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

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

UNAUDITED INTERIM RESULTS

The board of Directors (the “**Board**”) of Skyfame Realty (Holdings) Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2012, together with comparative figures for the corresponding period of 2011.

* *for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		Six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited and restated)
	Notes		
Revenue	2	13,995	15,858
Cost of sales and services		<u>(5,272)</u>	<u>(6,687)</u>
Gross profit		8,723	9,171
Other income and gain, net		1,022	7,465
Sales and marketing expenses		(5,129)	(6,171)
Administrative and other expenses		(38,532)	(28,083)
Fair value changes in financial derivative liabilities		2,505	–
Loss on derecognition of the Bonds due to early repayment		(3,129)	–
Finance costs	3	(11,730)	(20,632)
Finance income	3	<u>10,079</u>	<u>6,601</u>
Loss before income tax	4	(36,191)	(31,649)
Income tax credit	5	<u>520</u>	<u>20,920</u>
LOSS FOR THE PERIOD		(35,671)	(10,729)
Other comprehensive income:			
Exchange differences arising on foreign operations		<u>(7)</u>	<u>(7)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>(35,678)</u>	<u>(10,736)</u>
Loss for the period attributable to:			
– Owners of the Company		(32,464)	(5,781)
– Non-controlling interests		<u>(3,207)</u>	<u>(4,948)</u>
		<u>(35,671)</u>	<u>(10,729)</u>
Total comprehensive income for the period attributable to:			
– Owners of the Company		(32,471)	(5,788)
– Non-controlling interests		<u>(3,207)</u>	<u>(4,948)</u>
		<u>(35,678)</u>	<u>(10,736)</u>
Loss per share	7		
– Basic		<u>(RMB0.021)</u>	<u>(RMB0.004)</u>
– Diluted		<u>(RMB0.021)</u>	<u>(RMB0.004)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		30 June 2012	31 December 2011
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		6,995	6,531
Investment properties		495,000	495,000
Properties held for development		765,059	765,059
Goodwill		13,554	13,554
Consideration receivable – non-current portion	8	87,470	81,290
		1,368,078	1,361,434
Current assets			
Properties under development		2,069,821	1,917,289
Properties held for sale		103,769	106,717
Consideration receivable – current portion	8	116,685	111,809
Loan to non-controlling shareholder of a subsidiary		–	5,100
Trade and other receivables	9	165,817	158,488
Restricted and pledged deposits		389,492	556,213
Cash and cash equivalents		245,280	200,211
		3,090,864	3,055,827
Current liabilities			
Trade and other payables	10	722,838	602,710
Bank and other borrowings – current portion		339,690	567,480
Financial derivative liabilities		1,875	4,355
Loans from non-controlling shareholders of a subsidiary		168,534	168,420
Income tax payable		66,734	83,087
		1,299,671	1,426,052
Net current assets		1,791,193	1,629,775
Total assets less current liabilities		3,159,271	2,991,209

		30 June 2012	31 December 2011
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Bank and other borrowings – non-current portion		123,000	218,080
Deferred income	11	977,431	977,431
Deferred tax liabilities		170,548	170,548
		<u>1,270,979</u>	<u>1,366,059</u>
Net assets		<u>1,888,292</u>	<u>1,625,150</u>
Capital and reserves			
Share capital		21,068	15,040
Reserves		1,809,993	1,549,672
Equity attributable to owners of the Company		1,831,061	1,564,712
Non-controlling interests		57,231	60,438
Total equity		<u>1,888,292</u>	<u>1,625,150</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 June 2012 (the “**Interim Financial Statements**”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The Interim Financial Statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2011.

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

During the year ended 31 December 2011, the Group changed its presentation currency for the preparation of its financial statements from Hong Kong dollar (“**HK\$**”) to Renminbi (“**RMB**”). As such, the comparative figures in the consolidated financial statements are re-presented in RMB following the policy in note 4(o) of the Group’s annual financial statements for the year ended 31 December 2011.

