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天譽置業（控股）有限公司*
(已委任臨時清盤人)
SKYFAME REALTY (HOLDINGS) LIMITED
(Provisional Liquidators Appointed)
(於百慕達註冊成立之有限公司)
(股份代號：00059)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

FINAL RESULTS

The board (the "Board") of directors (the "Directors") of Skyfame Realty (Holdings) Limited (Provisional Liquidators Appointed) (the "Company") announces the audited consolidated final results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009, together with comparative figures for the corresponding year of 2008.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Revenue	*6*	**304,780**	564,650
Cost of sales and services		**(122,854)**	(335,813)
Gross profit		**181,926**	228,837
Other income		**2,840**	4,066
Sales and marketing expenses		**(29,407)**	(22,569)
Administrative expenses		**(159,466)**	(179,831)
Fair value changes in investment properties		**14,769**	(119,263)
Write-down of properties under development		**(70,623)**	—
Impairment loss on goodwill		**—**	(66,511)
Fair value changes in financial derivative liabilities in relation to convertible notes		**93,162**	976,924
Gain on disposal of a subsidiary, net of tax	*14*	**302,011**	—
Finance costs	*7*	**(1,883,222)**	(189,957)
Finance income	*7*	**1,062**	2,982

* *for identification purposes only*

	Notes	**2009** HK$'000	2008 HK$'000
(Loss) profit before income tax	*8*	**(1,546,948)**	634,678
Income tax credit	*9*	**2,386**	49,670
(LOSS) PROFIT FOR THE YEAR		**(1,544,562)**	684,348
Other comprehensive income:			
Exchange differences arising on consolidation of foreign operations		**4,691**	186,825
Impairment loss on properties held for development charged to property revaluation reserve		**—**	(71,151)
Deferred tax credit in respect of impairment loss on properties held for development		**—**	17,788
Realisation of exchange differences upon disposal of a subsidiary		**(157,315)**	—
		(152,624)	133,462
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(1,697,186)**	817,810
(Loss) profit for the year attributable to:			
— Owners of the Company		**(1,537,605)**	685,128
— Minority interests		**(6,957)**	(780)
		(1,544,562)	684,348
Total comprehensive income for the year attributable to:			
— Owners of the Company		**(1,690,260)**	818,528
— Minority interests		**(6,926)**	(718)
		(1,697,186)	817,810
(Loss) earnings per share	*11*		
— Basic		**(HK104.055 cents)**	HK46.337 cents
— Diluted		**(HK104.055 cents)**	(HK13.484 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**1,111**	1,046,987
Prepaid lease payments — non-current portion		**501,942**	736,550
Investment properties		**416,951**	401,543
Properties held for development		**1,061,511**	962,867
Goodwill		**15,562**	68,316
Interest in an associate		**631,094**	—
		2,628,171	3,216,263
Current assets			
Properties held for sale		—	573,808
Prepaid lease payments — current portion		**127,423**	494,718
Properties under development		**198,933**	86,268
Inventories		—	19,542
Trade and other receivables	*12*	**31,956**	33,900
Consideration receivable for disposal of a subsidiary	*14*	**1,213,031**	—
Restricted and pledged deposits		**38,547**	67,737
Cash and cash equivalents		**114,719**	53,720
		1,724,609	1,329,693
Assets classified as held for sale		—	713,399
		1,724,609	2,043,092
Current liabilities			
Trade and other payables	*13*	**418,071**	219,761
Bank and other borrowings — current portion		**277,627**	280,228
Convertible notes		**2,057,326**	—
Deferred income		—	3,779
Income tax payable		**120,052**	48,080
		2,873,076	551,848
Liabilities associated with assets classified as held for sale		—	108,884
		2,873,076	660,732
Net current (liabilities) assets		**(1,148,467)**	1,382,360
Total assets less current liabilities		**1,479,704**	4,598,623

	Notes	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Other payable	*13*	—	63,573
Bank and other borrowings — non-current portion		**239,150**	1,042,480
Convertible notes		—	306,337
Financial derivative liabilities		—	93,162
Loan from minority shareholder of a subsidiary		**234,690**	273,968
Deferred tax liabilities		**157,405**	273,674
		631,245	2,053,194
Net assets		**848,459**	2,545,429
Capital and reserves			
Share capital		**14,777**	14,777
Reserves		**815,874**	2,505,918
Equity attributable to owners of the Company		**830,651**	2,520,695
Minority interests		**17,808**	24,734
Total equity		**848,459**	2,545,429

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are property development, property investment, hotel operation and the provision of related ancillary services, and the provision of property development project management and interior decoration services.

