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 2013

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 2013, together with comparative figures for the corresponding period of 2012.

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited and restated)
Revenue	2	**688,162**	13,995
Cost of sales and services		**(553,897)**	(5,272)
Gross profit		**134,265**	8,723
Other income and gain, net		**4,390**	1,022
Sales and marketing expenses		**(10,920)**	(5,129)
Administrative and other expenses		**(28,066)**	(38,532)
Fair value changes in financial derivative liabilities		**(286)**	2,505
Finance costs	3	**(1,673)**	(14,859)
Finance income	3	**5,943**	10,079
Profit (loss) before income tax	4	**103,653**	(36,191)
Income tax (expense) credit	5	**(22,508)**	520
PROFIT (LOSS) FOR THE PERIOD		**81,145**	(35,671)
Other comprehensive income:			
Exchange differences arising on foreign operations		**128**	(7)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**81,273**	(35,678)
Profit (loss) for the period attributable to:			
— Owners of the Company		**31,672**	(32,464)
— Non-controlling interests		**49,473**	(3,207)
		81,145	(35,671)
Total comprehensive income for the period attributable to:			
— Owners of the Company		**31,800**	(32,471)
— Non-controlling interests		**49,473**	(3,207)
		81,273	(35,678)
Earnings (loss) per share	6		
— Basic		**RMB0.0143**	(RMB0.021)
— Diluted		**RMB0.0143**	(RMB0.021)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**6,610**	6,720
Investment properties		**691,690**	513,000
Properties under Tianhe Project		**765,064**	765,064
Goodwill		**13,554**	13,554
Deposits paid for acquisition of investment properties		**—**	17,432
Consideration receivable — non-current portion	8	**98,250**	94,078
		1,575,168	1,409,848
Current assets			
Properties under development		**1,937,155**	1,691,320
Properties held for sale		**178,454**	666,640
Consideration receivable — current portion	8	**116,685**	116,685
Trade and other receivables	9	**274,801**	203,804
Restricted and pledged deposits		**213,064**	252,320
Cash and cash equivalents		**301,348**	363,203
		3,021,507	3,293,972
Current liabilities			
Trade and other payables	10	**207,198**	244,934
Property pre-sale deposits		**382,188**	806,355
Bank and other borrowings — current portion		**124,663**	138,271
Financial derivative liabilities		**19,138**	19,191
Loans from non-controlling shareholders of a subsidiary		**133,007**	163,600
Income tax payable		**74,834**	62,098
		941,028	1,434,449
Net current assets		**2,080,479**	1,859,523
Total assets less current liabilities		**3,655,647**	3,269,371

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Non-current liabilities			
Bank and other borrowings — non-current portion		**618,341**	313,975
Consideration from disposal of Tianhe Project		**977,431**	977,431
Deferred tax liabilities		**175,048**	175,048
		1,770,820	1,466,454
Net assets		**1,884,827**	1,802,917
Capital and reserves			
Share capital		**21,068**	21,068
Reserves		**1,795,802**	1,763,365
Equity attributable to owners of the Company		**1,816,870**	1,784,433
Non-controlling interests		**67,957**	18,484
Total equity		**1,884,827**	1,802,917

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 June 2013 (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 on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The Interim Financial Statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

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 2012.

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/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, additions to properties under development and capital expenditure.

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 Interim Financial Statements is set out below:

	Property development *RMB'000*	Property investment *RMB'000*	Total *RMB'000*
Six months ended 30 June 2013 (Unaudited)			
External and consolidated revenue			
Sale of properties	**675,995**	**—**	**675,995**
Rental income	**1,674**	**10,493**	**12,167**
Reportable segment revenue	**677,669**	**10,493**	**688,162**
Segment results	**95,351**	**6,065**	**101,416**
Reconciliation:			
Unallocated corporate net expenses			**(1,747)**
			99,669
Fair value changes in financial derivative liabilities			**(286)**
Finance costs			**(1,673)**
Finance income			**5,943**
Consolidated profit before income tax			**103,653**
Other segment information:			
Depreciation	**(263)**	**(499)**	**(762)**
Additions to properties under development	**227,927**	**—**	**227,927**
Capital expenditure	**141**	**—**	**141**
As at 30 June 2013 (Unaudited)			
Assets and liabilities			
Assets			
Reportable segment assets	**3,383,535**	**697,301**	**4,080,836**
Reconciliation:			
Restricted and pledged deposits			**213,064**
Cash and cash equivalents			**301,348**
Unallocated corporate assets			**1,427**
Consolidated total assets			**4,596,675**
Liabilities			
Reportable segment liabilities	**1,881,802**	**11,935**	**1,893,737**
Reconciliation:			
Income tax payable			**74,834**
Deferred tax liabilities			**175,048**
Financial derivative liabilities			**19,138**
Unallocated bank and other borrowings			**546,024**
Unallocated corporate liabilities			**3,067**
Consolidated total liabilities			**2,711,848**

