Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2012

FINAL RESULTS

The board of directors (the "**Board**") of Skyfame Realty (Holdings) Limited (the "**Company**") announces the consolidated final results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2012, together with comparative figures for the corresponding year of 2011. The consolidated final results have been reviewed by the audit committee of the Company.

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Notes	**2012** *RMB'000*	2011 *RMB'000*
Revenue	5	**53,803**	32,951
Cost of sales and services		**(31,006)**	(17,157)
Gross profit		**22,797**	15,794
Other income and gains, net		**672**	17,343
Sales and marketing expenses		**(15,187)**	(10,994)
Administrative and other expenses		**(73,453)**	(112,908)
Fair value changes in investment properties		**18,000**	15,000
Write-down of properties held for sale		**(77,375)**	–
Fair value changes in financial derivative liabilities		**2,352**	(1,510)
Finance costs	6	**(10,092)**	(8,746)
Finance income	6	**18,513**	16,592
Loss before income tax	7	**(113,773)**	(69,429)
Income tax (expense) credit	8	**(8,157)**	7,600
LOSS FOR THE YEAR		**(121,930)**	(61,829)
Other comprehensive income:			
Exchange differences arising on foreign operations		**24**	(26)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(121,906)**	(61,855)
Loss for the year attributable to:			
– Owners of the Company		**(79,976)**	(51,861)
– Non-controlling interests		**(41,954)**	(9,968)
		(121,930)	(61,829)
Total comprehensive income for the year attributable to:			
– Owners of the Company		**(79,952)**	(51,887)
– Non-controlling interests		**(41,954)**	(9,968)
		(121,906)	(61,855)
Loss per share (2011 restated)	9		
– Basic		**(RMB0.041)**	(RMB0.034)
– Diluted		**(RMB0.043)**	(RMB0.034)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment		**6,720**	6,531
Investment properties		**513,000**	495,000
Properties under Tianhe Project		**765,064**	765,059
Goodwill		**13,554**	13,554
Deposit paid for acquisition of leasehold/investment property		**17,432**	–
Consideration receivable – non-current portion	11	**94,078**	81,290
		1,409,848	1,361,434
Current assets			
Properties under development		**1,691,320**	1,917,289
Properties held for sale		**666,640**	106,717
Consideration receivable – current portion	11	**116,685**	111,809
Loan to non-controlling shareholder of a subsidiary		**–**	5,100
Trade and other receivables	12	**203,804**	158,488
Restricted and pledged deposits		**252,320**	556,213
Cash and cash equivalents		**363,203**	200,211
		3,293,972	3,055,827
Current liabilities			
Trade and other payables	13	**244,934**	125,755
Properties pre-sale deposits		**806,355**	476,955
Bank and other borrowings – current portion		**138,271**	567,480
Financial derivative liabilities		**19,191**	4,355
Loans from non-controlling shareholders of a subsidiary		**163,600**	168,420
Income tax payable		**62,098**	83,087
		1,434,449	1,426,052
Net current assets		**1,859,523**	1,629,775
Total assets less current liabilities		**3,269,371**	2,991,209

	Notes	**2012**	2011
		RMB'000	*RMB'000*
Non-current liabilities			
Bank and other borrowings – non-current portion		**313,975**	218,080
Consideration from disposal of Tianhe Project	14	**977,431**	977,431
Deferred tax liabilities		**175,048**	170,548
		1,466,454	1,366,059
Net assets		**1,802,917**	1,625,150
Capital and reserves			
Share capital		**21,068**	15,040
Reserves		**1,763,365**	1,549,672
Equity attributable to owners of the Company		**1,784,433**	1,564,712
Non-controlling interests		**18,484**	60,438
Total equity		**1,802,917**	1,625,150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 "**Stock Exchange**").

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. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of amendments to HKFRSs – effective 1 January 2012

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

As explained below, the adoption of these amendments has no material impact on the Group's financial statements.

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 expand the disclosure requirements for transfer transactions of financial assets, in particular where the reporting entity has continuing involvement in financial assets that it has derecognised. The newly required disclosures allow users of financial statements to better understand the risks to which the reporting entity remains exposed. And such information is relevant in assessing the amount, timing and uncertainty of the entity's future cash flows. The adoption of the amendments has no impact on the disclosures for the current and comparative periods presented.

Amendments to HKAS 12 – Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property which is stated at fair value under HKAS 40 "Investment Property" is recovered entirely through sale. The measurement of the deferred tax liability or deferred tax asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If this presumption is rebutted, the amount of deferred tax is measured based on the expected manner in which the carrying amount of the investment property would be recovered, using the appropriate tax rates enacted or substantially enacted at the reporting date.