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

(a) Appointment of receivers by the trustee of the convertible notes

On 4 May 2007, the Company issued 4% secured convertible notes due in 2013 with principal amount of US$200,000,000 (the "Notes" or the "convertible notes"). As at 1 January 2009, the outstanding principal/face value of the Notes amounted to US$192,000,000. Pursuant to the trust deed dated 4 May 2007 (the "Trust Deed"), a supplemental deed dated 22 January 2008, a letter given by the special committee of the holders of the Notes (the "Noteholders") dated 31 March 2009 and resolutions in a special committee meeting of the Noteholders held on 10 June 2008, the Noteholders have the automatic redemption right to require the Company to redeem the Notes in principal amount of US$75,000,000 (approximately HK$585,893,000) and accrued interest (the "Automatic Redemption") if the project company of the Zhoutouzui Project cannot obtain the land use right certificate and other permits for such project on or before 31 May 2009.

On 2 November 2009, the trustee and security trustee (collectively the "Trustee") under the Trust Deed, who acted on the written request of holders of not less than 25 per cent. in outstanding principal amount of the Notes, issued an acceleration notice (the "Acceleration Notice") to the Company on the ground that the land use right certificate and other permits in respect of the Zhoutouzui Project were not obtained on or before 31 May 2009 and the Company failed to satisfy with the Automatic Redemption. By service of the Acceleration Notice, the Notes with the face value of US$192,000,000 plus accrued interest become immediately due and payable. As a result of the issue of the Acceleration Notice, on the same date, a letter from Deloitte Touche Tohmatsu ("Deloitte") was received stating that Messrs. Lai Kar Yan, Yeung Lui Ming and Darach E. Haughey of Deloitte have been appointed by the Trustee as receivers and managers the security assets charged for the Notes under various security documents which include, the charge over all of shareholding interest in the Company held by Grand Cosmos Holdings Limited ("Grand Cosmos"), the charge over 100% equity interest in Grand Cosmos held by Sharp Bright International Limited and the charges over equity interests in certain intermediary investment holding subsidiaries of the Company (collectively the "Security"). Also on the same date, the Company received copies of the written resolutions of these intermediary subsidiaries dated 2 November 2009 approving, among other things, the appointment of Messrs Lai Kar Yan, Yeung Lui Ming, Darach Eoghan Haughey and Yeung Wallace Wai Yim of Deloitte as directors in replacement of the existing directors of these subsidiaries with immediate effect.

(b) Petition for winding-up order and appointment of provisional liquidators

On 6 November 2009, a winding-up petition was presented to the High Court of the Hong Kong Special Administrative Region (the "High Court") by a creditor of the Group alleging that the Company was in breach of a guarantee given to the creditor. On the same day, the High Court ordered Messrs Stephen Liu Yiu Keung and David Yen Ching Wai, both of Ernst & Young Transactions Limited, be appointed as the joint and several provisional liquidators of the Company (the "Provisional Liquidators"). Pursuant to the High Court's order dated 6 November 2009, the Provisional Liquidators are empowered, amongst other things, (i) to take control and possession of the assets of the Company; and (ii) to formulate and carry out a restructuring of the business of the Company and its subsidiaries, associated companies or other entities in which the Company holds an interest and to enter into settlement, compromise or arrangement on the Company's behalf with the creditors of the Company provided that any such settlement, compromise or arrangement shall not be binding on the Company's creditors unless and until approved by the High Court. Under the supervision of the Provisional Liquidators, the daily operations of the business affairs of the Group have been undertaken by the existing directors and management team.