	Property development *RMB'000*	Property investment *RMB'000*	Total *RMB'000*
Six months ended 30 June 2012 (Unaudited and restated)			
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
Segment results	(23,856)	5,419	(18,437)
Reconciliation:			
Unallocated corporate net expenses			(15,479)
			(33,916)
Fair value changes in financial derivative liabilities			2,505
Finance costs			(14,859)
Finance income			10,079
Consolidated loss before income tax			(36,191)
Other segment information:			
Depreciation	(212)	(503)	(715)
Bad debts recovered	—	36	36
Additions to properties under development	118,673	—	118,673
Capital expenditure	678	—	678
As at 31 December 2012 (Audited)			
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

3. FINANCE COSTS AND INCOME

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Finance costs:		
Interest on bank and other borrowings		
— wholly repayable within five years	**26,650**	38,233
— wholly repayable after five years	**2,483**	2,239
Imputed interest on loans from non-controlling shareholders of a subsidiary	**—**	4,455
	29,133	44,927
Less: Amount capitalised as properties under development		
Interest on bank and other borrowings	**(28,020)**	(29,294)
Imputed interest on loans from non-controlling shareholders of a subsidiary	**—**	(4,455)
	(28,020)	(33,749)
	1,113	11,178
Other borrowing costs	**15,435**	3,681
Less: Amount capitalised as properties under development	**(14,875)**	—
	560	3,681
Finance costs charged to profit or loss	**1,673**	14,859
Finance income:		
Bank interest income	**3,665**	7,433
Other interest income	**2,278**	2,646
Finance income credited to profit or loss	**5,943**	10,079

4. PROFIT (LOSS) BEFORE INCOME TAX

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**513,184**	2,860
Staff costs (including directors' emoluments) comprise:		
— Basic salaries and other benefits	**22,583**	20,965
— Equity-settled share-based payment expenses	**637**	1,822
— Contributions to defined contribution pension plans	**1,043**	1,186
Total staff costs (including directors' emoluments)	**24,263**	23,973
Less: Amount capitalised as properties under development	**(6,752)**	(4,867)
Staff costs charged to profit or loss	**17,511**	19,106
Auditors' remuneration — current period	**420**	418
Depreciation of property, plant and equipment	**883**	774
Less: Amount capitalised as properties under development	**(11)**	(22)
Depreciation charged to profit or loss	**872**	752
Loss (gain) on disposal of property, plant and equipment	**13**	(69)
Exchange (gain) loss, net	**(3,966)**	3,750
Bad debts recovered	**—**	(36)

5. INCOME TAX CREDIT (EXPENSE)

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong profits tax		
— over-provision in respect of prior years	**—**	552
PRC corporate tax		
— current year	**(15,818)**	—
— over-provision in respect of prior years	**121**	—
PRC land appreciation tax ("**LAT**")		
— current year	**(6,811)**	(32)
Total income tax (expense) credit	**(22,508)**	520

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2013 (six months ended 30 June 2012: 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 2012: 16.5%) for the six months ended 30 June 2013.

Enterprise income tax arising from other regions of the PRC is calculated at 25% (six months ended 30 June 2012: 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.

6. PROFIT (LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic and diluted profit (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	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit (loss) for the purposes of basic and diluted profit (loss) per share	**31,672**	(32,464)

	Number of shares	
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purposes of basic and diluted profit (loss) per share	**2,216,531**	1,560,473

The weighted average number of ordinary shares in issue during the period ended 30 June 2012 was adjusted to reflect the effect of the rights issue in June 2012.

