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 2014

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Revenue	**105,922**	649,125
(Loss)/profit before income tax	**(46,970)**	103,653
(Loss)/profit for the period	**(51,623)**	81,145
(Loss)/profit for the period attributable to owners of the Company	**(48,261)**	31,672
(Loss)/earnings per share — Basic and diluted	**(RMB0.022)**	RMB0.014

	At 30 June 2014	At 31 December 2013
Total assets	**6,691,566**	5,007,247

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 2014, together with comparative figures for the corresponding period of 2013.

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited and restated)
Revenue	3	**105,922**	649,125
Cost of sales and services		**(82,606)**	(514,860)
Gross profit		**23,316**	134,265
Other income and gain, net		**30**	4,390
Sales and marketing expenses		**(8,505)**	(10,920)
Administrative and other expenses		**(44,518)**	(28,066)
Fair value changes in derivative financial asset/liabilities		**(3,111)**	(286)
Impairment loss on goodwill		**(1,209)**	—
Impairment loss on disposal of a subsidiary, net of tax		**(13,885)**	—
Finance costs	4	**(1)**	(1,673)
Finance income	4	**913**	5,943
(Loss)/profit before income tax	5	**(46,970)**	103,653
Income tax expense	6	**(4,653)**	(22,508)
(LOSS)/PROFIT FOR THE PERIOD		**(51,623)**	81,145
Other comprehensive income:			
Exchange differences arising on foreign operations		**(451)**	128
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(52,074)**	81,273
(Loss)/profit for the period attributable to:			
— Owners of the Company		**(48,261)**	31,672
— Non-controlling interests		**(3,362)**	49,473
		(51,623)	81,145
Total comprehensive income for the period attributable to:			
— Owners of the Company		**(48,712)**	31,800
— Non-controlling interests		**(3,362)**	49,473
		(52,074)	81,273
(Loss)/earnings per share	7		
— Basic		**(RMB0.0218)**	RMB0.0143
— Diluted		**(RMB0.0218)**	RMB0.0143

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**161,489**	159,450
Investment properties		**712,551**	710,826
Properties under Tianhe Project		**773,063**	768,130
Goodwill		**13,554**	13,554
Derivative financial asset		**—**	2,076
Consideration receivable	*9*	**105,000**	105,000
		1,765,657	1,759,036
Current assets			
Properties under development		**3,219,725**	2,262,709
Properties held for sale		**118,715**	173,395
Trade and other receivables	*10*	**462,106**	453,931
Restricted and pledged deposits		**4,460**	57,660
Cash and cash equivalents		**242,621**	300,516
		4,047,627	3,248,211
Assets classified as held for sale		**878,282**	—
		4,925,909	3,248,211
Current liabilities			
Trade and other payables	*11*	**211,148**	228,740
Properties pre-sale deposits		**736,537**	571,377
Bank and other borrowings — current portion		**338,154**	300,885
Derivative financial liabilities — current portion		**23,652**	23,963
Loan from a related company		**30,000**	—
Loans from non-controlling shareholders of a subsidiary		**—**	84,803
Income tax payable		**84,274**	65,801
		1,423,765	1,275,569
Liabilities associated with assets classified as held for sale		**666,947**	—
		2,090,712	1,275,569
Net current assets		**2,835,197**	1,972,642
Total assets less current liabilities		**4,600,854**	3,731,678

	Notes	**30 June 2014** *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Non-current liabilities			
Bank and other borrowings — non-current portion		**1,551,553**	632,542
Derivative financial liabilities — non-current portion		**5,421**	3,829
Consideration from disposal of Tianhe Project		**990,360**	990,360
Deferred tax liabilities		**179,298**	179,298
		2,726,632	1,806,029
Net assets		**1,874,222**	1,925,649
Capital and reserves			
Share capital		**21,068**	21,068
Reserves		**1,780,736**	1,828,913
Equity attributable to owners of the Company		**1 ,801,804**	1,849,981
Non-controlling interests		**72,418**	75,668
Total equity		**1,874,222**	1,925,649

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 June 2014 (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 2013.

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 2013.

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 three operating divisions — property development, property investment and provision of property management services. As management of the Group considers that nearly 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
Property management	—	Provision of property management services

The Group's senior 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, the 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, derivative financial asset/liabilities, deferred tax liabilities and tax payable. 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 management considers that they are not generated from operating activities.