On 17 November 2009, the Provisional Liquidators acting on behalf of the Company, Yue Tian Development Limited ("Yue Tian"), which is an indirect wholly-owned subsidiary of the Company, Mr. Yu Pan, the chairman (the "Chairman") and executive director of the Company, and the Noteholders entered into a term sheet (the "First Term Sheet") which mainly set out the framework for the application of the proceeds from the disposal of 100% equity interest in a subsidiary, 廣州市城建天譽房地產開發有限公司 (Guangzhou Cheng Jian Tianyu Real Estate Development Limited) ("CJTY"), with a view to the dismissal of the winding-up proceedings against the Company and the discharge of the Provisional Liquidators. On the same date, the board of directors of Yue Tian has been restored to its constitution immediately prior to the appointment of the receivers.

(c) Appointment of receivers by the facility and security agent for the borrowings of HK$220,000,000

On 29 January 2009, the borrowings of HK$220,000,000 (the "Term Loan") were due for repayment by the Group. The Term Loan became overdue and remained outstanding. The Term Loan lenders have made certain standstill arrangements and the lenders have issued consents to Sky Honest Investments Corp. ("Sky Honest"), the borrower and an indirect wholly-owned subsidiary of the Company, to refrain from taking enforcement action against Sky Honest up to the completion of the proposed disposal of 80% interest in the Tianhe Project. No further standstill has been given by the lenders after the proposed disposal was voted down by the Company's shareholders in a Company's special general meeting held on 10 July 2009.

On 9 November 2009, Lehman Brothers Commercial Corporation Asia Limited (In Liquidation) ("LBCCAL") (as facility and security agent for the lenders of the Term Loan) served a notice to Sky Honest and its holding company, Chain Up Limited ("Chain Up"), which is a direct wholly-owned subsidiary of the Company, stating that Sky Honest's failure to repay the Term Loan on the maturity date of 29 January 2009 constituted an event of default as stipulated in the loan agreement entered into between Sky Honest and lenders of the Term Loan on 27 July 2007. On the same date, LBCCAL appointed Messrs. Edward Simon Middleton and Patrick Cowley (who were later replaced by Messrs. Victor Yat Kit Jong and Donald Edward Osborn on 1 February 2010) as receivers and managers of the security assets charged for the Term Loan under various security documents which include (i) the entire issued share capital of Sky Honest, the shareholder loan from Chain Up to Sky Honest and all other assets of Chain Up; and (ii) 51% of the issued share capital of Yaubond Limited ("Yaubond"), the shareholder's loan from Sky Honest to Yaubond and all other assets of Sky Honest. On 10 November 2009, the board of directors of Sky Honest was replaced by a corporate director nominated by Messrs. Edward Simon Middleton and Patrick Cowley, as receivers acting on behalf of the lenders of the Term Loan. On 25 February 2010, such corporate director was replaced by another two corporate directors nominated by Messrs Victor Yat Kit Jong and Donald Edward Osborn, as receivers acting on behalf of the lenders of the Term Loan.

(d) Proposed settlement with the Noteholders

On 14 April 2010, the Company (acting by Board), Yue Tian, Mr. Yu Pan and the Noteholders entered into a second term sheet (the "Second Term Sheet") to set out the key terms of an agreement to be entered into among these parties. The details of the Second Term Sheet are disclosed in "Events After The End of The Reporting Period" section below.

(e) Expected dismissal of winding-up petition and discharge of Provisional Liquidators

Trading in the shares of the Company (the "Shares") has been suspended since 3 November 2009. The court hearing on the winding-up petition has been adjourned to 2 August 2010. Pursuant to the Second Term Sheet, within 7 days after execution of the settlement agreement, an application for the dismissal of the winding-up petition will be submitted by the petitioner and the discharge of the Provisional Liquidators is expected to be approved by the High Court a week after. The management will then make an application to the Stock Exchange for the resumption of trading of the Shares when the resumption conditions, which include the dismissal of the winding-up petition and the discharge of the Provisional Liquidators, have been fulfilled.