The Group has rebutted the presumption in respect of the Group's investment properties, which are located in the PRC, as they are assessed to be depreciable and are held by subsidiaries with a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale. Deferred tax in respect of the investment properties has been provided on the basis of recovery through use in the prior periods. As a result, the adoption of the amendments has no impact on the Group's reported profit or loss and financial position for any period presented.

(b) New HKFRSs that have been early adopted by the Group

The following new HKFRSs which are effective for annual periods beginning on or after 1 January 2013 have been early adopted by the Group.

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures

As explained below, the early adoption of these new HKFRSs has no material impact on the Group's financial statements.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively. The directors of the Company (the "**Directors**") have made an assessment based on the control model introduced by HKFRS 10 and conclude that the adoption of HKFRS 10 has no material impact on the Group's financial statements for any period presented.

HKFRS 11 – Joint Arrangements

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 is applied retrospectively.

Under HKAS 31 "Interests in Joint Ventures", the Group's interest in a joint venture was accounted for as jointly controlled entity using proportionate consolidation method. The Group's holds 100% equity interest in the jointly controlled entity. Under HKFRS 11, taking into account all relevant facts and circumstances, the Directors consider that the joint arrangement is accounted for as joint operation. The Group shall recognise its interests in the assets, liabilities, income and expenses arising from the joint operation. Under the contractual terms of joint arrangement, the Group has 100% interest in the assets and profit or loss (except the residential units to be completed under the joint arrangement in which the Group has 72% interest) and bear 100% of the liabilities arising from the joint arrangement. The cost of the Group's 72% interest in the properties is recorded as 100% of construction cost to be incurred under the joint arrangement. As a result, the Directors conclude that the adoption of HKFRS 11 has no material impact on the Group's financial statements for any period presented.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements. The Directors conclude that the adoption of HKFRS 12 has no material impact on the Group's financial statements, except for additional disclosures for subsidiaries and joint operation.

(c) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (2011)	Employee Benefits[2]

[1] *Effective for annual periods beginning on or after 1 July 2012*

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

[3] *Effective for annual periods beginning on or after 1 January 2014*

[4] *Effective for annual periods beginning on or after 1 January 2015*

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

(i) *HKAS 1 Presentation of Financial Statements*

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) *HKAS 16 Property, Plant and Equipment*

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) *HKAS 32 Financial Instruments: Presentation*

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) *HKAS 34 Interim Financial Reporting*

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

HKAS 19 (2011) – Employee Benefits

HKAS 19 (2011) abandons the corridor approach with the result that changes in defined benefit obligations and the fair value of plan assets are recognised in the period in which they occur. The revised standard requires the changes in the Group's net defined benefit liability (or asset) to be separated into three components: service cost (including current and past service cost and settlements) recognised in profit or loss; net interest on the net defined benefit liability recognised in profit or loss; and re-measurements of the defined benefit liability (or asset) recognised in other comprehensive income. The revised standard distinguishes between short-term and long-term employee benefits based on the expected date of settlement. The previous standard used the term "due to be settled". This change may result in more plans being classified as long-term employee benefit plans that will need to be accounted for in a similar way to defined benefit plans. HKAS 19 (2011) provides additional guidance on the definition of termination benefits. Benefits that are conditional on future service being provided including those that increase if additional service is provided are not termination benefits. The revised standard requires that a liability for termination benefits is recognised on the earlier of the date when the entity can no longer withdraw the offer of those benefits and the date the entity recognises any related restructuring costs. This could lead to later recognition of voluntary termination benefits in some cases. The amendments will generally be applied retrospectively with two exceptions.

The Group is in the process of making an assessment of the potential impact of these pronouncements. The Directors are not yet in a position to state whether they will have material financial impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. 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 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 and financial derivative liabilities are stated at their fair values.

4. 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 (the "PRC") and consolidated non-current/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 and the expenses directly incurred by those segments. In addition to the segment performance in terms of segment results, management also provides other segment information concerning depreciation, fair value changes in investment properties and write-down of properties held for sale.

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. Investment properties are included in segment assets but the related fair value changes in investment properties are excluded from segment results because the Group's senior executive management considers that they are not generated from operating activities.