Information regarding the Group's reportable segments as provided to the Group's senior 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*	Property management *RMB'000*	Total *RMB'000*
Six months ended 30 June 2014 (Unaudited)				
Segment revenue				
Reportable segment revenue	**88,072**	**9,200**	**14,458**	**111,730**
Elimination of inter-segment revenue	**—**	**(2,888)**	**(2,920)**	**(5,808)**
Consolidated revenue from external customers	**88,072**	**6,312**	**11,538**	**105,922**
Segment results	**(23,303)**	**1,145**	**4,304**	**(17,854)**
Reconciliation:				
Unallocated corporate net expenses				**(11,823)**
				(29,677)
Fair value changes in derivative financial asset/liabilities				**(3,111)**
Impairment loss on goodwill	**—**	**—**	**(1,209)**	**(1,209)**
Impairment loss on disposal of a subsidiary, net of tax	**(13,885)**	**—**	**—**	**(13,885)**
Finance costs				**(1)**
Finance income				**913**
Consolidated loss before income tax				**(46,970)**
Other segment information:				
Depreciation	**(387)**	**(1,947)**	**(39)**	**(2,373)**
Additions to properties under Tianhe project	**4,934**	**—**	**—**	**4,934**
Additions to properties under development	**1,643,129**	**—**	**—**	**1,643,129**
Capital expenditure	**1,717**	**2,207**	**60**	**3,984**
As at 30 June 2014 (Unaudited)				
Assets and liabilities				
Assets				
Reportable segment assets	**5,556,076**	**722,885**	**5,761**	**6,284,722**
Reconciliation:				
Restricted and pledged deposits				**4,460**
Cash and cash equivalents				**242,621**
Unallocated corporate assets				**159,763**
Consolidated total assets				**6,691,566**
Liabilities				
Reportable segment liabilities	**3,807,441**	**11,665**	**15,935**	**3,835,041**
Reconciliation:				
Income tax payable				**84,274**
Deferred tax liabilities				**179,298**
Derivative financial liabilities				**29,073**
Unallocated bank and other borrowings				**674,424**
Unallocated corporate liabilities				**15,234**
Consolidated total liabilities				**4,817,344**

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Six months ended 30 June 2013 (Unaudited and restated)				
Segment revenue				
Reportable segment revenue	639,168	9,957	—	649,125
Elimination of inter-segment revenue	—	—	—	—
Consolidated revenue from external customers	639,168	9,957	—	649,125
Segment results	95,351	6,065	—	101,416
Reconciliation:				
Unallocated corporate net expenses				(1,747)
				99,669
Fair value changes in derivative financial 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 31 December2013 (Audited)				
Assets and liabilities				
Assets				
Reportable segment assets	3,773,573	719,450	—	4,493,023
Reconciliation:				
Derivative financial asset				2,076
Restricted and pledged deposits				57,660
Cash and cash equivalents				300,516
Unallocated corporate assets				153,972
Consolidated total assets				5,007,247
Liabilities				
Reportable segment liabilities	2,259,517	7,828	—	2,267,345
Reconciliation:				
Income tax payable				65,801
Deferred tax liabilities				179,298
Derivative financial liabilities				27,792
Unallocated bank and other borrowings				524,919
Unallocated corporate liabilities				16,443
Consolidated total liabilities				3,081,598

Information about major customers

None of the customers of the Group contributed more than 10% of the Group's revenue for the six months ended 30 June 2014 and 2013.

3. REVENUE

Revenue represents the aggregate of the net invoiced amounts received and receivable from property development, property investment and property management services earned by the Group, and net of sale related taxes. The revenue of each significant category recognised during the period are as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Sale of properties	**85,783**	637,538
Rental income	**8,601**	11,587
Property management services	**11,538**	—
	105,922	649,125

4. FINANCE COSTS AND INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance costs:		
Interest on bank and other borrowings		
— wholly repayable within five years	**98,998**	26,650
— wholly repayable after five years	**943**	2,483
Interest on short-term loan from a related company	**512**	—
	100,453	29,133
Less: Amount capitalised as properties under development		
Interest on bank and other borrowings	**(99,941)**	(28,020)
Interest on short-term loan from a related company	**(512)**	—
	(100,453)	(28,020)
	—	1,113
Other borrowing costs	**17,174**	15,435
Less: Amount capitalised as properties under development	**(17,173)**	(14,875)
	1	560
Finance costs charged to profit or loss	**1**	1,673
Finance income:		
Bank interest income	**904**	3,665
Other interest income	**9**	2,278
Finance income credited to profit or loss	**913**	5,943

5. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**78,812**	513,184
Staff costs (including directors' emoluments) comprise:		
— Basic salaries and other benefits	**34,583**	22,583
— Equity-settled share-based payment expenses	**535**	637
— Contributions to defined contribution pension plans	**1,500**	1,043
Total staff costs (including directors' emoluments)	**36,618**	24,263
Less: Amount capitalised as properties under development	**(11,636)**	(6,752)
Staff costs charged to profit or loss	**24,982**	17,511
Auditor's remuneration		
— current period	**378**	420
— over-provision for prior period	**(40)**	—
Depreciation of property, plant and equipment	**2,029**	883
Less: Amount capitalised as properties under development	**(15)**	(11)
Depreciation charged to profit or loss	**2,014**	872
Amortisation of leasehold land	**1,478**	—
Depreciation and amortisation charged to profit or loss	**3,492**	872
Loss on disposal of property, plant and equipment	**57**	13
Exchange loss/(gain), net	**3,574**	(3,966)

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong profits tax	**—**	—
PRC corporate tax		
— current period	**7,277**	15,818
— over-provision in respect of prior periods	**(3,947)**	(121)
PRC land appreciation tax		
— current period	**1,323**	6,811
Total income tax expense	**4,653**	22,508

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2014 (six months ended 30 June 2013: 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 2013: 16.5%) for the six months ended 30 June 2014.

Enterprise income tax arising from other regions of the PRC is calculated at 25% (six months ended 30 June 2013: 25%) on the estimated assessable profits.

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

7. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss)/profit for the purposes of basic and diluted (loss)/earnings per share	**(48,261)**	31,672
	Number of shares	
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	**2,216,531**	2,216,531

For the six months ended 30 June 2014 and 2013, basic (loss)/earnings per share are same as diluted (loss)/earnings per share as any effect from the Company's options and warrants is anti-dilutive.

8. DIVIDENDS

The directors of the Company (the "**Directors**") do not recommend the payment of interim dividend in respect of the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

9. CONSIDERATION RECEIVABLE

	Gross consideration	(Received) /Paid	**30 June 2014** ***RMB'000*** **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Gross consideration for the sale of equity interest plus net assets of Huan Cheng (net of relocation cost borne by the Group)	1,128,273	(988,273)	**140,000**	140,000
Less: Estimated development costs and finance costs borne by the Group	(55,000)	20,000	**(35,000)**	(35,000)
Amount due after one year	1,073,273	(968,273)	**105,000**	105,000

The receivable relates to the final instalment receivable from the purchaser, HNA Hotel Holdings Group Co. Limited ("**HNA Hotel**"), for the disposal of the entire equity interests in 廣州寰城實業發展有限公司 (Huan Cheng Real Estate Development Company Limited) ("**Huan Cheng**"). The amount receivable is unsecured and interest-free. The final instalment, estimated at a present value of approximately RMB105,000,000 after taking into account the estimated development costs and finance costs totalling RMB35,000,000 to be borne by the Group, is receivable from HNA Hotel when the construction of the properties is completed, which is expected to occur in more than twelve months from the end of reporting period.

10. TRADE AND OTHER RECEIVABLES

	30 June 2014 ***RMB'000*** **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Current or less than 1 month	**511**	305
1 to 3 months	**174**	555
More than 3 months but less than 12 months	**3,452**	1,156
More than 1 year	**68**	1,377
Trade receivables, net of impairment	**4,205**	3,393
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	**30,000**	30,000
Tender deposit in development project	**—**	6,000
Prepaid construction costs	**332,577**	316,882
Prepaid finance costs	**10,598**	25,131
Business taxes and surcharges paid for properties pre-sold	**37,735**	32,353
Deposits, prepayments and other receivables	**36,991**	30,172
	462,106	453,931

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.

