**	
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*
Write-down of principal	**44,000**	**299,977**	**343,977**	–
Reversal of accrued interests	**50,771**	**683,016**	**733,787**	–
Gain recognised in profit or loss	**94,771**	**982,993**	**1,077,764**	–

9. FINANCE COSTS

	2010 *HK$'000*	2009 *HK$'000*
Interest on convertible notes wholly repayable within five years		
– amortisation for the year	**119,282**	238,865
– at acceleration of liabilities payable to the Noteholders	**–**	1,542,122
– interest surcharges	**4,153**	–
Interest on bank and other borrowings		
– wholly repayable within five years	**43,269**	72,955
– wholly repayable after five years	**5,069**	72,662
Interest surcharges on other borrowings	**616**	–
Interest on short-term loan from a director	**29**	97
Others	**–**	241
	172,418	1,926,942
Less: Amount capitalised as properties held for/under development		
Interest on convertible notes wholly repayable within five years	**–**	(44,182)
Interest on bank and other borrowings wholly repayable within five years	**(8,212)**	(9,357)
	(8,212)	(53,539)
	164,206	1,873,403
Other borrowing costs	**384**	21,029
Less: Amount capitalised as properties held for/under development	–	(11,210)
	384	9,819
Finance costs charged to profit or loss	**164,590**	1,883,222

10. PROFIT (LOSS) BEFORE INCOME TAX

Profit (loss) before income tax for the year has been arrived at after charging (crediting):

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 5)
Cost of materials sold	**–**	24,065
Cost of properties sold	**314,308**	–
Staff costs, including directors' emoluments	**19,318**	67,841
Auditors' remuneration		
– current year	**820**	1,104
– over-provision for prior year	**(37)**	–
Depreciation of property, plant and equipment	**533**	59,213
Less: Amount capitalised as properties held for/under development	**(59)**	(31)
Total depreciation charged to profit or loss	**474**	59,182
Amortisation of prepaid lease payments	**–**	4,980
Gain on disposal of property, plant and equipment	**–**	(32)
Exchange gain, net	**(15,268)**	(207)
Impairment loss on trade and other receivables	**–**	534
Bad debts recovered	**(41)**	–

11. INCOME TAX EXPENSE (CREDIT)

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 5)
Current tax		
PRC corporate tax		
– current year	**16,487**	–
– over-provision in respect of prior years	**–**	(3,397)
PRC land appreciation tax ("LAT")		
– current year	**4,043**	–
	20,530	(3,397)
Deferred tax		
– current year	**33,440**	2,933
Total income tax expense (credit)	**53,970**	(464)

No provision for Hong Kong profits tax has been made for the year ended 31 December 2010 (2009: Nil) as the Group has no estimated assessable profits in respect of operation in Hong Kong. The applicable Hong Kong profits tax rate is 16.5% (2009: 16.5%) for the year.

Enterprise income tax arising from other regions of the PRC is calculated at 25% (2009: 25%) of the estimated assessable profits.

The provision of PRC LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided, as appropriate, at ranges of progressive rates from 30% to 60% on the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditure.

12. EARNINGS (LOSS) PER SHARE

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

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 5)
Profit (loss) for the purposes of basic and diluted earnings (loss) per share	**987,522**	(1,548,450)
	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**1,477,687**	1,477,687

For the years ended 31 December 2010 and 2009, basic earnings (loss) per share are same as diluted earnings (loss) per share as any effect from the Company's options and convertible notes is anti-dilutive.

13. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2010 (2009: Nil).

14. INTEREST IN AN ASSOCIATE

As at 31 December 2009, interest in Yaubond was classified as an interest in an associate on the ground that receivers of the security assets were appointed in November 2009 by the Sky Honest Loan lenders, to manage the secured assets under the Sky Honest Loan including 51% equity interest in Yaubond, the holding company of the entire interest in the Tianhe Project. The appointment of receivers also resulted in the change in the boards of directors of Yaubond and Sky Honest. The Directors consider that the Company has lost control to govern, but only be 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. As disclosed in notes 2(d) and 4(c), on 15 July 2010 and 23 July 2010, the boards of directors of Sky Honest and Yaubond were restored respectively, and the Company has been able to exercise unilateral control over these subsidiaries. As such, since 23 July 2010, the Group's interests in Yaubond and Huan Cheng have been re-classified from "interest in an associate" to "interests in subsidiaries". The corresponding line items of the underlying assets and liabilities of Yaubond and Huan Cheng, mainly properties held for development and deferred tax liabilities, were consolidated in the consolidated statement of financial position of the Group based on their carrying amounts at the time of reclassification. No gain or loss is resulted in the reclassification.