For the six months ended 30 June 2013 and 2012, basic profit (loss) per share are same as diluted profit (loss) per share as any effect from the Company's options and warrants is anti-dilutive.

7. DIVIDENDS

The directors of the Company (the "**Directors**") do not recommend the payment of any dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

8. CONSIDERATION RECEIVABLE

	Gross consideration	(Received)/ Paid	**30 June 2013** ***RMB'000*** **(Unaudited)**	31 December 2012 *RMB'000* (Audited)
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**	269,614
Less: Estimated development costs and finance costs borne by the Group	(55,000)	15,528	**(39,472)**	(41,365)
Net amount receivable	1,073,273	(843,130)	**230,143**	228,249
Less: Impairment loss recognised in overdue consideration receivable	(12,929)	—	**(12,929)**	(12,929)
Less: Amortisation of future value in final payment	(2,279)	—	**(2,279)**	(4,557)
Amortised cost	1,058,065	(843,130)	**214,935**	210,763
Amounts due within one year included in current assets	(116,685)	—	**(116,685)**	(116,685)
Amount due after one year	941,380	(843,130)	**98,250**	94,078

The receivable relates to the outstanding instalments receivable from the purchaser, HNA Hotel Holdings Group Co. Limited ("**HNA Hotel**"), for the disposal of Huan Cheng Real Estate Development Company Limited ("**Huan Cheng**") that is unsecured and interest-free. An estimated total sum of approximately RMB230,143,000 is receivable from HNA Hotel after taking into account the estimated costs to be borne by the Group pursuant to the agreement entered into with HNA Hotel, net of estimated development costs and finance costs totalling RMB39,472,000 to be borne by the Group. Development costs of approximately RMB1,894,000 had been paid by the Group during the period. Of the net amount receivable, approximately RMB130,138,000 was due in April 2011 and remained unsettled as at 30 June 2013. The amount is reduced by RMB524,000 for outstanding relocation costs that are taken up from Huan Cheng by the Group. The final instalment, estimated at a present value of approximately RMB98,250,000 (31 December 2012: RMB94,078,000), 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.

The management and HNA Hotel have been in discussions about the settlement of the outstanding amount and came up with two supplemental agreements respectively in July 2011 and November 2012 (respectively the "**1st and 2nd Supplemental Agreement**"). Pursuant to the 1st Supplemental Agreement, HNA Hotel has agreed to transfer the property interests of a total GFA of approximately 3,614 sq.m. at the 32nd and 33rd floors of HNA Tower (the "**Properties**") indirectly owned by HNA Hotel to the Group at a consideration of approximately RMB130,138,000 as full and final settlement of the due portion of the receivable. The Properties have been leased to the Group as its head office in Guangzhou. It was also agreed under the 1st Supplemental Agreement that the rental charge for the use of the Properties are waived. A provision for impairment loss of RMB12,929,000 was made in the accounts for the year ended 31 December 2011 that was measured by the open market value of the Properties to be transferred as estimated by the management of the Group that fell short of the consideration to be satisfied by the transfer of Properties.

Pursuant to the 2nd Supplemental Agreement, the parties agree on a transfer on or before 30 April 2013 a total GFA of approximately 4,126 sq.m., representing the entire two floors of the Properties, and cash of approximately RMB18,392,000 payable by the Group at a total consideration of approximately RMB148,530,000 in full settlement of the due portion of the debt owed by HNA Hotel.

The transfer of the Properties had not been taken place on the agreed deadline of 30 April 2013 nor up to the date of this report. In consequence, under the 2nd Supplemental Agreement, HNA Hotel is liable to pay default interest to the Group on the overdue consideration calculated at daily rate of 0.0577% from 1 May 2013 to 31 December 2013 and 0.1% thereafter until the completion of the transfer. Such default interests will form part of the consideration for the exchange of the Properties. The management of the Group has been in active discussion with HNA Hotel about the transfer of the Properties and believes that HNA will honor its obligations under the 2nd Supplemental Agreement to complete the transfer of ownership during the financial year.