11. TRADE AND OTHER PAYABLES

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current or less than 1 month	**—**	5,810
1 to 3 months	**519**	966
More than 3 months but less than 12 months	**145**	24,431
More than 1 year	**55**	1,037
Total trade payables	**719**	32,244
Construction costs payable	**64,502**	85,367
Tender receivable from the suppliers	**47,079**	35,749
Receipts in advance, rental and other deposits from buyers, customers and/or tenants	**9,300**	32,408
Interest payable on bank and other borrowings	**20,327**	1,014
Impairment loss on disposal of a subsidiary	**13,885**	—
Other accrued expenses and other payables	**55,336**	41,958
	211,148	228,740

12. COMMITMENTS

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Expenditure contracted but not provided for in respect of		
— Property construction and development costs	**2,734,767**	1,284,323
Expenditure authorised but not contracted for in respect of		
— Property construction and development costs	**1,811,027**	1,895,745
— Acquisition of land use rights	**931,648**	931,648
	2,742,675	2,827,393

13. COMPARATIVE FIGURES

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

14. EVENTS AFTER THE END OF THE REPORTING PERIOD

Significant events happened after the end of the reporting period are as follows:

(a) On 4 July 2014, Anglo Chinese Securities Limited, as placing agent, and the Company entered into a placing agreement pursuant to which the placing agent has agreed to endeavor to procure third party placees to subscribe for the 9% coupon bonds maturing in 2020 in an aggregate principal amount of up to HK$2 billion (the "**Private Bonds**") during the placing period up to 4 July 2015. On 25 August 2014, the Company established a programme whereas the Company will issue bonds in an aggregate principal of HK$2.3 billion, maturing on 4 July 2020, to professional investors within twelve months after 25 August 2014 (the "**Bonds**") at terms similar to the Private Bonds. Application for the listing of the Bonds to the Stock Exchange of Hong Kong Limited was approved and is effective from 25 August 2014. The Bonds will be issued in exchange for the Private Bonds and therefore there will be no proceeds to the Company upon the issue of the Bonds.

(b) On 15 July 2014, 南寧天譽譽浚投資有限公司 (Nanning Tianyu Yujun Investment Company Limited), an indirect wholly owned subsidiary of the Company, entered into an agreement with 廣西世紀巨成項目投資有限公司 (Guangxi Shiji Jucheng Project Investment Company Limited) ("**Guangxi Shiji Jucheng**"), a non-controlling shareholder of the Company's subsidiary holding 5% equity interest in the project company engaged in the development of Nanning Project, 南寧天譽巨成置業有限公司 (Nanning Tianyu Jucheng Realty Company Limited) ("**Nanning Tianyu Jucheng**"), to transfer 15% of the registered capital of Nanning Tianyu Jucheng at a consideration of RMB7,500,000. The transfer was completed on 13 August 2014 upon the completion of the registration of the transfer of equity interests in the Administration for Industry & Commerce. Upon completion of the transaction, interest in Nanning Tianyu Jucheng is 80% held by the Group and 20% held by Guangxi Shiji Jucheng whereby the project company remains a subsidiary of the Company. The directors consider that the transaction does not have a material impact on the profit or loss of the Group for the financial year on the ground that the consideration was determined at a value which was close to the then fair value of the net assets of Nanning Tianyu Jucheng.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

Business review

The Group started to deliver its completed properties of low-rise apartments in Yongzhou Project in May this year. Added also by the sales of some remaining units in Guiyang Project which were completed in 2013, the Group recorded sales after business taxes amounting to RMB85.8 million (2013: RMB637.5 million) for the period. The revenue from property sales, when compared with the previous period, showed a drop of 86.5% as a result of the comparatively small volume of properties completed and delivered during the period. During the period, properties with a total GFA of 26,200 sq.m. (2013: 148,600 sq.m.) were delivered. The other subsidiary line of business, the leasing of properties mainly the commercial podium of Tianyu Garden Phase II in Tianhe, Guangzhou and AXA Centre in Wanchai, Hong Kong, contributed revenue totaling RMB8.6 million (2013: RMB11.6 million) to the Group. Leasing income also shows a decrease of 25.8% when the occupancy of Tianyu Garden Phase II was temporarily affected by the moving out of some key tenants upon the expiry of the leases in the recent months.

In March 2014, the Group acquired the stake interest in a property management company which is engaged in the provision of property management services in eight property developments in Guangdong, Hunan and Guiyang provinces. The management believes the acquisition helps the Group in providing comprehensive after-sale services to property buyers. The business produced revenue of RMB11.5 million for the period.