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:

	Property development *RMB'000*	Property investment *RMB'000*	Total *RMB'000*
Year ended 31 December 2012			
Reportable segment revenue			
– external, and consolidated revenue	**35,033**	**18,770**	**53,803**
Segment results	**(51,538)**	**10,084**	**(41,454)**
Reconciliation:			
Unallocated corporate net expenses			**(23,717)**
			(65,171)
Fair value changes in investment properties	**–**	**18,000**	**18,000**
Write-down of properties held for sale	**(77,375)**	**–**	**(77,375)**
Fair value changes in financial derivative liabilities			**2,352**
Finance costs			**(10,092)**
Finance income			**18,513**
Consolidated loss before income tax			**(113,773)**
Other segment information:			
Depreciation	**448**	**1,014**	**1,462**
Bad debts recovered	**–**	**117**	**117**
Additions to properties under development	**367,021**	**–**	**367,021**
Capital expenditure	**1,182**	**–**	**1,182**
As at 31 December 2012			
Assets and liabilities			
Assets			
Reportable segment assets	**3,550,512**	**535,860**	**4,086,372**
Reconciliation:			
Restricted and pledged deposits			**252,320**
Cash and cash equivalents			**363,203**
Unallocated corporate assets			**1,925**
Consolidated total assets			**4,703,820**
Liabilities			
Reportable segment liabilities	**2,216,580**	**9,856**	**2,226,436**
Reconciliation:			
Income tax payable			**62,098**
Deferred tax liabilities			**175,048**
Financial derivative liabilities			**19,191**
Unallocated bank and other borrowings			**411,746**
Unallocated corporate liabilities			**6,384**
Consolidated total liabilities			**2,900,903**

	Property development *RMB'000*	Property investment *RMB'000*	Total *RMB'000*
Year ended 31 December 2011			
Reportable segment revenue			
– external, and consolidated revenue	15,588	17,363	32,951
Segment results	(96,010)	5,417	(90,593)
Reconciliation:			
Unallocated corporate net expenses			(172)
			(90,765)
Fair value changes in investment properties	–	15,000	15,000
Fair value changes in financial derivative liabilities			(1,510)
Finance costs			(8,746)
Finance income			16,592
Consolidated loss before income tax			(69,429)
Other segment information:			
Depreciation	219	467	686
Impairment loss on trade and other receivables	–	(215)	(215)
Bad debts recovered	–	54	54
Additions to properties under development	339,954	–	339,954
Capital expenditure	498	–	498
As at 31 December 2011			
Assets and liabilities			
Assets			
Reportable segment assets	3,158,481	501,494	3,659,975
Reconciliation:			
Restricted and pledged deposits			556,213
Cash and cash equivalents			200,211
Unallocated corporate assets			862
Consolidated total assets			4,417,261
Liabilities			
Reportable segment liabilities	1,731,561	12,160	1,743,721
Reconciliation:			
Income tax payable			83,087
Deferred tax liabilities			170,548
Financial derivative liabilities			4,355
Unallocated bank and other borrowings			785,560
Unallocated corporate liabilities			4,840
Consolidated total liabilities			2,792,111

Information about major customers

One of the customers of the Group's property investment segment contributed revenue amounted to RMB7,479,000 (2011: 7,479,000) for the year ended 31 December 2012 which accounts for more than 10% of the Group's revenue.

5. REVENUE

Revenue represents the net invoiced amounts received and receivable from property development and property investment. The amounts of each significant category of revenue recognised during the year are as follows:

	2012	2011
	RMB'000	*RMB'000*
Sale of properties	**32,394**	13,702
Rental income	**21,409**	19,249
	53,803	32,951

6. FINANCE COSTS AND INCOME

	2012	2011
	RMB'000	RMB'000
Finance costs:		
Interest on bank and other borrowings		
– wholly repayable within five years	**54,853**	40,180
– wholly repayable after five years	**4,397**	4,514
Imputed interest on loan from non-controlling shareholders of a subsidiary	**4,455**	8,911
	63,705	53,605
Less: Amount capitalised as properties under development		
Interest on bank and other borrowings	**(56,679)**	(37,846)
Imputed interest on loan from non-controlling shareholders of a subsidiary	**(4,455)**	(8,911)
	(61,134)	(46,757)
	2,571	6,848
Other borrowing costs	**15,511**	1,898
Less: Amount capitalised as properties under development	**(7,990)**	–
	7,521	1,898
Finance costs charged to profit or loss	**10,092**	8,746
Finance income:		
Bank interest income	**13,588**	11,941
Other interest income	**4,925**	4,651
	18,513	16,592

7. LOSS BEFORE INCOME TAX

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

	2012	2011
	RMB'000	RMB'000
Cost of properties sold	**24,857**	12,346
Write-down of properties held for sale	**77,375**	–
Cost of inventories recognised in profit or loss	**102,232**	12,346
Staff costs, including directors' emoluments	**42,788**	34,106
Auditor's remuneration		
– current year	**850**	854
– non-audit services	**323**	227
Depreciation of property, plant and equipment	**1,627**	751
Less: Amount capitalised as properties under development	**(38)**	(55)
Total depreciation charged to profit or loss	**1,589**	696
Loss (gain) on disposal of property, plant and equipment	**63**	(10)
Exchange loss (gain), net	**2,303**	(16,682)
Impairment loss on trade and other receivables	**–**	215
Bad debts recovered	**(117)**	(54)