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

(a) Impact of New/Revised HKFRSs which are effective during the year

In the current year, the Group has adopted the following New/Revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial period beginning on 1 January 2009.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Interpretation 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers

The adoption of these New/Revised HKFRSs has had no material effects on the results or financial position of the Group for the current or prior accounting periods nor resulted in substantial changes to the Group's accounting policies, except for certain presentational changes as a result of adopting HKAS 1 (Revised), and extended disclosures relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities as a result of adopting HKFRS 7 (Amendment). Comparative figures have been restated or included in the consolidated financial statements in order to achieve a consistent presentation. The statement of financial position, previously known as balance sheet, at the beginning of the year of 2008 have not been presented as there were no changes to the originally published statement.

(b) Potential impact arising on New/Revised HKFRSs not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs (issued April 2009)[1]
	Improvements to HKFRS 5 as part of Improvements to HKFRSs (issued May 2008)[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
Amendment to HKAS 39	Eligible Hedged Items [2]
HKFRS 2 (Amendments)	Share-based Payment — Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[2]
HK(IFRIC) — Interpretation 17	Distributions of Non-cash Assets to Owners[2]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKFRS 9	Financial Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

2 Effective for annual periods beginning on or after 1 July 2009

3 Effective for annual periods beginning on or after 1 January 2010

4 Effective for annual periods beginning on or after 1 January 2011

5 Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting policy on business combination for which the acquisition date is on or after 1 January 2010. The adoption of HKAS 27 (Revised) may affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control of the subsidiary, which will be accounted for as equity transactions.

The amendment to HKAS 17 made under "Improvements to HKFRSs 2009", mandatory for accounting periods beginning on or after 1 January 2010, removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgement to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group will reassess the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the lease and recognise a lease newly classified as a finance lease retrospectively if the criteria of a finance lease is met. If the information necessary to apply the amendment retrospectively is not available, the Group will recognise the related asset and liability at their fair values on the date of adoption and recognise the difference in retained earnings.

Except for these, the Directors are in the process of making an assessment of the potential impact of these New/Revised HKFRSs and they anticipate that the application of these New/Revised HKFRSs will have no material impact on the results and the financial position of the Group.

4. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except that the following assets and liabilities are stated at their revalued amounts or fair values:

— investment properties; and
— derivative financial instruments.

Assets and liabilities classified as held for sale were stated at the lower of their carrying amount and fair value less costs to sell.

(c) Basis of presentation

As referred in note 2, the Company is under provisional liquidation where Provisional Liquidators were appointed by the High Court to the Board and receivers were appointed by LBCCAL and the Noteholders where the boards of directors of certain subsidiaries of the Company have been replaced by representatives of the receivers. The primary duty of the Provisional Liquidators, empowered by the order of the High Court, is to exercise the powers to protect the assets to prevent them from being dissipated and to stabilise the operations of the Group to enable, if possible, compromises with its dissenting creditors by realising assets with proceeds to settle and reach an agreement with the creditors on a debt rescheduling. The receivers, being appointed to enforce charges under powers as contained in the Trust Deed and loan documents, have a primary objective to manage the assets in order to realise the pledged assets with the proceeds to be returned to the Term Loan lenders and Noteholders with due diligence.

Since the appointment, the Provisional Liquidators have conducted reviews of and managed the Company's affairs and considered it to be in the interest of the Company that the existing operations of the Group are managed by the Board and the existing management team despite the changes in the boards of directors of certain subsidiaries of the Company under receivership. Notwithstanding the fact that the receivers are empowered by the Trust Deed and the relevant security agreements to take further enforcement action in order to take possession of the security assets, standstill has been granted by the Noteholders in the First and Second Term Sheets. It is expected that the formal binding agreement on settlement with the Noteholders can be executed shortly after the date of this announcement. Meanwhile, the receivers acting on behalf of the lenders of the Term Loan (who are appointed over the entire equity interest in Sky Honest and 51% equity interest in Yaubond and effectively, the 51% stake in the Tianhe Project) appear to have taken actions to seize control over Sky Honest and Yaubond. Hence, the Directors consider that the Company has lost its power to govern, but is able to exercise significant influence in the determination of, the financial and operating policies of Yaubond.