Property sales constituted 81.0% of total revenue for the period (2013: 98.2%). Gross margin in property sales for the period was 8.1% which is exceptionally low as a result of the low-priced products in Yongzhou Project which are completed and sold during the period. Despite the foregoing, due to the higher proportion of revenue constituted by leasing income, the overall gross margin for the period was maintained at a higher level at 22.0% (2013: 20.7%).

Overall administrative, sales and marketing expenses, and other operating expenses amounting to RMB53.0 million (2013: RMB39.0 million). The increase is generally driven by the increase in staff costs, being the biggest item in operating expenses, amounting to RMB36.6 million of which RMB11.6 million have been capitalised as development costs. The rise in staff costs is explained by the increase in pay rise, rise in headcounts to cope with the business expansion and the take-over of a property management team in the newly acquired property management business. Depreciation of RMB against HK dollar during the period by 1.0% led to realised exchange losses totalling RMB3.6 million on borrowings which are denominated in HK dollar, whilst net exchange gain of RMB4.0 million was enjoyed in previous period when RMB appreciated against the HK dollar. In addition, extra amortisation and depreciation expenses of RMB2.2 million were incurred on the two office floors at the HNA Tower at Tianhe, Guangzhou which were taken up as the purchaser's partial settlement of the disposal consideration for Tianhe Project in December 2013 and are now used as the head office of the

Group. Also included in the expenses are sales and marketing expenses, which on the other hand, dropped to RMB8.5 million (2013: RMB10.9 million) and was in line with the lesser activities in promotion and marketing as no new pre-sale activities were launched during the period.

The Group has increased borrowings to finance the construction of projects and raised corporate bonds and debts to fund the acquisitions of land in recent two years, as a result, finance costs incurred during the period rose 163.9% to RMB117.7 million (2013: RMB44.6 million). Due to the fact that the properties under development dominate the general corporate borrowings of the Group, all finance costs incurred were capitalised as development costs. Finance income dropped from RMB5.9 million to RMB0.9 million resulting from the special default interest charged in last period against the purchaser of the equity interests in Tianhe Project for delays in settlement of the installment consideration for the disposal, and the reduced bank deposits placed during the current period.

Non-operating items charged to the consolidated statement of profit or loss for the period include the provision for loss on disposal of a project company engaged in the development of Guiyang Project of RMB13.9 million which was completed in early July 2014, and the increase in the fair value amounting to RMB3.7 million in respect of derivative financial liabilities embedded in the exchangeable bonds issued by the Company to a financial institution in a face value of HK$298 million (RMB236.5 million) in 2013 empowering the bondholder the rights to exchange the bonds for the newly issued shares of Guangzhou Zhoutouzui Development Limited ("**GZ Zhoutouzui**"), the rights to put the shares to the Company and the Company's right to buy back the shares. The effect was offset by the a gain of RMB0.6 million arising from the early repayment in August 2014 of a secured loan of HK$298 million (RMB236.5 million) borrowed in 2012 from a financial institution together an early redemption of warrants at the same time entitling the holder a guaranteed return of HK$29.8 million (RMB23.6 million) upon maturity in November 2014.

In consequences of the lower turnover in the period and the general increase in operating expenses, the Company incurred an after-tax loss of RMB51.6 million (2013: profit of RMB81.1 million) of which a loss of RMB48.3 million (2013: profit of RMB31.8 million) was attributable to the shareholders of the Company for the period.

Properties under development and land reserves

Excluding the Guiyang Project which was disposed in early July 2014, the Group is currently undergoing four real estate development projects in mainland China. Up to 25 August 2014, the Group's projects on hand renders a land reserve for property development of a total GFA of approximately 1.8 million sq.m., all of which are now under construction.

Zhoutouzui Project

The project is held by a sino-foreign cooperative joint venture enterprise 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 44,552 sq.m. consists of 7 towers of residential apartments, offices, service apartments and a commercial complex in a total GFA of approximately 320,000 sq.m., and underground car parking facilities in a total GFA of approximately 102,000 sq.m. Up to 25 August 2014, foundation works of all towers have been completed whilst tower 5, 6 and 7 have been built up to the 16th floor and tower 1 up to the 5th floor. In view of the progress in construction, the management expects that the Group can start the pre-sales of some towers in late 2014.