8. INCOME TAX (EXPENSE) CREDIT

	2012	2011
	RMB'000	*RMB'000*
Current tax		
Hong Kong profits tax		
– over-provision in respect of prior years	**553**	–
PRC corporate tax		
– current year	**(3,884)**	(4,953)
– under-provision in respect of prior years	**–**	(1,580)
PRC land appreciation taxes ("**LAT**")		
– current year	**(326)**	(137)
– over-provision in respect of prior years	**–**	20,995
– under-provision in respect of prior years	**–**	(2,975)
	(3,657)	11,350
Deferred tax		
– current year	**(4,500)**	(3,750)
Total income tax (expense) credit	**(8,157)**	7,600

No provision for Hong Kong profits tax has been made for the year ended 31 December 2012 (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% (2011: 16.5%) for the year.

Enterprise income tax arising from other regions of the PRC is calculated at 25% (2011: 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.

9. LOSS PER SHARE

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

	2012	2011
	RMB'000	*RMB'000*
Loss attributable to ordinary shareholders of the Company for the purposes of basic loss per share	**(79,976)**	(51,861)
Effect of dilutive potential ordinary shares:		
Fair value changes in financial derivative liabilities	**(3,165)**	–
Loss for the purposes of diluted loss per share	**(83,141)**	(51,861)

	Number of shares	
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares for the purposes of basic loss per share	**1,952,295**	1,540,759
Effect of dilutive potential ordinary shares from warrants	**152**	–
Weighted average number of ordinary shares for the purposes of diluted loss per share	**1,952,447**	1,540,759

For the year ended 31 December 2011, basic loss per share is same as diluted loss per share as any effect from the Company's options and warrants is anti-dilutive.

The weighted average number of ordinary shares for the purpose of basic loss per share for 2011 has been restated for the impact arising from the rights issue in June 2012.

10. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2012 (2011: Nil).

11. CONSIDERATION RECEIVABLE

	Gross consideration	(Received)/ Paid	2012 *RMB'000*	2011 *RMB'000*
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	(858,659)	**269,614**	264,738
Less: Development costs and finance costs borne by the Group	(55,000)	13,635	**(41,365)**	(49,596)
	1,073,273	(845,024)	**228,249**	215,142
Less: Impairment loss recognised in overdue consideration receivable	(12,929)	–	**(12,929)**	(12,929)
Less: Amortisation of future value in final payment	(4,557)	–	**(4,557)**	(9,114)
Amortised cost	1,055,787	(845,024)	**210,763**	193,099
Amount due within one year included in current assets	(116,685)	–	**(116,685)**	(111,809)
Amount due after one year	939,102	(845,024)	**94,078**	81,290

Note:

The receivable relates to the outstanding instalments receivable from the purchaser, 海航酒店控股集團有限公司 (HNA Hotel Holdings Group Co. Limited) ("**HNA Hotel**"), for the disposal of 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 RMB13,107,000 had been paid by the Group as relocation costs of the fire station, design and development costs during the year. An outstanding amount of approximately RMB130,138,000 was due in April 2011 and remained unsettled as at the end of the year. The management has been in discussions with HNA Hotel about the settlement of the outstanding amount throughout the two years. Based on a supplemental sale and purchase agreement entered into on 3 November 2012 (the "**Supplemental Agreement**") with, amongst the others, HNA Hotel, HNA Hotel agrees to transfer the property interests of the 32nd and 33rd floors of HNA Tower indirectly owned by HNA Hotel to the Group on or before 30 April 2013 as full and final settlement of the outstanding consideration currently due by HNA Hotel of approximately RMB129,614,000 (net of relocation costs) (2011: RMB124,738,000). The properties are currently leased to the Group as head office in Guangzhou but the rental charge for the year was waived by HNA Hotel as part of the conditions under the Supplemental Agreement. The Directors have also reviewed the latest financial information of HNA Hotel to assess its financial ability to execute the provisions set out in the Supplemental Agreement and cast no doubt on the recoverability of the final instalment when due.

The Directors believed that HNA Hotel is taking appropriate steps to complete the transfer of ownership. A provision for impairment loss of RMB12,929,000 based on the discounted cash flows estimated on market rental to be received from the leasing of the properties to be transferred was made in the accounts in the comparative year for 2011.

The final instalment of approximately RMB94,078,000 (2011: RMB81,290,000) is receivable when the construction of the properties is completed, which is expected to occur in more than twelve months from the end of reporting period.