2. REVENUE AND 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 two operating divisions – property development and property investment. As management of the Group considers that all consolidated revenue are attributable to the markets in the People’s Republic of China (“**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

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 (loss) profit before interest (finance costs and income), income tax, depreciation and amortisation (“**adjusted EBITDA**”).

Segment assets/liabilities include all assets/liabilities attributable to those segments with the exception of cash and bank balances, unallocated bank and other borrowings, financial derivative liabilities 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 Interim Financial Statements is set out below:

(a) **Segment results, assets and liabilities**

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Total <i>RMB'000</i>
<i>Six months ended 30 June 2012 (Unaudited)</i>			
External and consolidated revenue			
Sale of properties	3,233	–	3,233
Rental income	1,263	9,499	10,762
Reportable segment revenue	4,496	9,499	13,995
Operating results	(23,856)	5,419	(18,437)
Add: Depreciation	212	503	715
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	(23,644)	5,922	(17,722)
Bad debts recovered	–	36	36
Additions to properties under development	118,673	–	118,673
Capital expenditure	678	–	678
<i>As at 30 June 2012 (Unaudited)</i>			
Assets			
Reportable segment assets	3,319,609	502,056	3,821,665
Liabilities			
Reportable segment liabilities	1,840,728	13,172	1,853,900

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Total <i>RMB'000</i>
<i>Six months ended 30 June 2011</i>			
<i>(Unaudited and restated)</i>			
External and consolidated revenue			
Sale of properties	7,542	–	7,542
Rental income	537	7,779	8,316
Reportable segment revenue	8,079	7,779	15,858
Operating results	(20,240)	1,769	(18,471)
Add: Depreciation	95	182	277
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	(20,145)	1,951	(18,194)
Bad debts recovered	–	27	27
Additions to properties held for/under development	155,278	–	155,278
Capital expenditure	88	–	88
<i>As at 31 December 2011 (Audited)</i>			
Assets			
Reportable segment assets	3,158,481	501,494	3,659,975
Liabilities			
Reportable segment liabilities	1,731,561	12,160	1,743,721

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

	Six months ended	
	30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Results		
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	(17,722)	(18,194)
Unallocated corporate (expenses) income before depreciation	(15,442)	859
	(33,164)	(17,335)
Depreciation		
– Reportable segment	(715)	(277)
– Unallocated	(37)	(6)
	(33,916)	(17,618)
Fair value changes in financial derivative liabilities	2,505	–
Loss on derecognition of the Bonds due to early repayment	(3,129)	–
Finance costs	(11,730)	(20,632)
Finance income	10,079	6,601
Consolidated loss before income tax	(36,191)	(31,649)
Capital expenditure incurred during the period		
– Reportable segment	678	88
– Unallocated	560	204
	1,238	292

	As at 30 June 2012 <i>RMB'000</i> (Unaudited)	As at 31 December 2011 <i>RMB'000</i> (Audited)
Assets		
Reportable segment assets	3,821,665	3,659,975
Restricted and pledged deposits	389,492	556,213
Cash and cash equivalents	245,280	200,211
Unallocated corporate assets	2,505	862
Consolidated total assets	4,458,942	4,417,261
Liabilities		
Reportable segment liabilities	1,853,900	1,743,721
Income tax payable	66,734	83,087
Deferred tax liabilities	170,548	170,548
Financial derivative liabilities	1,875	4,355
Unallocated bank and other borrowings	462,690	785,560
Unallocated corporate liabilities	14,903	4,840
Consolidated total liabilities	2,570,650	2,792,111