Yongzhou Project

The project offers a total site area of 1,000 mu on which a GFA of about 1.6 million sq.m. and is to be developed into residential, commercial complexes and street-front shops. As a condition to the grant of development rights, the project company is also obligated to manage the remodelling works of some scenic spots in Dongshan District of Yongzhou.

The first phase of the 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, out of which a total saleable GFA of approximately 23,600 sq.m. have been completed and delivered to buyers during the period, whilst the other low-rise apartments, villas and small portion of commercial properties of saleable GFA of approximately 7,000 sq.m. will be delivered at the end of 2014 and the remaining saleable GFA of approximately 28,800 sq.m. of high-rise apartments and commercial properties will be completed in 2015. Up to 25 August 2014, pre-sale proceeds totalling RMB308.3 million have been received in respect of GFA of saleable approximately 92,800 sq.m.. The overall average selling price of the properties pre-sold is RMB3,321 per sq.m..

As part of the development of Tianyu-huafu Project and to preserve the heritages in the region, the Group has completed the rebuilding of a historic temple "Wen Miao" in Lingling District that was originated in Ming Dynasty in an area of over 20,000 sq.m..

Tianhe Project

The equity interest in the project was disposed 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 which are yet to be ascertained. According to the disposal 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 Tianhe District, a commercial business hub of the central city of Guangzhou. Up to the date of this report, construction of the mainframe of the buildings has been completed and the interior construction works are being done. Given the current progress of the construction and the construction costs have been duly settled by the project company, the directors expect that the construction can be completed in the second half of 2015 when the sale transaction will be fully recorded in the accounts of the Group. With our current assessment of the costs to be borne by the Group according to the disposal agreement, an estimated gain of RMB217.3 million will be recognised upon completion of the project.

Nanning Project

In January 2014, the Group acquired through tenders for two pieces of land in Wuxiang New District (五象新區), Nanning, Guangxi province. The development, named as "Nanning Tianyu Garden" ("南寧天譽花園"), will be developed into a residential development with total GFA of approximately 1,177,000 sq.m., consisting of GFA of approximately 888,000 sq.m. for residential and ancillary commercial and other facilities for sale and GFA of approximately 289,000 sq.m. of residential and commercial areas for resettlement of the original occupants. All land premium has been paid and construction commenced. The management expects that the first phase of the project will be launched for pre-sale in the second half of the year 2014. According to the land transfer contract, the city government promises to pay a total consideration of RMB1,045.0 million for the acquisition of the resettlement properties from the project company. During the period, deposits of RMB500.0 million and RMB493.2 million for the resettlement properties were respectively received in May and July 2014.

Investment properties

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

The 20,000 sq.m. commercial podium at Tianyu Garden Phase II in Tianhe District, Guangzhou is 96.6% occupied as at the date of this report. The occupancy rate of the property during the period has been temporarily affected by the vacancy of certain floor areas when the US consulate, a key tenant, and some other tenants moved out upon the expiry of the lease. The directors consider the property is fairly stated in the statement of financial position of the Group as of 30 June 2014 at its open market value of RMB530.0 million carried.

The 14,500 sq.ft. office premise at the 14th floor of AXA Centre in Wanchai, Hong Kong was acquired by the Group in April 2013. The property is currently fully occupied or tenanted of which approximately 40% of the floor area is used by the Company as the office in Hong Kong. The directors consider the property is fairly stated in the statement of financial position of the Group as of 30 June 2014 at its open market value of HK$230.0 million (approximately RMB182.6 million).

Outlook

Following the slower economic growth of China that led to a slowdown in demand for properties during the period, the industry is stepping into adjustments, in both trading volumes and prices. Developers have to sustain business at price cuts and lower margins. Having said this, the directors believe that the demand for basic housing is still stable that grows in pace with the needs for urbanisation and city modernisation in many regions throughout the nation. Also, the increasing regulated industry will continue to drive bigger players in the market and wipe off the smaller ones who find the market conditions hard to survive. The barrier of entry into the market is getting higher. After nearly 10 years fast growth in the real estate market, the market is entering into a short-term adjustment. We expect some marked adjustments to come in the investment, trading volume and prices in the property market. However, the directors and management perceive that after the adjustment period, the environment will become healthier and solid in facing market turbulence.