Based on the foregoing circumstances and given the expectation that the proposed settlement agreement with the Noteholders will be successfully executed and implemented, and the fact that the Company has been exercising control over its subsidiaries under the same corporate structure of the Group as that prior to the appointment of the Provisional Liquidators and the receivers, the Directors have prepared the financial statements on a consolidation basis, except that the equity interest in Yaubond has been accounted for as interest in associate. As such, in the event that de-consolidation of any subsidiary/subsidiaries is required as a result of the inappropriateness of the consolidation basis currently adopted, adjustments would be required.

(d) Going concern

As disclosed in note 2, notwithstanding the facts that:

(i) the Term Loan of HK$220,000,000 which was due on 29 January 2009 has not been repaid, resulting in the appointment of receivers to the boards of directors of Yaubond and Sky Honest, both of which are subsidiaries of the Company, as an enforcement action taken by the lenders of the Term Loan;

(ii) an acceleration notice was issued by the Trustee in relation to the Notes (with current outstanding principal of US$192,000,000) to the Company due to the failure of a subsidiary of the Company in obtaining the land use right certificate and other permits in respect of the Zhoutouzui Project, resulting in the demand for the Company's immediate repayment of the entire outstanding principal amount of the Notes of US$192,000,000 (approximately HK$1,499,885,000) plus accrued interests amounted to approximately HK$557,441,000 as at 31 December 2009. On 6 November 2009, a winding-up petition was presented to the High Court by a creditor of the Group. On the same day, the High Court ordered Messrs. Stephen Liu Yiu Keung and David Yen Ching Wai be appointed the Provisional Liquidators of the Company; and

(iii) as a result of the acceleration of the Notes, the Company's net current liabilities substantially increased to approximately HK$1,148,467,000 as at 31 December 2009 as compared with net current assets of approximately HK$1,382,360,000 as at 31 December 2008;

the consolidated financial statements have been prepared using the going concern basis, a fundamental accounting concept adopted in the presentation of the consolidated financial statements. The Directors considered carefully that the business of the Group is a going concern after having considered the assumptions and qualifications that have material effects on the Group's results and financial position for the foreseeable period covering the next twelve months since the end of the reporting period. Key assumptions are as follows:

(1) The general economic performance in the PRC and the specific industrial parameters affecting the real estate sectors are becoming stable;

(2) The general trading conditions of the Group, in particular the contractual terms offered from suppliers and creditors remain unaffected by the abovementioned non-compliances and enforcement actions, and there is no acceleration of the bank loan amortisation in light of the potential claims nor will there be any claims for consequential losses or damages;

(3) The development projects are in compliance with the governmental regulations and the relevant licenses remain in full force and effect. The risk of re-possession of the land of the Tianhe Project will be solved and the extension of the construction period can be obtained;

(4) New banking facilities have been and will be available to the Group from financial institutions to finance the work in progress of the Tianhe, Zhoutouzui and Guiyang Projects in accordance with respective construction timetables;

(5) Imminently after the date of this announcement, the Company will conclude the negotiations with the Noteholders at commercial terms of settlement similar with that of the Second Term Sheet. Simultaneously, the Company will also reach a settlement with the lenders of the Term Loan at terms beneficial to the Group; and

(6) The Directors believe that the Company and the obligors of the settlement agreements contemplated to be entered into by the Group with the Noteholders can comply with those obligations to be set out thereunder the settlement agreements, in particular additional financing can be sought from financiers and/or investors to meet with the commitment to settle any balance in shortfall after applying the funds received from the disposal of the Westin Project for the repayment of the Notes.

The Directors believe that the Group will have sufficient cash resources from new financing to satisfy its future working capital and other financing requirements. Accordingly, the consolidated financial statements have been prepared on a going concern basis and does not include any adjustments that would be required should the Group fail to continue as a going concern.

5. SEGMENT REPORTING

On adoption of HKFRS 8 "Operating segments" and in a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment, the Group is currently organised into three operating divisions — property development, property investment and hotel operation and related ancillary services ("hotel operation").