3. FINANCE COSTS AND INCOME

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited and restated)
Finance costs:		
Interest on bank and other borrowings		
– wholly repayable within five years	35,104	16,153
– wholly repayable after five years	2,239	2,134
Imputed interest on loans from non-controlling shareholders of a subsidiary	4,455	4,455
	<u>41,798</u>	<u>22,742</u>
<i>Less: Amount capitalised as properties under development</i>		
Interest on bank and other borrowings	(29,294)	(3,151)
Imputed interest on loans from non-controlling shareholders of a subsidiary	(4,455)	–
	<u>(33,749)</u>	<u>(3,151)</u>
	8,049	19,591
Other borrowing costs	3,681	1,041
	<u>11,730</u>	<u>20,632</u>
Finance costs charged to profit or loss	<u>11,730</u>	<u>20,632</u>
Finance income:		
Bank interest income	7,433	6,601
Other interest income	2,646	–
	<u>10,079</u>	<u>6,601</u>
Finance income credited to profit or loss	<u>10,079</u>	<u>6,601</u>

4. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited and restated)
Cost of properties sold	2,860	4,777
Staff costs (including Directors' emoluments) comprise:		
– Basic salaries and other benefits	20,965	14,050
– Equity-settled share-based payment expenses	1,822	–
– Contributions to defined contribution pension plans	1,186	731
Total staff costs (including Directors' emoluments)	23,973	14,781
<i>Less: Amount capitalised as properties under development</i>	(4,867)	(5,232)
Staff costs charged to profit or loss	19,106	9,549
Auditors' remuneration – current year	418	344
Depreciation of property, plant and equipment	774	312
<i>Less: Amount capitalised as properties under development</i>	(22)	(29)
Depreciation charged to profit or loss	752	283
Gain on disposal of property, plant and equipment	(69)	(10)
Exchange loss (gain), net	3,750	(7,318)
Bad debts recovered	(36)	(27)
	<u> </u>	<u> </u>

5. INCOME TAX CREDIT

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited and restated)
Current tax		
Hong Kong profits tax		
– over provision in respect of prior years	552	–
PRC land appreciation tax (“LAT”)		
– current year	(32)	(75)
– over provision in respect of prior years	–	20,995
	<u> </u>	<u> </u>
Total income tax credit	<u>520</u>	<u>20,920</u>

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2012 (six months ended 30 June 2011: 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% (six months ended 30 June 2011: 16.5%) for the six months ended 30 June 2012.

Enterprise income tax arising from other regions of the PRC is calculated at 25% (six months ended 30 June 2011: 25%) on 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.

6. DIVIDENDS

The Directors do not recommend the payment of interim dividend in respect of the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Loss for the purposes of basic and diluted loss per share	<u>(32,464)</u>	<u>(5,781)</u>
	Number of shares	
	'000	'000
	(Unaudited)	(Unaudited and restated)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>1,560,473</u>	<u>1,540,759</u>

The weighted average number of ordinary shares in issue during the period and the comparative period were adjusted to reflect the effect of the rights issue.

For the six months ended 30 June 2012 and 2011, basic loss per share are same as diluted loss per share as any effect from the Company's options and warrants is anti-dilutive.

8. CONSIDERATION RECEIVABLE

			30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
	Gross consideration	(Received)/ Paid		
Gross sale consideration for the equity interest plus net assets of Huan Cheng (net of relocation cost of fire-station borne by the Group)	1,128,273	(858,658)	269,615	264,738
<i>Less: Development costs and finance costs borne by the Group</i>	<u>(55,000)</u>	<u>9,305</u>	<u>(45,695)</u>	<u>(49,596)</u>
	1,073,273	(849,353)	223,920	215,142
<i>Less: Impairment loss recognised in overdue consideration receivable</i>	<u>(12,929)</u>	<u>–</u>	<u>(12,929)</u>	<u>(12,929)</u>
<i>Less: Amortisation of future value in final payment</i>	<u>(6,836)</u>	<u>–</u>	<u>(6,836)</u>	<u>(9,114)</u>
Amortised value	1,053,508	(849,353)	204,155	193,099
Amounts due within one year included in current assets	<u>(116,685)</u>	<u>–</u>	<u>(116,685)</u>	<u>(111,809)</u>
Amount due after one year	<u>936,823</u>	<u>(849,353)</u>	<u>87,470</u>	<u>81,290</u>