9. TRADE AND OTHER RECEIVABLES

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current or less than 1 month	**664**	246
1 to 3 months	**222**	104
More than 3 months but less than 12 months	**815**	916
More than 1 year	**472**	137
Trade receivables, net of impairment	**2,173**	1,403
Refundable earnest money in a development project	**10,000**	10,000
Surety deposit paid for securing due performance of the construction of a hotel in Yongzhou Project	**10,000**	—
Tender deposit in development project	**6,000**	6,000
Prepaid construction costs	**213,086**	124,589
Business taxes and surcharges paid for properties pre-sold	**21,543**	45,689
Interest receivable on bank deposits	**350**	2,534
Deposits, prepayments and other receivables	**11,649**	13,589
	274,801	203,804

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.

10. TRADE AND OTHER PAYABLES

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current or less than 1 month	**—**	7,574
1 to 3 months	**—**	1,069
More than 3 months but less than 12 months	**273**	462
More than 12 months	**1,041**	3,108
Total trade payables	**1,314**	12,213
Construction costs payable	**119,387**	162,936
Receipts in advance, rental and other deposits from buyers, customers and/or tenants	**29,668**	23,609
Interest payable on bank and other borrowings	**1,385**	675
Other accrued expenses and other payables	**55,444**	45,501
	207,198	244,934

11. COMMITMENTS

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Expenditure contracted but not provided for in respect of		
— Property construction and development costs	**1,223,778**	779,828
— Acquisition of investment property	**—**	156,890
	1,223,778	936,718
Expenditure authorised but not contracted for in respect of		
— Property construction and development costs	**1,827,842**	1,865,902
— Acquisition of land use rights	**931,648**	931,648
	2,759,490	2,797,550

12. COMPARATIVE FIGURES

Certain comparative figures have been adjusted or re-classified in conformity with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

Business review

For the period, the Group recorded a substantial growth in turnover contributed by the delivery of properties in Guiyang Project Phase II completed in late 2012. A total of sale revenue of RMB676.0 million was booked in the period, representing an increase in revenue in property sales by 208 times. The secondary line of business is the leasing of, mainly, Tianyu Garden Phase II in Guangzhou and AXA Centre in Wanchai, Hong Kong which contributed a revenue of RMB12.2 million, representing an increase of 13.1% when compared with the last corresponding period. The increase in leasing income was caused by the leasing of recently acquired 14th floor of AXA Centre. Other than the two investment properties, units in the commercial complex and carparking spaces developed in Guiyang Project were also leased for rental income.

Gross margin in property sales for the period is shown at 18.4%, a relatively reasonable level taken into account the vigorous price competition in the property market in Guiyang. The profit margin for the period shows improvement from that of 17.6% for the full year in 2012 and the low level of 5.7% for the last corresponding period which was distorted by the compensation given to home buyers of Guiyang Project Phase I for area discrepancies adjusted against revenue. Due to the much higher proportion of revenue in property sales in the period that bears a lower margin than that of the leasing activities, overall gross margin for the period is 19.5% (2012: 62.3%).

Other than the sales and marketing expenses that surged 98% to RMB10.9 million as the Group incurred more costs in advertising and promotions and agent commissions when Yongzhou Project in Hunan and the third and final phase of Guiyang Project started pre-sale in the current period, overall administrative and other operating expenses remained stable. Staff costs, the biggest expense item, totaling RMB24.3 million (2012: RMB24.0 million) of which RMB6.8 million capitalised as development costs, have been steadily maintained as compared with last year as a result of the management's strategy to streamline the operations despite the growth in business activities in the period.

During the period, the Group enjoyed net exchange gain of RMB4.0 million as a result of the appreciations of RMB against HK dollar and US dollar in which some loans of the Group are denominated, whilst net exchange loss of RMB3.8 million was incurred in previous period as RMB went in the opposite direction against the two currencies in that period.

The Group incurred less finance costs on its borrowing following its repayment of some loans in late 2012 with the proceeds received from the right issue that was completed in mid-2012. Finance costs of RMB44.6 million were incurred of which RMB1.7 million has been charged against profit for the period whilst the remaining capitalised as development cost of properties under development. Ripening the sales of properties in Guiyang Project, which is owned as to 55% equity by the Group, the operating result of the Group has turned around to a profit of RMB81.1 million for the period from a loss of RMB35.7 million for the last corresponding period. The post-tax profit attributable to shareholders for the period was RMB31.7 million (2012: post-tax loss of RMB32.5million).