As management of the Group considers that all consolidated revenue are attributable to the markets in the PRC and consolidated non-current assets are substantially located inside the PRC, no geographical information is presented. The Group's reportable segments under HKFRS 8 are as follows:

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

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

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

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

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

(a) Segment results, assets and liabilities

	Property development *HK$'000*	Property investment *HK$'000*	Hotel operation *HK$'000*	Mis-cellaneous *HK$'000*	Total *HK$'000*
Year ended 31 December 2009					
Reportable segment revenue — external and consolidated revenue	**44,912**	**16,118**	**243,750**	**—**	**304,780**
Operating results	4,438	4,350	22,249	—	31,037
Add: Depreciation and amortisation	8,486	6	59,431	—	67,923
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	**12,924**	**4,356**	**81,680**	**—**	**98,960**
Fair value changes in investment properties	—	14,769	—	—	14,769
Write-down of properties under development	(70,623)	—	—	—	(70,623)
Impairment loss on trade and other receivables	(534)	—	—	—	(534)
Gain on disposal of a subsidiary, net of tax	130,861	—	171,150	—	302,011
Capital expenditure incurred during the year	252,958	—	666	—	253,624
As at 31 December 2009					
Assets					
Reportable segment assets	2,461,888	417,946	1,318,519	—	4,198,353
Liabilities					
Reportable segment liabilities	727,930	18,712	40,926	—	787,568

	Property development HK$'000	Property investment HK$'000	Hotel operation HK$'000	Mis-cellaneous HK$'000	Total HK$'000
Year ended 31 December 2008					
Reportable segment revenue — external and consolidated revenue	289,886	19,345	255,419	—	564,650
Operating results	32,142	14,420	10,363	517	57,442
Add: Depreciation and amortisation	13,910	10	78,196	—	92,116
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	46,052	14,430	88,559	517	149,558
Fair value changes in investment properties	—	(119,263)	—	—	(119,263)
Impairment loss on goodwill	(66,511)	—	—	—	(66,511)
Capital expenditure incurred during the year	761,128	—	38,083	—	799,211
As at 31 December 2008					
Assets					
Reportable segment assets	3,385,042	403,731	1,242,211	—	5,030,984
Liabilities					
Reportable segment liabilities	594,419	21,995	69,893	—	686,307

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

	2009	2008
	HK$'000	*HK$'000*
Results		
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	**98,960**	149,558
Unallocated corporate expenses before depreciation and amortisation	**(30,170)**	(20,299)
	68,790	129,259
Depreciation and amortisation		
— Reportable segment	**(67,923)**	(92,116)
— Unallocated	**(4,974)**	(6,640)
	(4,107)	30,503
Fair value changes in investment properties	**14,769**	(119,263)
Impairment loss on goodwill	**—**	(66,511)
Write-down of properties under development	**(70,623)**	—
Fair value changes in financial derivative liabilities in relation to convertible notes	**93,162**	976,924
Gain on disposal of a subsidiary, net of tax	**302,011**	—
Finance costs	**(1,883,222)**	(189,957)
Finance income	**1,062**	2,982
Consolidated (loss) profit before income tax	**(1,546,948)**	634,678
Capital expenditure incurred during the year		
— Reportable segment	**253,624**	799,211
— Unallocated	**1,419**	13,963
	255,043	813,174
Assets		
Reportable segment assets	**4,198,353**	5,030,984
Restricted and pledged deposits	**38,547**	67,737
Cash and cash equivalents	**114,719**	53,720
Unallocated corporate assets	**1,161**	106,914
Consolidated total assets	**4,352,780**	5,259,355
Liabilities		
Reportable segment liabilities	**787,568**	686,307
Income tax payable	**120,052**	48,080
Deferred tax liabilities	**157,405**	273,674
Financial derivative liabilities	**—**	93,162
Convertible notes	**2,057,326**	306,337
Unallocated bank and other borrowings	**369,083**	1,290,440
Unallocated corporate liabilities	**12,887**	15,926
Consolidated total liabilities	**3,504,321**	2,713,926