The balance relates to the outstanding instalments receivable for the disposal of the equity interest in 廣州寰城實業發展有限公司 (Guangzhou Huan Cheng Real Estate Development Company Limited) (“**Huan Cheng**”) that is unsecured and interest-free. A sum of approximately RMB8,778,000 had been paid by the Group as relocation costs of the fire station, design and development costs during the period. An outstanding amount of approximately RMB130,138,000 was due in April 2011 and remained unsettled. Based on a supplemental agreement entered into on 1 July 2011 with, amongst the others, HNA Hotel, the purchaser of the interest in Huan Cheng, HNA Hotel agrees to transfer the property interests of part of the 32nd and 33rd floors of HNA Tower owned by HNA Hotel, which are being leased by the Group as the head office in Guangzhou, to the Group as full and final settlement of the outstanding consideration payable by HNA Hotel of approximately RMB129,614,000 (net of relocation costs) (31 December 2011: RMB124,738,000). As the supplemental agreement has lapsed, the parties have agreed to extend the payment date to the end of the financial year to enable the purchaser to transfer the ownership titles of the commercial properties in HNA Tower as an alternative to cash settlement.

The Directors believed that HNA Hotel is taking appropriate steps to complete the transfer of ownership and have made a provision for impairment loss of RMB12,929,000, based on the discounted cash flows estimated on 31 December 2011 from market rental to be received from leasing of the properties to be transferred.

A final instalment of approximately RMB87,470,000 (31 December 2011: RMB81,290,000) is receivable when the construction of the properties are completed, which is expected to occur in more than twelve months from the end of reporting period.

9. TRADE AND OTHER RECEIVABLES

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Current or less than 1 month	984	171
1 to 3 months	335	159
More than 3 months but less than 12 months	171	374
More than 1 year	21	–
Trade receivables, net of impairment	1,511	704
Refundable earnest money in development project	10,000	10,000
Tender deposit in development project	6,000	6,000
Prepaid construction costs	96,517	98,202
Business taxes and surcharges paid for pre-sold properties	32,074	28,386
Interest receivable on bank deposits	6,694	5,993
Deposits, prepayments and other receivables	13,021	9,203
	165,817	158,488

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

10. TRADE AND OTHER PAYABLES

The following includes an ageing analysis of trade payables at the end of the reporting period:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Current or less than 1 month	24	385
1 to 3 months	723	2,502
More than 3 months but less than 12 months	2,821	709
More than 12 months	673	3,063
Total trade payables	4,241	6,659
Construction costs payable	87,461	71,408
Advanced payments received		
– Pre-sale deposits received from buyers	563,161	476,955
– Receipts in advance, rental and other deposits from buyers, customers and/or tenants	21,242	12,449
Accrued transaction costs in relation to disposal of subsidiaries	1,489	1,489
Interest payable on bank and other borrowings	9,449	2,538
Other accrued expenses and other payables	35,795	31,212
	722,838	602,710

11. DEFERRED INCOME

In 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 Limited and a third party, HNA Hotel for a gross sale consideration (“**Consideration**”) of RMB1,090,000,000, before certain adjustments.

As at 30 June 2012, deferred income (having the Consideration been increased by approximately RMB38,273,000 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 RMB20,000,000 and RMB35,000,000 respectively), was estimated to be approximately RMB977,431,000.

Since the disposal of Huan Cheng, total proceeds amounting to approximately RMB849,353,000, being the first instalment and partial payment of second instalment, have been received from HNA Hotel. The remaining balance receivable before impairment loss as at 30 June 2012 of approximately RMB223,920,000 (31 December 2011: RMB215,142,000) is detailed in note 8.