Properties under development and land reserve

The Group is undergoing four real estate development projects with a total GFA of approximately 900,000 sq.m. in the mainland China during the period, all of which are under construction. As at 30 June 2013, the Group holds a land reserve of more than 650,000 sq.m. in lot sizes for its potential future development, taking into account those acquisitions of land in Nanning Project and Yongzhou Project for which framework agreements have been entered into with the city governments and surety deposits have been paid by the Group.

Guiyang Project

The development, known 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. for residential apartments and 132,000 sq.m. for commercial complex, community facilities and carparking spaces. Properties in the first and second phases of the development in GFA of approximately 347,000 sq.m. were completed of which residential units of GFA of 245,000 sq.m. were sold and delivered to customers. The remaining third phase of the project, consisting of five residential buildings with common facilities and carparking spaces of GFA of 245,000 sq.m., are under construction and is expected to be completed in 2014 and 2015 of which a GFA totalling of 92,000 sq.m. are now on pre-sale which already contracted a total of 99.1% in GFA and pre-sale proceeds of approximately RMB422.9 million up to the reporting date.

Zhoutouzui Project

The project is held by a sino-foreign cooperative company which is jointly controlled by the Company and a third party, 廣州港集團有限公司 (Guangzhou Port Group Co., Limited), 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 stipulates that the Group has to finance all construction costs of the entire development.

The site, opposite to the renounced White Swan Hotel, offers a full waterfront view of the Pearl River. The development on the site of 43,609 sq.m. consists of 7 towers of residential apartments, offices, service apartments and a commercial complex in a total GFA of approximately 213,000 sq.m., and underground car parking facilities in a total GFA of approximately 102,000 sq.m. Construction permits of all phases of the project have been granted, with an exception of one serviced apartment tower for which permit for the detailed design parameters is under application. Foundation works of all phases are in progress and are expected to be completed in early 2014 whereupon the construction of the mainframe of the towers will be commenced. The management plans that pre-sales by phases will start in late 2014.

Yongzhou Project

Under the framework agreement entered into with the City Government of Yongzhou, Hunan province in 2011, two project companies of the Group, in which the Group holds 70% equity stake interest, are empowered to develop the Yongzhou Project, offering a total site area of 1,000 mu on which a GFA of about 1.6 million sq.m., will be developed into residential, commercial complex and street-front shops. As a condition to the development rights granted, the project company is also obliged to manage the remodelling works of some scenic spots in the city surrounding the development sites. The entire project covers a development period of 6 years.

The first phase of the Yongzhou Project, named as Tianyu-huafu (「天譽•華府」), features a residential development of villas, apartments and retail shops with a total GFA of 212,000 sq.m. on a 106 mu site and is in full progress of construction. Pre-sale of the low-rise buildings and high-rise residential buildings have been launched and all GFA of 42,500 sq.m. have been sold out upto the reporting date, generating a total contracted sales of approximately RMB132.0 million at an average selling price of RMB3,100 per sq.m.. Pre-sale permits of villas have been obtained and the management will start the marketing for the pre-sale in the third quarter of the year.

Alongside with the development of Tianyu-huafu, the project company also took the project supervisory role in remodelling of the scenic spots in Dongshan District in Yongzhou. Recently the re-building of a large temple in a total area of over 20,000 sq.m. that was originated in Ming Dynasty was commenced in recent month, marking the Group's efforts in helping the city government to preserve the historic heritage in the district.

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 that are to be borne by the Group and yet to be ascertained. Payments for the consideration in an amount totalling RMB843.1 million have been received from the purchaser. Accordingly to the transaction agreement, construction costs are to be borne by the purchaser whilst the Group resumes the role of a project manager and is responsible for the due completion of the properties at agreed timeline and construction costs.

As the Group is obliged to bear overruns in construction costs and indemnify the timely completion of the construction of the properties, the criteria for recognition of revenue set out in the Hong Kong accounting standard has not been met but the revenue arising from the disposal be deferred and not yet recognised until when construction is close to completion and substantial part of the associated costs can be ascertained reliably.