12. TRADE AND OTHER RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Current or less than 1 month	**246**	171
1 to 3 months	**104**	159
More than 3 months but less than 12 months	**916**	374
More than 1 year	**137**	–
Trade receivables, net of impairment	**1,403**	704
Refundable earnest money in development project	**10,000**	10,000
Tender deposit in development project	**6,000**	6,000
Prepaid construction costs	**124,589**	98,202
Business taxes and surcharges paid for pre-sold properties	**45,689**	28,386
Interest receivable on bank deposits	**2,534**	5,993
Deposits, prepayments and other receivables	**13,589**	9,203
	203,804	158,488

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.

13. TRADE AND OTHER PAYABLES

	2012	2011
	RMB'000	*RMB'000*
Current or less than 1 month	**7,574**	385
1 to 3 months	**1,069**	2,502
More than 3 months but less than 12 months	**462**	709
More than 12 months	**3,108**	3,063
Total trade payables	**12,213**	6,659
Construction costs payable	**162,936**	71,408
Receipts in advance, rental and other deposits from buyers, customers and/or tenants	**23,609**	12,449
Interest payable on bank and other borrowings	**675**	2,538
Other accrued expenses and other payables	**45,501**	32,701
	244,934	125,755

14. CONSIDERATION FROM DISPOSAL OF TIANHE PROJECT

In July 2010, a framework agreement ("**Agreement**") for the transfer 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. Such adjustments represent adjustment on net assets transferred to HNA Hotel of RMB38,273,000 and reduction of 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. 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.

As at 31 December 2012, consideration from disposal of Tianhe Project was estimated to be approximately RMB977,431,000.

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. As the project has not been substantially completed at the end of the 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 which are not due to the change in design plan proposed by HNA Hotel and the delay in construction of the project not caused by the Group.

During the year, the construction progress has been delayed beyond the originally agreed timeline caused by the HNA Hotel's failure to make due payments of contractors' costs. Nonetheless, the management perceives that the Group is honoring and has duly performed its obligations according to the conditions stipulated in the agreement that may otherwise subject to claims by HNA Hotel for event of default.

Despite the delay in construction progress that was caused by HNA Hotel as a result of its failure to obtain the necessary financing for the development of the project, the Directors foresee no overruns in construction costs in material aspects to which the Group is exposed, except that it will have to bear up to RMB20,000,000 for additional construction costs and any extra finance costs as a result the works delay as stipulated under the Agreement.

The Directors expect that the construction will be completed in 2015, taking into account the current progress of the construction and assuming the purchaser will make due payments from the date of this report.

Based on the foregoing circumstances, 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 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 consideration from disposal of Tianhe project as at 31 December 2011 and 2012. The costs of the Tianhe Project are not derecognised, but instead included in properties under Tianhe Project.

15. COMMITMENTS

	2012	2011
	RMB'000	*RMB'000*
Expenditure contracted but not provided for in respect of		
– Property construction and development costs	**779,828**	507,271
– Acquisition of leasehold/investment property	**156,890**	–
	936,718	507,271
Expenditure authorised but not contracted for in respect of		
– Property construction and development costs	**1,865,902**	2,253,484
– Acquisition of land use rights	**931,648**	1,031,648
	2,797,550	3,285,132

16. CONTINGENT LIABILITIES

The Group provides guarantees to the extent of approximately RMB385,933,000 as at 31 December 2012 (2011: RMB382,691,000) 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 property purchasers.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Business review

For the year, the Group's total turnover was RMB54 million, representing a growth of 63% when compared with last year. The rise in revenue was attributable by property sales of RMB32 million in Phase 2 of Guiyang Project that were recorded as revenue when the Group started to hand over the properties to buyers near the close of the year, whilst sales in 2011 represented a small volume of remaining property units in Phase 1 sold in the year. Other than the sale of properties developed, the Group maintains a relatively steady income of RMB21 million for the year (2011: RMB19 million) from the leasing of the commercial floors at the Tianyu Garden Phase 2 and retail shops and car parks in Guiyang Project.

The gross margin of the sales of properties in the Guiyang Project for the year is 17.6%. When combined with the leasing business, due to the higher proportion of property sales made in the year that is of lower profitability as compared with leasing income, overall margin dropped to 42.4% for the year (2011: 47.9%).

Overall operating expenses for the year (comprising sales and marketing expenses plus administrative and other expenses) were decreased by 28% to RMB89 million. Excluding a non-recurring item of transaction costs incurred in the disposal of Tianhe Project in 2011, operating expenses for the year show a mild increase of 6%. The increase was mainly reflected in the increased staff costs, a major overhead content representing 48% of total operating expenses, as a result of the rise in headcount and pay levels. In addition, to boost the pre-sales performance of the Guiyang Project and Yongzhou Project in the year, marketing expenses rose to RMB15 million from RMB11 million.