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 deducted from the Consideration under the prevailing agreement caused by overruns in construction costs not due to the change in design plan proposed by HNA Hotel and claim for delays in construction of the project. 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 of the assets and liabilities of the Tianhe Project is not recognised in the income statement until when substantial part of the revenue can be ascertained reliably. The revenue and associated costs of the Tianhe Project are deferred until the construction is completed to a substantial progress where the revenue can be reliably measured. Therefore, the net sale consideration is recorded as deferred income as at 30 June 2012 and 31 December 2011. The costs of the Tianhe Project are not derecognised, but instead included in properties held for development in the consolidated statement of financial position.

12. CAPITAL COMMITMENTS

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Expenditure contracted but not provided for in respect of		
– Property construction and development costs	513,648	507,271
Expenditure authorised but not contracted for in respect of		
– Property construction and development costs	2,088,455	2,253,484
– Acquisition of land use rights	931,648	1,031,648
	3,020,103	3,285,132

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

Business Review

For the six months ended 30 June 2012, the Group's total turnover, mainly leasing income, was RMB14 million, representing a decrease of 12% when compared with last corresponding period. The decrease in revenue was caused by the drop in sales of properties in Guiyang Project despite a rise in occupancy rate in the Tianyu Garden Phase II from 80 to 86%. The sale of properties, an important stream of income of the Group, did not generate much revenue for the period and recorded revenue of only RMB3 million from the sale of remaining units of phase one of Guiyang Project. Pending delivery of phase two of Guiyang Project which is duly expected in the fourth quarter of the financial year and the first quarter of 2013, the pre-sale proceeds of phase two and phase three received so far up to the end of the interim period in the amounts of RMB534 million and RMB29 million respectively will then be recorded as income of the Group when the completed units are handed over to purchasers. There will then be marked improvements in both the turnover and profitability of the Group.

Since late last year, as part of the strategies on expansion, the management has put in new proficient manpower into the management team which resulted in increased staff costs, a major overhead item representing 44% of total operating expenses. Coupled with exchange losses of RMB4 million arising from the appreciation of the US\$ and HK\$, the currencies in which the money market loans and guaranteed bonds are denominated, compared with exchange gains of RMB7 million in preceding period, overall operating expenses for the period increased 27% to RMB44 million.

Due to the low revenue booked from property sales but increased staffing costs in the central office which are not capitalised as property development costs, the Group recorded a loss before interest, tax, depreciation and amortisation of RMB33 million (2011: RMB17 million).

The Group had higher finance costs of RMB42 million incurred during the period (2011: RMB23 million) due to higher level of borrowing throughout the period and higher interest rates charged which were, however, largely capitalised as development project costs, resulting to lower finance cost of RMB12 million charged to the income statement (2011: RMB21 million). Due to an overprovision in tax of RMB21 million of a disposed subsidiary adjusted in the last period, the previous period showed a smaller post-tax loss than the current period. The post-tax loss attributable to shareholders for the period was RMB32 million (2011: RMB6 million).

To enhance the equity and improve further the leverage of the Company, on 28 June 2012, the Company completed a rights issue raising gross proceeds of HK\$369 million (equivalent to approximately RMB301 million) by issuing additional 738,843,725 shares of the Company. The proceed was utilised to repay the bonds issued by the Company in principal value of HK\$200 million (equivalent to approximately RMB163 million) and interests accrued thereon in full and partially the money market loan of US\$17.5 million (equivalent to approximately RMB111 million) for releasing of a corresponding bank deposit pledged in favour of the loan lender to increase the Company's liquidity of cash.

Properties development

The Group is undergoing four real estate development projects in mainland China during the period and on the reporting date.

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. Out of the first phase of the development with GFA totaling approximately 134,000 sq.m. which was completed in 2010, almost all of residential apartment had been sold. Sale revenue of those remaining units sold during the period was recorded as revenue for the period. Construction of phase two of the project is being finalised and is expected to take place in late 2012 and early 2013. Up to the date of this announcement, the pre-sale of phase two reached 80% of the total GFA which were contracted at an average price of approximately RMB4,500 per sq.m., generating a total revenue of RMB582 million that will be recognised in late this year and early 2013, depending on the timing of hand-over. The third phase of the project, consisting of five residential buildings with common facilities and carparking spaces of GFA of approximately 244,000 sq.m., is under construction and is expected to be completed in 2014. GFA of approximately 63,000 sq.m. of phase three are launched for pre-sale in April 2012 at an average selling price of approximately RMB4,600 per sq.m. and recorded contracted sale proceed of RMB89 million up to the date of this announcement.