The project, consisting of a GFA of approximately 113,000 sq.m. of two twin towers, will be developed into a hotel, serviced apartments and offices situated at a commercial business hub of the central city of Guangzhou. At the period-end, the towers have been built up to 14 storeys above the ground though the progress of construction experienced some delays in 2012 due to the purchaser's short of financing given to contractors. The management perceive that the responsibility of the delay is on the purchaser whilst the Group has properly carried out its obligations and hence no claim from the purchaser is foreseen. Given the current progress of the construction and assuming that the continuing financing is readily obtained from the purchaser to enable a timely completion, the directors expect that the construction can be completed in 2015 when the sale transaction will be recorded and an estimated gain of RMB212.4 million will be 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 properties for the resettlement of the original occupants. Land use right is expected to be acquired through the land auction process later in the year which is currently subject to land clearance.

Investment properties

The Group also holds two investment properties for regular leasing income with details as follows:

A 20,000 sq.m. commercial podium at Tianyu Garden Phase II in Tianhe District, Guangzhou with an open market value at RMB513.0 million as at 31 December 2012. The property is 87% occupied at the end of the reporting period, tenanted with renowned corporations and the US consulate.

A total of 14,500 sq.ft. office premise at the whole of 14th floor at AXA Centre in Wanchai, Hong Kong. The property is currently wholly tenanted by a renounced insurance company. The property was acquired in early April this year at a consideration of HK$215.0 million (approximately RMB173.6 million).

Outlook

The slowing economy of the mainland China contributed by the stagnant performance in exports and low domestic consumption in the recent months has shed a gloomy forecast over the outlook of the economic growth of China, the second biggest economy in the world, and many emerging markets. However, the property market on the mainland performs exceptionally well as evidenced by the record-high property selling prices and the auction prices of land sold recently despite the stringent austerity measures on property market taken by the central government in earlier months in the year. Simultaneously, commercial banks on the mainland are facing tight credit as a result of the government's clamp-down on the aggrieved off-balance sheet lending and speculation in property markets. Confronted with such volatile economic environment, the management is putting efforts to preserve the Group a solid financial position for maintaining a foreseeable prospect to its stakeholders. The Group has obtained sufficient banking facilities in an aggregate of RMB1,366 million (of which bank loans of RMB260 million have been drawn down) that are sufficient to serve the needs of all its projects under construction. In addition, satisfactory results from pre-sale of the Yongzhou Project and Guiyang Project are providing working capital to finance the ongoing construction costs of these projects. The Group is navigating in its right track in choppy sea towards the completion of its development projects in the expected timelines in the forthcoming years.

The board of directors takes a prospective view that the government will make moderate modifications in its control measures imposed on real estate developers, aiming at a soft landing in the property segment that will provide stability to the mainland economy as a whole. The Group is aggressive to replenish land for future development in the years down the roll but remains prudent on land or project acquisitions that are affordable but with attractive potential returns. The project in Nanning in Guangxi province will be another milestone in our expansion plan that the Group is heading for.

Liquidity and Financial Resources

Capital structure and liquidity

Despite the increased borrowings of a secured loan of HK$298.0 million (RMB241.8 million) for working capital in late 2012 (the liability component of the loan at the period end: RMB220.4 million), the drawdown of a mortgage loan of HK$90.0 million together with an issue of a promissory note of HK$96.0 million for the purpose of an acquisition of an investment property in Wanchai in April 2013 (the respective balances of the two payables are respectively approximately RMB71.2 million and RMB76.5 million at the period end), and the drawdowns of bank loans during the period to finance the development of projects, the leverage level of the Group has been kept at low level. Other than the aforesaid, at the period-end, the Group is indebted to a commercial bank for three loans in an outstanding total of RMB197.0 million for financing the construction costs of the Group's ongoing projects and another loan due to a commercial bank of RMB63.0 million for the financing of general working capital, a money market loan of US$18.6 million (equivalent to RMB114.9 million) secured by a short-term bank deposit of RMB126.0 million, and advances from non-controlling shareholders of a subsidiary totaling RMB133.0 million and two outstanding warrants and guarantee return totaling RMB19.1 million issued to the lenders of two secured loans. These indebtedness, exclusive of the money market loan, is aggregated to approximately RMB780.2 million, representing an increase of RMB262.1 million when compared with the balance at the year-end of last year. The Group's indebtedness net of free cash on hand amounted to RMB467.8 million and the gearing ratio (calculated on net debt to equity plus net debt) is 20.5% at the period-end date (31 December 2012: 7.56%).