15. CONSIDERATION RECEIVABLE FOR DISPOSAL OF SUBSIDIARIES

	Notes	2010 HK$'000	2009 HK$'000
Westin Project	(a)	**52,047**	1,213,031
Huan Cheng	(b)	**686,344**	–
		738,391	1,213,031
Amounts due within one year included in current assets		**(653,673)**	(1,213,031)
Amount due after one year – Huan Cheng		**84,718**	–

Notes:

(a) The balance relates to the remaining balance of the final instalment receivable for the disposal of the Westin Project that is unsecured and interest-free. An amount of approximately HK$51,422,000 has been received subsequent to 31 December 2010 and the residual amount of approximately HK$625,000 is receivable in December 2011 according to a supplemental agreement dated 1 December 2010.

(b) The balance relates to the outstanding instalments receivable for the disposal of Huan Cheng that is unsecured and interest-free. The principal amount of the receivable is approximately HK$702,526,000 (approximately RMB593,494,000). Out of the carrying amount at amortisated cost of approximately HK$686,344,000 as at 31 December 2010, a sum of approximately HK$397,205,000 has been received subsequent to 31 December 2010. Based on the agreement in relation to the disposal and the Directors' assessment on the timing of fulfillment of the Group's obligations set out in the agreement, the remaining balance of the second instalment amounting to approximately HK$212,706,000 (approximately RMB180,000,000) after deduction of relocation cost of approximately HK$8,285,000 is receivable in April 2011. The final instalment of approximately HK$84,718,000 is receivable in 2013.

16. TRADE AND OTHER RECEIVABLES

	2010 HK$'000	2009 HK$'000
Trade receivables, net of impairment, aged current or less than 1 month	**76**	110
Prepaid construction costs	**7,315**	5,125
Prepaid direct costs on pre-sold properties	**3,775**	21,197
Deposits, prepayments and other receivables	**8,137**	5,524
	19,303	31,956

The Group has a policy of allowing an average credit period of 8 to 30 days to its trade customers. The Group's formal credit policy in place is to monitor the Group's exposure to credit risk through regular reviews of receivables and follow-up enquires on overdue accounts. Credit evaluations are performed on all customers requiring credit over a certain amount. None of the Group's trade receivables has been past due but not impaired at the end of the reporting period.

17. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Current or less than 1 month	**350**	750
1 to 3 months	**–**	71
More than 3 months but less than 12 months	**–**	538
More than 12 months	**3,722**	3,418
Total trade payables	**4,072**	4,777
Construction costs payable	**79,739**	17,474
Advanced payments received from customers		
– Pre-sale deposits received from buyers	**70,055**	246,188
– Receipts in advance, rental and other deposits from buyers, customers and/or tenants	**12,235**	1,980
Accrued transaction costs in relation to disposal of subsidiaries	**46,744**	72,217
Interest payable on bank and other borrowings	**10,751**	37,081
Other accrued expenses and other payables	**34,862**	38,354
	258,458	418,071

18. BANK AND OTHER BORROWINGS

		2010	2009
	Notes	*HK$'000*	*HK$'000*
Interest-bearing, secured			
– bank borrowings			
(i) term loan and construction loan		**244,082**	247,103
(ii) money market loan	*(a)*	**526,076**	–
– other borrowings			
(i) Sky Honest Loan		**–**	220,000
(ii) other	*(b)*	**38,674**	49,674
Interest-bearing, unsecured			
– other borrowings	*(c)*	**82,860**	–
		891,692	516,777
Amounts due within one year included in current liabilities		**(804,689)**	(277,627)
Amounts due after one year		**87,003**	239,150

Notes:

(a) An amount of RMB480,000,000 (approximately HK$568,182,000) was deposited with a bank in the PRC which was used to secure a money market loan of US$67,700,000 (approximately HK$526,076,000) extended by a bank in Hong Kong. On 13 October 2010 the loan was drawn down to repay the remaining outstanding balance of the convertible notes and the Sky Honest Loan under the Noteholders Agreement and Restructuring Agreement and to finance for working capital needs of the Group.