Zhoutouzui Project

The project is held by a sino-foreign cooperative joint venture enterprise which is jointly controlled by the Group and two other independent third parties, namely 廣州越秀企業(集團)公司 (Guangzhou Yuexiu Enterprise (Group) Company Limited) and 廣州港集團有限公司 (Guangzhou Port Group Co., Limited), 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 pursuant to a joint venture agreement entered into in 2001 which also stipulates that the Group has to finance all construction costs of the entire development.

The development on the site of 43,609 sq.m. consists of 7 towers of residential apartments, offices, service apartments, underground car parking facilities and a commercial complex in a total GFA of approximately 320,000 sq.m.. The site, opposite to the renowned White Swan Hotel, offers a full waterfront view of the Pearl River. The project company has obtained the construction permit for phase one to develop GFA of approximately 97,000 sq.m. where preliminary construction works have commenced. The detailed planning parameters for phase two of the development with aggregated GFA of approximately 127,000 sq.m. are in process for governmental approval and the construction permits in the next step are expected to be received in late 2012 when construction of the entire project will be commenced in full force.

Yongzhou Project

According to a framework agreement entered into with the district government of Lingling in Yongzhou, Hunan province, The project, offers an opportunity to the Group in the development on a total site area of 1,000 mu on which a GFA of about 1,600,000 sq.m., will be developed into residential, commercial complex and retail shops in Yongzhou, Hunan province by a subsidiary in which the Group holds a 70% equity interest. As a condition to the development rights granted to the project company, the project company is also obligated to manage the remodelling works of certain scenic spots in the city surrounding the development sites. The entire project has a development period of 6 years. The first phase of the Project has started construction in the second quarter of the year featuring a residential development of villas, apartments and retail shops with a total GFA of approximately 212,000 sq.m. on a 106 mu site. It is planned that phase one will be launched for pre-sale in late August 2012.

Tianhe Project

The equity interest in the project was sold to a third party in late 2010 at a gross consideration of RMB1.09 billion before deduction of finance and other costs which are yet to be ascertained. Payments, net of costs borne and paid by the Group, totalling RMB849 million have been received from the purchaser so far. As the Group is obliged to bear overruns of construction costs and indemnify the timely completion of the construction of the properties within the agreed timeline, the criteria for recognition of revenue set out in the Hong Kong accounting standard has yet to be met. Hence, the revenue arising from the disposal has not yet been recognised but deferred to a time when construction is close to completion and substantial part of the associated costs can be ascertained reliably. The construction of the project, consisting of a GFA of approximately 113,000 sq.m. for two blocks of serviced apartments and offices, was started in 2011 and the foundation works and the construction of the basements have been completed at the reporting date. Given the current progress of the construction of properties, the directors expect that the construction will be completed in 2014 when the sale transaction can be recorded and the management estimated that a gain of RMB212 million in respect of the disposal will be recognised.

Out of the unpaid disposal consideration, an instalment payment for RMB130 million has been overdue and negotiations have been continued with the purchaser for settlement. The parties have agreed to extend the payment date to the end of this financial year to enable the purchaser to transfer the ownership titles of the commercial properties in Skyfame Tower (now known as HNA Tower) at Tianhe which the Group is currently using as office, as an alternative to cash settlement.

As at 30 June 2012, the Group's projects on hand renders a land reserve for property development of a total GFA of approximately 1,100,000 sq.m., all of which will be put under construction by late 2012.

The Group also holds an investment property 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 86% occupied, tenanted with renowned corporations and a US consulate.