In the period, all development projects proceeded to construction stage, piping up the development costs in properties under development, whilst properties for sale have been reduced as the completed units in Guiyang Project Phase II were delivered to buyers. The Group's current assets, totaling RMB3,021.5 million as at the period-end date, show a decrease of RMB272.5 million from that of the last year-end date. Apart from the properties under development of RMB1,937.2 million and the properties for sale of RMB178.5 million, current assets comprise mainly consideration receivable for the disposal of Tianhe Project of RMB116.7 million, trade deposits paid to contractors and other deposits and receivable of RMB274.8 million, and bank balances totaling RMB301.3 million that exclude deposits of RMB126.0 million used to secure for the money market loan facilities and pre-sale proceeds of RMB87.1 million received from buyers that are restricted for payment of construction costs incurred in the related projects.

Total current liabilities amounted to RMB941.0 million, a decrease of RMB493.4 million compared with that on 31 December 2012 mainly due to the drop in pre-sale proceeds as a result of the recognition of proceeds as revenue when properties developed in Guiyang Project Phase II has been delivered to buyers during the period. The current liabilities at the current period-end comprise the money market loan, the current portion of bank loans totaling RMB124.7 million, pre-sale deposits of RMB382.2 million, advances from non-controlling shareholders of a subsidiary of RMB133.0 million, and miscellaneous items in trade payables, accruals, financial derivative liabilities, and income tax payable aggregated to RMB301.2 million.

The current ratio shows further improvement which is 3.2 times at the current year-end (2012: 2.3 times).

Borrowings and pledge of assets

The land and construction in progress in Zhoutouzui Project, Yongzhou Project and Guiyang Project, certain property units in Tianyu Garden Phase II and the office premise at the AXA Centre are mortgaged to two commercial banks to secure for banking facilities granted to the subsidiaries engaged in the development projects and investment property holding. As at 30 June 2013, bank loans in an aggregate amount of RMB446.1 million and secured loan due to a financial institution of RMB220.4 million are outstanding. Other than these loans, bank deposits of pre-sale proceeds received from property buyers of approximately RMB87.1 million were restricted to the payment of construction costs of properties under construction. To secure a letter of credit issued by a local bank to a Hong Kong-based bank for the money market loan of US$18.6 million, a bank deposit of RMB126.0 million was placed by the Group 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, certain financing, investment holding and administrative activities of the Group are denominated in HK and US dollars.

During the period, RMB has been in mild appreciation against HK and US dollars, foreign exchange gains were realised on transactions when some foreign debts were repaid during the period. Exchange differences arise on consolidation of assets and liabilities of some subsidiaries operated in Hong Kong which carry their books in HK dollars, resulting to an exchange gain of RMB0.1 million as at 30 June 2013 that is added to the exchange reserve, forming part of the equity of the Company. The directors perceive that RMB will in a longer run be in upward movements against US and HK dollars and foresee the Group has no significant adverse foreign currency exposure in the future. In the event of depreciation of RMB against these foreign currencies, given the current comparatively low levels of indebtedness and activities in which the foreign currencies are denominated, 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 closely 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 RMB641.7 million as at 30 June 2013 (31 December 2012: RMB385.9 million) in respect of facilities granted by certain banks relating to the mortgage loans made to the 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 possession of the related properties. Such guarantees shall terminate upon the delivery of properties and 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 Interim Financial Statements, in compliance with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules except for the following deviations:

Code Provision A2.1 — Chairman and Chief Executive

The roles of chairman and chief executive officer of the Company is not separated as required but is currently performed by the same individual, Mr. YU Pan, since 2004.

Due to the small size of the team, 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.

Code Provision E.1.2 — Chairman Attending Annual General Meeting

Mr. YU Pan, the Chairman of the Board, was unable to attend the annual general meeting held on 13 May 2013 (the "**AGM**") as he had a business engagement. Mr. SIU Shawn, the Deputy Chief Executive Officer, was elected as chairman of the AGM to ensure effective communication with the shareholders of the Company at the AGM.

The chairman of the Audit Committee and Remuneration Committee also attended the AGM.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted its own Code of Conduct for Securities Transactions by Directors and Relevant Employees of the Company (the "**Code**") on terms no less exact than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer as contained in Appendix 10 to the Listing Rule and the Code is updated from time to time in accordance with the Listing Rules requirements. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the 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 2013.

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, 16 August 2013