The money market loan carries variable interest at the rate of HIBOR plus 1.8% per annum and is repayable in October 2011.

(b) The amount represents the balance of consideration payable for an acquisition of a subsidiary in 2006. The repayment of the debt is secured by the Company's corporate guarantee, carries interest at the rate of 20% per annum and is repayable by 30 April 2011.

(c) The balance represents unsecured loans from a third party bearing interest at the rate of 20% per annum and is repayable in 2011.

19. DEFERRED INCOME

On 26 July 2010, a framework agreement ("Agreement") for the disposal of the entire equity interest in Huan Cheng, the project company for the development of the Tianhe Project, was entered into between the Company, Yaubond and a third party, 海航酒店控股集團有限公司 (HNA Hotel Holdings Group Co. Limited) ("HNA Hotel") for a gross sale consideration ("Consideration") of RMB1,090,000,000 (approximately HK$1,270,100,000), before certain adjustments. Details of the adjustment mechanism to the Consideration and timing of the payment of the Consideration was set out in the Company's circular dated 19 August 2010 which is supplemented by a memorandum of understanding signed on 8 September 2010 by the contracting parties in relation to a reduction of the finance cost to be borne by the Group.

At the date of completion of the disposal, the Consideration (having been increased by approximately HK$44,597,000 representing adjustment of net assets transferred to HNA Hotel and reduced by future development costs and finance costs to be borne by the Group, which are estimated to be approximately HK$23,304,000 and HK$40,783,000 respectively) is estimated to be approximately HK$1,250,610,000. Netting against the adjusted Consideration by the estimated direct expenses incurred for the disposal of approximately HK$127,566,000 and the discount to present value arising from the final instalment receivable in more than one year from the end of reporting period of approximately HK$16,183,000, the net income derived from the disposal is estimated at approximately HK$1,123,044,000.

On completion of the disposal, an amount of RMB480,000,000 (approximately HK$553,761,000), being the partial payment of the first instalment of RMB600,000,000, was received from HNA Hotel. The remaining balance receivable as at 31 December 2010 of approximately RMB593,494,000 is detailed in note 15(b).

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. At the end of reporting period, the Directors are uncertain about the due performance of certain 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 instalment payment. Accordingly, the Directors are of the view that the revenue recognition criteria set out in HKAS 18 have not been fully satisfied and therefore the disposal transaction is not recognised until when substantial part of the associated costs can be ascertained reliably. The revenue and associated costs of the disposal are deferred until the construction is completed to a substantial progress where associated costs can be reliably measured. Therefore, the sale consideration net of estimated expenses is recorded as deferred income as at 31 December 2010. The underlying assets and liabilities of the Tianhe Project are not derecognised, but instead all aggregated and classified under properties held for development in the consolidated statement of financial position as detailed in note 4(c).

20. CAPITAL COMMITMENTS

	2010	2009
	HK$'000	*HK$'000*
Capital expenditure contracted but not provided for in respect of property construction and development costs	**1,226,345**	1,094,981

21. CONTINGENT LIABILITIES

The Group provides guarantees to the extent of approximately HK$218,356,000 as at 31 December 2010 (2009: Nil) in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

Business review

For the year, the Group recorded a total turnover of HK$423 million, representing a 39% growth when compared with last year thanks to the completion of the property units in Guiyang Project that were sold and recorded as property sales of HK$405 million in the second half of the year. This stream of income compensates the loss of revenue generated from the hotel operation and the declined leasing income caused by the disposal of the Group's main revenue generating asset, a hotel tower at The Westin Guangzhou and office building at the Skyfame Tower, in last December 2009. Nonetheless, the Group maintains a stable leasing income from the Tianyu Garden Phase II which generated HK$18 million for the year.

The revenue from the properties sold in Guiyang during the year represents 96% of the total 856 residential units completed in the first phase of the development. As an effort to boost sales so as to promote market awareness and generate cash flow at the difficult times of the Group during the year, sales were contracted at attractive and affordable prices averaged at approximately HK$4,600 (RMB4,000) per sq.m., leading to a gross profit of HK$54 million but a relatively low profit margin of 13%.