Outlook

Since last year, the global economy has been hit hard by the everlasting debt crisis in the European countries and the slowing major economies in the PRC and USA. Coupled with the continuing stringent austerity measures taken by the central government of mainland China on real estate developers, the Group is foreseeing some further difficult times to come. However, the Group has managed to counter the tight capital market by having successfully sought the required banking facilities for Zhoutouzui Project in the amount of RMB1 billion for the entire developments thanks for the Group's low leverage. Further, banking facilities in an aggregate amount of around RMB300 million are being sought for the construction of phase three of Guiyang Project and the first phase of Yongzhou Project. The management expects that the facilities available being sought and the pre-sales proceeds from the existing projects can be sufficient to meet with the needs of the project development. The first phase of the Yongzhou Project is due to be launched for pre-sale which is expected to generate resources to meet with the construction costs of the ongoing stages in the first phase of construction should the development loan from bank is not yet made available due to the banks' tight credit controls under the current environment. Despite these difficulties, the Group is in a solid position to achieve faster paces in its developments in Guiyang, Yongzhou and Zhoutouzui in the coming years.

To cope with the weakening economic performance which is the centre point of attention of the central government of the mainland China, the directors take the view that the government will take gradual steps to stimulate the economic growth but maintain existing tightened controls over the property market, indicating that fluctuations and uncertainties in the real estate market will continue. The management will monitor its business plans to respond actively to any policy adjustment and market

trend changes. Nonetheless, the directors, whilst aiming to sustain a steady growth in the Group's future business on one hand, will remain prudent in its expansion plan which is only restricted to affordable opportunities with attractive returns on the other hand. Meanwhile, the Group has won a bid for a development in a new town in Nanning, Guangxi province for a residential development with a GFA of approximately 1,000,000 sq.m.. The parties are actively in negotiations about the contractual terms and we expect a binding agreement can be concluded with the district government of Nanning. The investment, if crystalised, will further enhance the cash flow and earnings of the Group in the coming few years.

Liquidity and Financial Resources

Capital structure and liquidity

In June 2012, upon the completion of the rights issue, the Group has paid off the bonds in a principal value of HK\$200 million (equivalent to approximately RMB163 million) and partially a money market loan in the amount of US\$17.5 million (equivalent to approximately RMB111 million), reducing the Group's indebtedness to a further extent. At the end of the reporting period, the Group is indebted to a commercial bank for a mortgage loan totaling RMB70 million, two money market loans totaling US\$52.6 million (equivalent to RMB333 million) secured by two short-term bank deposits totaling RMB358 million, other unsecured borrowing due to a third party of RMB60 million and advances from non-controlling shareholders of a subsidiary totaling RMB169 million and outstanding warrants at fair value of RMB2 million issued to the holder of the bonds. These indebtedness, exclusive of the money market loans that are secured by bank deposits, totaling RMB300 million, represents a decrease of RMB233 million when compared with the total indebtedness at the year-end of last year.

The indebtedness of the Group excludes a deferred income of RMB977 million, now recorded as a material liability item on the balance sheet, which is in fact represented by the estimated net income arising from the disposal of Tianhe Project net of certain costs associated with the obligations to be fulfilled by the Group under the contract of disposal. The revenue and related costs of investment in the project will be recognised in the income statement at the time when the associated costs relating to the performance of the obligations of the Group can be ascertained.

The gearing ratio of the Group was 1.6% (31 December 2011: 14.7%), based on the net debt of RMB30 million (represented by total indebtedness mentioned in the preceding paragraph of RMB633 million comprising bank and other borrowings, money market loans, warrants, loans from non-controlling shareholders, net of cash and bank balances and bank deposits securing for the money market loans) to the equity attributable to equity holders plus net debt of RMB1,861 million as at 30 June 2012. The ratio dropped as a reflection of the decline in indebtedness level and the increase in equity by the rights issue as at the end of the reporting period.