The management forecasts that the Group's properties under development (in particular the existing Zhoutouzui Project which enjoys historically low land costs at a unique location for luxurious accommodation) will still have attractive gross margins. Situation will be different for new projects that carry land costs at the current market levels, when facing pressure on pricing, which will be operated at lower margins.

To counter the challenges in the tough environment in the real estate development industry, the Group is striving to maintain a solid financial position to strike a balance between business growth and financial stability. At the date of this report, the Group has financing facilities granted from commercial banks to finance the construction of the projects in an aggregate of RMB1,165.0 million (of which borrowings of RMB512.1 million have drawn down). In addition, pre-sale proceeds received and expected to be received from pre-sales of properties being developed all ongoing projects of the Group will provide sufficient working capital to finance the ongoing construction costs of these projects, making the completion of these projects beyond doubts. To keep the business growing in sales and earnings, the Company is on the other hand putting endeavor to increase its land reserves in a suitable scale for the Group's future development in the coming years, in particular starting from 2017 when all of the existing projects will come to the final stage of development.

Liquidity and Financial Resources

Capital structure and liquidity

During the period under review, the Company has raised funds of RMB500.0 million by way of a trust loan to a subsidiary and certain unsecured bonds in aggregated value of HK$100 million (equivalent to approximately RMB79.0 million) issued to certain investors for the general working capital of the Group. The trust loan is secured by the investment properties at Tianyu Garden Phase 2 and office premises at HNA Tower in Tianhe, Guangzhou. The bonds issued in October 2013 in a principal value of HK$298 million (RMB236.5 million), together with a loan with a principal amount of HK$298 million (RMB236.5 million) borrowed from the same group of entities in a financial institution in 2012, is secured by the entire issued shares of GZ Zhoutouzui, the immediate holding company of the project company holding the Zhoutouzui Project. Besides, the secured bonds of HK$298 million are embedded with derivative financial liabilities comprising a right to the bondholders to exchange for some issued shares of GZ Zhoutouzui and a subsequent right to put the shares to the Company for redemption as well as a right to the Company to call for the shares.

At the period-end, the Group is indebted to commercial banks on the mainland for two term loans in an outstanding amount of RMB512.1 million for the financing of the construction costs of Zhoutouzui Project and Yongzhou Project, a term loan and revolving loan totaling RMB102.3 million due to a commercial bank based in Hong Kong for the financing of the acquisition of AXA Centre and general working capital of the Company, the loan borrowed from and bonds with outstanding fair value balances aggregated to RMB471.4 million issued to a financial institution and secured by the share charges over the shares of GZ Zhoutouzui, and derivative financial liabilities with fair values totaling RMB29.1 million embedded with the bonds and warrants issued to the bondholder and the secured loan lender, a trust loan of RMB500.0 million issued in favour of a number of investors as beneficiaries, unsecured bonds with principal value of HK$100 million issued to certain investors at fair value of RMB70.6 million, advances from non-controlling shareholders of RMB72.3 million and other borrowing of RMB17.0 million of a subsidiary engaged in the Guiyang Project which was disposed in early July 2014 and are included in liabilities associated with assets classified as held for sale on the financial statements of the Company, and unsecured borrowings from a third party of RMB233.2 million and a company controlled by Mr. YU Pan, the controlling shareholder of the Company, of RMB30.0 million. In all, these indebtedness of the Group is aggregated to RMB2,038.0 million (2013: RMB1,046.0 million), of which 23.6% due within one year, representing an increase of RMB992.0 million when compared with the balance as at 31 December 2013. The gearing ratio (calculated as total indebtedness net of cash and cash equivalents (the "**Net Debt**") divided by the equity attributable to shareholders of the Company plus Net Debt) is 49.7% at the period-end date (2013: 28.7%). The increase in the gearing ratio reflects the rise in the Group's indebtedness to cope with the expansion in the development business. Nonetheless, the management believes the indebtedness level is still at a comfortable and affordable level that the Group can meet with its loan commitments when mature by funds generated from its operations.