Due to the concentration on property development in the current year instead of being a hotel owner as in previous years, there have been changes in the mode of operation where one can notice from the Group's operating expenses. The hotel operation did not contribute much to the bottom line in the profit and loss account in 2009 due to the substantial depreciation charge and overheads incurred. For the current year, operating expenses decreased by 58% to HK$75 million. Notwithstanding the foregoing and the fact that operating expenses for the year were exceptionally burdened by legal and professional fees of HK$14 million incurred in the debt restructuring and application for resumption of trading of shares, the business operation of the Group achieved an operating profit of HK$10 million (2009: HK$5 million (restated)).

Nonetheless, the Group recorded a profit attributable to the owners of HK$999 million which is a combined effect of the following factors: (1) the successfully implemented debt restructuring program pursuant to which the convertible notes in the principal amount of US$192 million (the "Notes") and a loan of HK$220 million in principal value (the "Sky Honest Loan") have been compromised at a reduced amount equivalent to 80% of the outstanding principal with all accrued interests waived. The restructuring program has resulted in a gain represented by the reduction in liabilities embedded by the Notes and the Sky Honest Loan of HK$1,078 million; (2) a substantial drop in finance costs to HK$165 million (as compared with the HK$1,883 million in the corresponding last year which was impacted mainly by the recognition of the Notes as liability and all accrued interests booked in full as a result of the accelerated repayment demand lodged by the noteholders in late 2009 that brought a charge of HK$1,542 million in last year, a reduction in interests incurred which were previously charged on the disposed Westin Project and the reduced interest charged on the Sky Honest Loan as a result of the debt restructuring, and (3) the revaluation surplus of HK$134 million arising on the revaluation of the Group's commercial podium at the Tianyu Garden Phase II.

To raise fund to repay the noteholders and Sky Honest Loan creditor, besides the disposal of the Westin Project in 2009, in July 2010, the Company entered into an agreement with a third party to sell the entire equity interest in the subsidiary Huan Cheng, which has been engaged in the development of the Tianhe Project, at a gross consideration of approximately HK$1,270 million (RMB1,090 million) plus adjustments for other assets of the project company disposed of, and finance costs and development costs to be borne by the Company. The transaction was completed in September 2010 and the first instalment payment of the consideration received from the purchaser was largely used for the full settlement of the Notes and Sky Honest Loan in October 2010. Instalment payments totalling approximately HK$911 million (RMB770 million), inclusive of the partial early instalment payment of approximately HK$201 million (RMB170 million), have been received from the purchaser in Tianhe Project up to the date of this report. Despite the completion of the disposal transaction, the criteria for recognition of revenue set out in HKAS 18 "Revenue" have not been met due to the fact that the due performance of the Company's obligations under the agreement as to the timing of the completion of the construction and the overruns in construction costs is uncertain at the moment. The associated costs cannot be ascertained reliably and hence the revenue arising from the disposal is not recognised in the current year and deferred to a time when substantial part of the associated costs can be ascertained reliably. Given the normal timeframe for the construction of properties as planned, the Directors expect that the revenue and gain on the disposal will be fully recognised by the end of 2013 when the properties are expected to be completed.

The Group is currently holding an investment property and two pieces of land for real estate development, with details as follows:

Investment property

A 20,000 sq.m. commercial podium at Tianyu Garden Phase II in Tianhe District, Guangzhou. The property is now 70% occupied, tenanted with renowned corporations and the US consulate.

Properties development

Guiyang Project

The development, which the Group holds a 55% stake, consists of high-end residential apartments of a total GFA of approximately 449,000 sq.m. for residential apartments and GFA of approximately 142,000 sq.m. for commercial complex, community facilities and carparking spaces. The first phase of the development of three blocks of residential apartments, club house, carparks and common facilities with GFA of 133,000 sq.m. were completed of which 96% of the units were delivered to buyers since July 2010 and sale proceeds recorded as revenue for the year. The remaining areas will be constructed in two phases, consisting of nine blocks of residential and commercial buildings, common utilities and carparking spaces with GFA of 458,000 sq.m. The second phase of four blocks of residential buildings with GFA of 161,000 sq.m. is under construction and starting from September 2010, all of the second phase development were launched for pre-sale with satisfactory performance. GFA of approximately 72,000 sq.m. have been contracted at sale prices ranging from approximately HK$4,600 (RMB3,900) to approximately HK$6,100 (RMB5,200) per sq.m. so far. The management expects the second phase development will be delivered to the buyers in late 2011 and 2012.