Revaluation of investment properties of the Group leads to a gain in fair value change of RMB18 million for the year (2011: RMB15 million). However, to reflect the latest market value of the unsold car parking spaces in Guiyang Project, the development costs of the properties held for sale are marked down, leading to an impairment loss of RMB77 million (2011: Nil) recognised in the operating result for the year.

The Group has to bear higher finance costs for its indebtedness as compared with last year which are aggregated to a total of RMB79 million for the year (2011: RMB56 million), of which RMB69 million (2011: RMB47 million) were capitalised as development costs of projects under construction, resulting in net finance costs of RMB10 million (2011: RMB9 million) being charged to the operating result for the year.

The Group recorded a pre-tax operating loss of RMB114 million (2011: RMB69 million) and a post-tax loss for the year was RMB122 million (2011: RMB62 million). Loss attributable to shareholders of the Company amounted to RMB80 million (2011: RMB52 million).

At the end of the year, the Group has a land and property portfolio for development in the size of an aggregate GFA of approximately 1,100,000 sq.m., all under development of which an estimated completed units in total GFA of approximately 155,000 sq.m. can be delivered to customers in 2013. In addition, the Group is in the process of obtaining the land use right in a project in Nanning, Guangxi province. Together with the right to develop in the Yongzhou Project, the Group has right to develop a total GFA of approximately 3,600,000 sq.m. on mainland China. The property development in existing projects and projects in the pipeline are detailed as follows:

Properties held for or under development

Zhoutouzui Project

The project is held by a sino-foreign cooperative enterprise which is jointly controlled by the Company and two independent third parties, namely 廣州越秀企業(集團)公司 (Guangzhou Yuexiu Enterprise (Group) Company Limited), which is being withdrawn from the joint arrangement, and 廣州港集團有限公司 (Guangzhou Port Group Co., Limited), an original user of the land entitled to share 28% in GFA of the completed properties pursuant to a cooperative agreement entered into in 2001 that 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 renounced White Swan Hotel, offers a full waterfront view of the Pearl River. The project company has obtained the land use right certificate for the site and construction permit for Phase 1 in respect of a total GFA of 97,000 sq.m. where foundation works are in progress. It is expected that construction permits for the remaining approximately GFA of 223,000 sq.m. will be received in the second quarter of 2013 when at that time construction of the entire development will be commenced in full force.

Yongzhou Project

In late 2011, the Company entered into an agreement with the City Government of Yongzhou, Hunan province empowering certain subsidiaries, in which the Group holds 70% equity stake interest, to develop a composite property development project in Yongzhou. The entire project, offers a total site area of 1,000 mu on which a GFA of about 1.6 million sq.m., is planned to be developed into residential, commercial complex and retail shops. As a condition to the development, the project company is 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 development, named as Tianyu-huafu ("天譽•華府"), is built on a land of 106 mu in the city for the development of residential properties consisting of villas, apartments and retail shops in a total GFA of approximately 212,000 sq.m.. Construction was commenced in the second quarter of the year and marketed in the third quarter. Up to the year end, contracted sales amounting to RMB50 million, representing 65% of the GFA available for pre-sale, were achieved at an average selling price of approximately RMB3,220 per sq.m.. Remaining properties in the first phase are planned to be launched to the market throughout 2013 when the relevant pre-sale permits have been obtained. It is scheduled that construction of Tianyu-huafu will be completed throughout the periods from late 2013 to early 2015.

The management is planning to progress into new phases of the development project which consist of commercial complexes, street-front shops, hotel and residential properties, subject to the completion of clearance works on the land being performed by the district government.

Guiyang Project

The development, named as Tianyu City ("天譽城"), in which the Group holds a 55% stake, consists of high-end residential apartments of a total GFA of approximately 460,000 sq.m. of high-end residential apartments and GFA of approximately 132,000 sq.m. of commercial complex, community facilities and car parking spaces.

The first phase of the development with GFA totalling 134,000 sq.m., completed in 2010, was totally sold out whilst that of Phase 2 has been recently completed and being handed over to customers starting from December 2012 of which sale revenue of RMB30 million was booked in 2012 whilst the remaining contracted sale proceeds of RMB669 million and completed properties in GFA of approximately 148,000 sq.m. are expected to be booked in the first half of the year in 2013 when all completed units are delivered to customers. The third phase of the project, consisting of five residential buildings with common facilities and car parking spaces of GFA of 245,000 sq.m., is under construction and is expected to be completed in 2014 and 2015. Two blocks of the apartments with GFA of approximately 63,000 sq.m. are on pre-sale, contracting an aggregated pre-sale revenue of RMB195 million, representing 67% in GFA at an average price of approximately RMB4,570 per sq.m., up to the year-end date.