In the period, other than Guiyang Project which was sold after the period-end date and the associated assets and liabilities are separately shown on the consolidated statement of financial position as assets and liabilities held for sale, all other development projects are under construction, building up development costs in properties under development to RMB3,219.7 million (2013: RMB2,262.7 million), whilst properties held for sale decreased to RMB118.7 million (2013: RMB173.4 million) as only those completed properties in Yongzhou Project are accounted for in this asset category at the current period-end. Current assets, totaling RMB4,925.9 million as at the period-end date, show an increase of RMB1,677.7 million from that as at 31 December 2013 as a result of the enlarged asset base of the Group. Apart from the properties under development or held for sale as mentioned above and the assets totaling RMB878.3 million in respect of assets associated with the Guiyang Project that were disposed after the period-end date, current assets also comprise trade deposits paid to contractors and other deposits and receivable of RMB462.1 million, and bank balances totaling RMB247.1 million.

Total current liabilities at the current period-end amounted to RMB2,090.7 million, representing an increase of RMB815.1 million compared with that on 31 December 2013. The increase in current liabilities is mainly due to the deposits of received from Nanning city government for the purchases of resettlement properties in the Nanning Project being built. Apart from the current liabilities amounting to RMB666.9 million associated with the Guiyang Project pending disposal, the current liabilities mainly comprise deposits for resettlement properties under construction and pre-sale deposits in a total of RMB736.5 million, the outstanding amount of RMB235.8 million for the secured loan due in November 2014 (which has been early repaid in early August 2014) and current portion of bank borrowings of RMB102.3 million, the current portion of the derivative financial liabilities totaling RMB23.7 million, miscellaneous items in trade payables, accruals, and income tax payable aggregated to RMB295.5 million.

The current ratio shows further improvement which is 2.4 times at the current period-end (2013: 2.6 times).

Borrowings and pledge of assets

The land and construction in progress in Zhoutouzui Project and Yongzhou Project, and the office premises at the AXA Centre are mortgaged to commercial banks to secure for bank loan facilities granted to the subsidiaries engaged in the development projects and investment property holding. In addition, the property units in Tianyu Garden Phase II and the office premises at HNA Tower were mortgaged to a financial institution for a trust loan of RMB500.0 million drawn down during the period. The secured loan and exchangeable bonds in the aggregated outstanding principal value of HK$598.0 million (RMB473.0 million) were secured by a share charge over the entire issued shares of GZ Zhoutouzui. The trust loan and the commercial bank loan in Hong Kong were secured by corporate guarantees provided by the Company. As at 30 June 2014, these related bank loans in an aggregate amount of RMB614.5 million, trust loan of RMB500.0 million, and secured loan and exchangeable bonds of RMB471.4 million are outstanding.

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 dollars.

During the period, RMB has been fluctuating in both directions against HK dollar. Foreign exchange losses were realised when transactions relating to the Hong Kong dollar-denominated bonds and loans and the leasing activities of the investment property in Hong Kong were transacted in Hong Kong dollars. 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 loss of RMB0.5 million as at 30 June 2014 that is deducted from the exchange reserve, forming part of the equity of the Company. The Directors perceive that RMB will, in a longer run, still move gradually in upward movements against HK dollars and foresee the Group has no significant adverse foreign currency exposure in the future. In the event of a depreciation of RMB against these foreign currencies, given the comparatively low levels of indebtedness and activities that are denominated in HK dollars, the directors perceive that 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 and will react to any permanent or significant changes in the exchange rates in RMB against HK dollars to lessen the possible adverse impact on the Group's results and financial position.

Contingent Liabilities

The Group provides guarantees to the extent of RMB811.8 million as at 30 June 2014 (2013: RMB745.6 million) in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for 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 will 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 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.

Code Provision E.1.2 — Chairman Attending Annual General Meeting

Mr. YU Pan, the Chairman of the Board, was absent from the annual general meeting held on 10 June 2014 (the **"AGM"**) due to a business engagement overseas. Mr. WEN Xiaobing, an executive director of the Company and the Deputy Chief Executive Officer, was elected as chairman of the AGM. At the AGM, the chairman of the meeting and the chairman of the Audit Committee, Mr. CHOY Shu Kwan and the chairman of the Remuneration Committee, Ms. CHUNG Lai Fong, talked with the shareholders of the Company to ensure effective communication between the Company and the investors.

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 contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules and the Code is updated from time to time in accordance with the Listing Rules requirements. Following specific enquiry by the Company, all Directors of the Company 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 2014.

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. WEN Xiaobing and Mr. WONG Lok; one non-executive director, namely Mr. ZHONG Guoxing 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, 29 August 2014