The third phase of the development, consisting of five residential buildings with common facilities and carparking spaces of GFA of 245,000 sq.m., will be completed in late 2013.

Zhoutouzui Project

The project is held by a sino-foreign cooperative joint venture enterprise which is jointly controlled by the Company and two other independent third parties, namely 廣州越秀企業（集團）公司 (Guangzhou Yuexiu Enterprise Group Ltd) and 廣州港集團有限公司 (Guangzhou Port Group Co. Ltd), the former being the original land use right holder with no vested interest in the project and the latter an original user of the land who is entitled to share 28% in GFA of the completed properties. Under the joint venture agreement, the Group has to finance all construction costs of the entire development.

Properties that are planned to be developed on the site of 86,557 sq.m. in size are a total of 7 towers consisting of residential apartments, offices, service apartments, car parking facilities and a commercial complex in GFA of approximately 146,000 sq.m., 28,000 sq.m., 13,000 sq.m., 98,000 sq.m. and 5,000 sq.m. respectively. The site, opposite to the renounced White Swan Hotel, offers a full waterfront view of the Pearl River. The project company has obtained the land use right certificate in November 2010 and plans to commence construction in the second quarter of 2011, pending the issue of the construction permit which is subject to the completion of governmental review of the detailed construction plans.

Going concern

The completion of the debt restructuring program mentioned in the aforesaid paragraphs brought the Group with a stable financial position. The liabilities of the Group have been substantially reduced as a result of the full discharge of the Notes and Sky Honest Loan. In addition, the cash inflows from the pre-sale of properties under construction in Guiyang Project enable the project financially self-sufficient. The instalments received and to be received from the purchaser of Tianhe Project also adds onto the working capital of the Group that facilitates the commencement of construction of the Zhoutouzui Project without financial constraints and reliance on bank borrowing. Based on the marked improvements in the liquidity and gearing positions, the financial statements for the year are prepared on a going concern basis.

Outlook

Subsequent to the settlement of the claims of the noteholders and Sky Honest Loan creditor, the Group's operations have resumed normal and its assets are secured free from turbulence. The Group's free cash at the end of the reporting period will further increase when the second instalment of approximately HK$414 million (RMB350 million) is received in full from the purchaser of Tianhe Project in the second quarter of 2011 of which approximately HK$201 million (RMB170 million) has been received up to the date of this announcement. With all these resources in hand, the Group is in a strong position to sustain a stable growth through its existing development projects as well as by seeking other acquisition opportunities.

Though we see a steady recovery in the global economy since the aftermath of the financial tsunami broken out in 2008, the economies in the emerging markets, the PRC in particular, are heated with rising prices of commodities and properties. The central government of the mainland China has continued in imposing austerity measures to cool down the uprising prices and such curtailing strategies are expected to continue in the coming years. We foresee that more stringent control measures are on the pipeline that will put forward severe threats to players in the field. The Group is fortunate enough to have survived from the year-long financial crisis and the debt restructuring has paved a strong foundation for the Group to sustain a strong presence in the industry.

Liquidity and Financial Resources

Capital structure and liquidity

As at 31 December 2010, the Group is indebted to a commercial bank for a mortgage loan and construction loan totaling approximately HK$244 million (RMB206 million), a money market loan of approximately HK$526 million (US$67.7 million) maturing in one year and secured by a short-term bank deposit of approximately HK$568 million (RMB480 million), other unsecured borrowings due to two third parties totaling HK$122 million and advances from a non-controlling shareholder of a subsidiary totaling HK$221 million. The total indebtedness, exclusive of the money market loan that is backed by a bank deposit, amounting to HK$587 million, represents a decrease of HK$2,222 million when compared with the corresponding balance in last year. The decrease is explained by the extinguishment of the Notes and Sky Honest Loan upon the full implementation of the debt restructuring program in October 2010.

The gearing ratio of the Group as at 31 December 2010 was 21%, based on the net debt of HK$516 million (represented by indebtedness comprising bank and other borrowings (including money market loan), loan from non-controlling shareholder of a subsidiary, net of cash and bank balances and bank deposit backing up the money market loan) to the equity attributable to owners plus net debt as at 31 December 2010. The ratio dropped substantially as a reflection of the reduction in liabilities level and the enlarged equity as at the year-end date.