During the period, construction works of all projects have commenced and hence related development costs incurred in these projects were reclassified as current assets other than the Tianhe Project which costs are not borne by the Group. Current assets, totaling RMB3,091 million as at 30 June 2012, show a rise by RMB35 million from last year. Apart from the properties under development at an aggregated value of RMB2,070 million, the current assets at the end of the reporting period comprise mainly properties held for sale of RMB104 million, consideration receivable for the disposal of Tianhe Project of RMB130 million before netting of provision made for impairment loss of RMB13 million, bank balances totaling RMB635 million including restricted deposits of RMB358 million securing for the money market loan facilities, RMB31 million pre-sale proceeds received from buyers that are restricted for payment of construction costs incurred in the Guiyang Project, and deposits made to contractors and other deposits totaling RMB126 million.

Total current liabilities amounted to RMB1,300 million, a decrease of RMB126 million compared with that on 31 December 2011. The current liabilities at the current period-end comprise, other than the secured money market loans, the current portion of a mortgage loan due to a commercial bank totaling RMB7 million, warrants issued to the holder of the bonds at fair value of RMB2 million, loans from non-controlling shareholders of RMB169 million, the other items represented advanced payments received from buyers of pre-sold properties of RMB563 million, and miscellaneous items in trade payables, accruals and income tax payable aggregated to RMB226 million.

The current ratio shows further improvement which is 2.38 times at the end of the reporting period (2011: 2.14 times).

Borrowings and pledge of assets

As at 30 June 2012, since the repayment of the construction loan granted by a bank for Guiyang Project, the security held over the properties under construction in the Guiyang Project has been discharged. The land and construction in progress in phase one of the Zhoutouzui Project and certain property units in Tianyu Garden Phase II are mortgaged to a commercial bank to secure for banking facilities granted to the subsidiaries engaged in the Zhoutouzui Project and property investment of Tianyu Garden Phase II. As at 30 June 2012, bank loan in the amount of RMB70 million is outstanding but bank facility for the property development in Zhoutouzui has not yet been drawn down. Other than the construction loan, bank deposits of pre-sale proceeds received from property buyers of approximately RMB31 million were restricted to the payment of construction costs of properties under construction. To secure the back-to-back guarantees given by two local banks in mainland China to a Hong Kong-based bank for money market loans of US\$52.6 million (equivalent to RMB333 million), bank deposits of approximately RMB358 million were placed in bank accounts as security.

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, some financing activities of the Group are denominated in other currencies, such as the money market loans and the guaranteed bonds are in US dollars and Hong Kong dollars respectively.

During the period, RMB has been in mild fluctuations in both ends against HK and US dollars, foreign exchange losses were realised on transactions when the money market loan and bonds were repaid during the period whilst exchange loss of RMB7,000 recorded on consolidation of assets and liabilities as at 30 June 2012 of a small subsidiary operating in Hong Kong which carries its books in HK dollars was written against the exchange reserve forming part of the equity of the Company. Since the US and HK dollars are pegged whilst RMB has been moving in small extents in both ends against the US and HK dollars, the Group foresees no significant foreign currency adverse exposure in the foreseeable future. However, any change in the managed system of RMB against the US dollars and HK dollars and the peg system of US dollars against HK dollars may have possible impact on the Group's results and financial position. Nonetheless, the Group sees the need to minimise the currency exposure and plans to repay the money market loans in full in the near future.

Contingent Liabilities

The Group provides guarantees to the extent of HK\$414 million as at 30 June 2012 (31 December 2011: RMB383 million) 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 to the purchasers.

CORPORATE GOVERNANCE

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

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

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ securities transactions. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the period under review.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities for the six months ended 30 June 2012.

AUDIT COMMITTEE

The principal duties of the Audit Committee include the review of the Company’s financial reporting procedures, internal controls and results of the Group. The Interim Financial Statements have been reviewed by the Audit Committee.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

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

OTHER

As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. YU Pan (Chairman), Mr. SIU Shawn 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.

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

Hong Kong, 15 August 2012