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 taking into account finance and other development costs that are to be borne by the Group that are yet to be ascertained. Construction costs of the project are to be borne by the purchaser whilst the Group resumes the role of a project manager. Payments totalling RMB845 million have been received from the purchaser so far. The agreement of the transaction also stipulates that the Group is to take up the responsibility in overruns of construction costs and indemnify the timely completion of the construction of the properties within the agreed timeline that is caused by factors under the control of the Group. Under these circumstances, the criteria for recognition of revenue arising from the disposal transaction set out in HKFRS has not been met despite the completion of the transaction in 2010. The associated costs cannot be ascertained at the moment and the revenue arising from the disposal has not been recognised and has been deferred to a time when substantial part of the associated costs can be ascertained reliably.

The construction of the Project was started in 2011 and the foundation works have been completed and two towers, consisting of a total GFA of approximately 113,000 sq.m. for a hotel, serviced apartments and offices, are being built on the site. The construction progress has been delayed beyond the originally agreed timeline due to the purchaser's failure to make due payments of contractors' costs. Nonetheless, the management perceives that the Group is honouring and has duly performed its obligations according to the conditions stipulated in the agreement that may otherwise subject to claims by the purchaser in the event of default. The Directors foresee no overruns in construction costs and finance costs in material aspects to which the Group is exposed and expect that construction will be completed in 2015, taking into account the current progress of the construction and assuming the purchaser making due payments from the date of this report, when the sale transaction can be recorded and gain from disposal recognised.

Nanning Project

In late 2012, the Group entered into a framework agreement with the city government of Wuxiang New District (五象新區) in Nanning, Guangxi province in relation to a residential development with a GFA of approximately 1,134,000 sq.m., consisting of GFA of approximately 825,000 sq.m. of residential and ancillary commercial and other facilities for sale, and GFA of approximately 277,000 sq.m. of compensated housing and commercial units for the resettlement of the original occupants of the land. Land use right is expected to be received upon completion of the land auction process in the second quarter of 2013, upon when the project can be commenced. The management plans to finance the start-up financing for the project of about RMB400 million by internal resources and thereafter the development will be financed by bank borrowing and pre-sale proceeds. It is expected that the project will take an investment period of about 4 years ending 2016.

Properties held for leasing

Consisting of:

A 20,000 sq.m. commercial podium at Tianyu Garden Phase 2 in Tianhe District, Guangzhou. The property is now 82% occupied, tenanted with renowned corporations and a US consulate. Leasing income of RMB19 million was earned during the year (2011: RMB17 million). The property is classified as an investment property of the Group.

1,919 car parking spaces in Guiyang Phase 1 and 2 and retail shops. These leased properties are held for rental income. Leasing income totalling RMB2 million (2011: RMB2 million) was recorded as the Group's turnover. The properties are held ultimately for sale and are therefore classified as properties held for sale.

Outlook

In 2012, the global economy has been very volatile when continuously exposed to the European sovereign debt crisis that affected adversely the market sentiment. Coupled with the continuing stringent austerity measures taken by the central government of the PRC imposed on the real estate developers, it has been a difficult time in the year to get necessary financing for developers in general despite that the Group is not really badly affected due to its low gearing position and it successfully completed an issue of rights shares raising funds of net proceeds of approximately HK$364 million (equivalent to RMB297 million) and a term loan at corporate level of HK298 million (equivalent to RMB242 million). These fund raising exercises result to an improved equity base of the Company and provide funds for the acquisition of new projects. In addition, operating subsidiaries have obtained bank facilities to the extent of RMB1,366 million to help the construction of three ongoing projects.

Starting from the last quarter of 2012 when the PRC economy starts to resume its economic growth, the US economy shows signs of recovery whilst the threats of the deteriorating economic performance of the euro zone are fading out, the market sentiment has been improving. Coupled with the solid demand for properties in the PRC real estate market as indicated by the rises in both selling prices and sale volume of properties late in the year, we believe that the worst scenario will not materialise but a brighter business outlook is well expected. Thanks to the improving liquidity in the capital market, we believe that new fund raising for project acquisition will be easier in the coming year. Nonetheless, whilst keeping on enlarging the Group's land reserve to ensure a steady growth in its business in the future years, the directors are posing a prudent but active approach in seeking suitable and affordable projects with earning potentials.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure and liquidity

As at 31 December 2012, the Group is indebted to PRC commercial banks for a working capital loan and construction loans totalling RMB107 million secured by land and property mortgages, one money market loan of US$18.6 million (equivalent to RMB117 million) secured by short-term bank deposits totalling RMB126 million, a secured loan with guaranteed return in the principal value of HK$298 million (equivalent to RMB242 million) and at fair value of RMB214 million together with warrants and guarantee issued to the lender at retrospective fair values of RMB6 million and RMB12 million, other unsecured borrowing due to a third party of RMB14 million, advances from minority shareholders of a subsidiary totalling RMB164 million and warrants at fair value of RMB1 million issued to an ex-bondholder. The indebtedness, exclusive of the money market loan that is secured back-to-back by bank deposits, summed up to RMB518 million, represents a decrease of RMB15 million when compared with the corresponding balance in last year. The decrease in indebtedness is explained by the early repayment in full of a secured bond of RMB152 million with the proceed raised from the rights issue in June 2012, net off by the effects of a new loan raised during the year for working capital and draw-downs of construction loans to finance the project development.