For the purpose of our assessment of the gearing position of the Group, indebtedness excludes deferred income of HK$1,107 million that is the estimated net consideration for the disposal of Tianhe Project for which the gain and revenue will be recognised at the time when the associated costs relating to the performance of the obligations of the Company can be ascertained.

The current assets totaling HK$1,828 million as at 31 December 2010 show an increase of HK$104 million. The current assets comprise the current portion of the consideration receivable for the disposal of Tianhe Project and the balance instalment for the disposal of Westin Project totaling HK$654 million, bank deposits of HK$630 million (represented by a restricted deposit of HK$568 million used to back up for guarantee extended for the money market loan facility and pre-sale proceeds received from buyers of HK$62 million that will be used for payment of construction costs incurred in the Guiyang Project) and completed unsold properties and properties under development in the Guiyang Project costing HK$133 million and HK$362 million respectively.

Together with the increased current asset level, the liquidity position of the Group is improved in the sense that the net current liabilities of HK$1,149 million in last year turned into a position of net current assets of HK$585 million as at 31 December 2010. The improvement is due to the extinguishment of liabilities as a result of the debt restructuring implemented in the year that caused a substantial reduction in short-term liabilities to HK$1,242 million as at 31 December 2010 from HK$2,873 million as at 31 December 2009. The improvement in liquidity relieves the Group's financial pressure in meeting with its short-term creditors.

Borrowings and pledge of assets

To secure for banking facilities 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 II and works in progress and the land of the Guiyang Project were mortgaged in favour of the lending bank. In addition, bank deposits, being cash received from property buyers, of approximately HK$62 million as at 31 December 2010 were restricted for construction costs of properties under construction. To secure a back-to-back guarantee given by a local bank in the mainland China to a Hong Kong-based bank for a money market loan facility of US$67.7 million, a bank deposit of approximately HK$568 million was placed in a bank account in the mainland China. Since the completion of the debt restructuring program, the shares of certain intermediate holding companies of the property developing subsidiaries of the Group previously charged in respect of the Notes and Sky Honest Loan were released.

Foreign Currency Management

The 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 Group are denominated in other currencies, such as the money market loan and convertible notes in US dollars.

Due to the steady 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, resulting an exchange reserve of HK$315 million as at 31 December 2010 that is added to the equity of the Group. Since the US and HK dollars are pegged whilst RMB moves in gradual and upward trend against the US and HK dollars, the Group foresees no significant possible foreign currency adverse exposure in the foreseeable future but appreciations in the exchange rates of RMB against HK and US dollars. Such fluctuations will not have unfavourable effect on the financial position of the Group. For these reasons, the Group does not hedge against its foreign currency risk. However, any permanent or significant changes in the exchange rates in RMB for HK and US dollars and in the peg system of US dollars with HK dollars may have possible impact on the Group's results and financial position.

CORPORATE GOVERNANCE

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the 2010 financial statements, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules except for code provision A2.1, where the roles of chairman and chief executive officer of the Company is not separated as required but is currently performed by the same individual.

Due to the small size of the management team, both the roles of the Chairman and Chief Executive Officer of the Company are currently played by Mr. Yu Pan. The Board considers the current simple but efficient management team serves sufficiently enough the need of the Group. The Board will, nonetheless, continue to review the business growth of the Group and, when considered essential, will set out a clear division of responsibilities at the board level and the management team to ensure a proper balance of power and authority within the Company.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

During the year, the Company has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Specific confirmation has been obtained from all Directors to confirm compliance with the Model Code throughout the year ended 31 December 2010.

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

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

AUDIT COMMITTEE

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

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

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

OTHER

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

Trading in the shares of the Company has been suspended since 9:30 a.m. on 3 November 2009 at the request of the Company due to the acceleration of repayment of the Notes and appointment of receivers by the Noteholders and lender of the Sky Honest Loan. The suspension will remain until further notice. The Company is applying for the resumption of the trading and is now in the final process, subject to the further review by and approval to be received from The Stock Exchange of Hong Kong Limited.

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

Hong Kong, 15 March 2011