The gearing ratio of the Group as at 31 December 2012 was 7.6% (2011: 14.7%), based on the net debt of HK$146 million (represented by total indebtedness of RMB635 million comprising bank and other borrowings, money market loan, secured loan, warrants and advances from minority shareholders, net of cash and bank balances and bank deposits securing for the money market loan) to the equity attributable to equity holders plus net debt as at 31 December 2012. The ratio dropped as a reflection of the higher free cash level maintained by the Group as at the year-end date and the equity as enlarged by the rights issue of shares raising a gross proceed of approximately RMB301 million during the year.

Total current assets amounted to RMB3,294 million as at 31 December 2012, representing an increase of RMB238 million when compared with the previous year-end date. Current assets comprise properties held under development in Zhoutouzui, Yongzhou and Guiyang of RMB1,691 million, completed properties held for sale in Guiyang Project of RMB667 million, consideration receivable for the disposal of Tianhe Project of RMB117 million, cash on hand and bank balances of RMB363 million, restricted bank balances of RMB252 million used to secure for the money market and construction loan facilities and construction of pre-sold properties, and deposits made to contractor of Zhoutouzui project and other deposits totalling RMB204 million.

Total current liabilities amounted to RMB1,434 million as at 31 December 2012, steady at the same level of 2011. The current liabilities comprise mainly pre-sale deposits of RMB806 million, money market loan, an unsecured loan due to a third party and the current portion of the working capital loan due to commercial banks totalling RMB138 million, advances from non-controlling shareholders of a subsidiary of RMB164 million and miscellaneous items consisting of trade payables, accruals and income tax payable.

The current ratio at the current year-end shows a slight improvement to 2.30 times (2011: 2.14 times).

Borrowings and pledge of assets

As at 31 December 2012, to secure for banking facilities totalling RMB1,216 million granted to operating subsidiaries to finance for working capital and construction costs by a commercial bank in mainland China, mortgages of property interests in Tianyu Garden Phase II, works in progress and land of two projects under development, and a temporary lien over a bank deposit of RMB85 million for a proposed banking facility of RMB150 million to finance the construction of phase three of Guiyang Project, were created in favour of the lending bank. Besides, to secure for the completion of construction of the Guiyang Project, bank deposits of money received from property buyers in pre-sales of approximately RMB41 million were restricted to the payments of construction costs of properties under construction. To secure the back-to-back guarantee given by a local bank in mainland China created in favour of a Hong Kong-based bank for a money market loan facility of US$18.6 million, bank deposits of approximately RMB126 million were placed in the bank accounts in mainland China as a security. The secured loan with guaranteed return in the principal value of HK$298 million made during the year was secured by a share charge over the entire issued shares of Guangzhou Zhoutouzui Development Limited, the holding company of Guangzhou Yucheng Real Estate Development Company Limited (廣州市譽城房地產開發有限公司).

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, the loan with guaranteed return and secured bond that are denominated in US or Hong Kong dollars.

Movements of RMB against HK and US dollars are in small steps during the year. The Group incurred a small foreign exchange loss of RMB0.02 million arises on consolidation of the assets and liabilities of the Hong Kong subsidiaries that was charged against the foreign exchange reserve amounting to a balance of RMB0.4 million as at 31 December 2012 that is added to the equity of the Company. The directors perceive that RMB will continuously move in upward trend against the US and HK dollars and foresee the Group has no significant adverse foreign currency exposure in the future throughout the maturity periods of the related loans and bonds. In the event of a depreciation of RMB against these foreign currencies, given the low levels of loans, such fluctuations will not have material unfavourable effect on the financial position of the Group. For these reasons, the Group does not hedge against its foreign currency risk. However, the management will monitor the currency exposures from time to time for any permanent or significant changes in the exchange rates in RMB against the HK and US dollars that may lead to adverse impact on the Group's results and financial position.

Contingent Liabilities

The Group provides guarantees to the extent of RMB386 million as at 31 December 2012 (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, in the event of default in mortgage loan payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans 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 property 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 2012 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 A.2.1, 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.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

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 2012.

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 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. 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 March 2013