6. REVENUE

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

	2009	2008
	HK$'000	*HK$'000*
Sale of properties	**—**	257,399
Rental income	**61,030**	51,832
Hotel operation	**243,750**	255,419
	304,780	564,650

7. FINANCE COSTS AND INCOME

	2009	2008
	HK$'000	*HK$'000*
Finance costs:		
Interest on convertible notes wholly repayable within five years		
— amortisation for the year	**238,865**	156,571
— at acceleration of liabilities payable to the convertible notes	**1,542,122**	—
Interest on bank and other borrowings		
— wholly repayable within five years	**72,955**	36,821
— wholly repayable after five years	**72,662**	74,742
Interest on short-term loan from a director	**97**	—
Others	**241**	—
	1,926,942	268,134
Less: Amount capitalised as properties held for/under development		
Interest on convertible notes wholly repayable within five years	**(44,182)**	(65,760)
Interest on bank and other borrowings wholly repayable within five years	**(9,357)**	(14,807)
	(53,539)	(80,567)
	1,873,403	187,567
Other borrowing costs	**21,029**	4,781
Less: Amount capitalised as properties held for/under development	**(11,210)**	(2,391)
	9,819	2,390
Finance costs charged to profit or loss	**1,883,222**	189,957
Finance income:		
Bank interest income	**1,062**	2,669
Other interest income	**—**	313
	1,062	2,982

8. (LOSS) PROFIT BEFORE INCOME TAX

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

	2009	2008
	HK$'000	*HK$'000*
Cost of materials sold	**24,065**	25,002
Cost of properties sold	**—**	109,805
Prepaid lease payments recognised as cost of sales	**—**	90,495
Staff costs, including directors' emoluments	**67,841**	71,325
Auditors' remuneration	**1,104**	1,160
Depreciation of property, plant and equipment	**59,213**	77,992
Less: Amount capitalised as properties held for/under development	**(31)**	(6)
Total depreciation charged to profit or loss	**59,182**	77,986
Amortisation of prepaid lease payments	**23,168**	28,931
Less: Amount capitalised as properties held for/under development	**(9,453)**	(8,161)
Total amortisation charged to profit or loss	**13,715**	20,770
(Gain) loss on disposal of property, plant and equipment	**(32)**	2
Impairment loss on trade and other receivables	**534**	—

9. INCOME TAX CREDIT

	2009	2008
	HK$'000	*HK$'000*
Current tax		
Overseas corporate tax		
— current year	**—**	(9,010)
— over provision in respect of prior years	**3,397**	1,282
PRC land appreciation tax ("LAT")		
— current year	**—**	(22,917)
	3,397	(30,645)
Deferred tax		
— current year	**(1,011)**	53,982
— over provision in respect of prior years	**—**	26,333
	(1,011)	80,315
Total income tax credit	**2,386**	49,670

No provision for Hong Kong profits tax has been made for the year ended 31 December 2009 (2008: HK$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% (2008: 16.5%) for the year.

Enterprise income tax arising from other regions of the PRC is calculated at 25% (2008: 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.

10. DIVIDENDS

The Directors do not recommend payment of any dividend for the year ended 31 December 2009 (2008: Nil).

11. (LOSS) EARNINGS PER SHARE

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:

	2009	2008
	HK$'000	*HK$'000*
(Loss) profit for the purposes of basic (loss) earnings per share	**(1,537,605)**	685,128
Effect of dilutive potential ordinary shares:		
Fair value changes in financial derivative liabilities in relation to convertible notes	—	(976,924)
Finance costs on convertible notes (excluding capitalised interest)	—	90,811
Profit (loss) for the purposes of diluted loss per share	**(1,537,605)**	(200,985)

	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**1,477,687**	1,477,291
Effect of dilutive potential ordinary shares on bonus warrants	—	13,256
Weighted average number of ordinary shares for the purposes of diluted loss per share	**1,477,687**	1,490,547

For the year ended 31 December 2009, basic loss per share is same as diluted loss per share as any effect is anti-dilutive.

12. TRADE AND OTHER RECEIVABLES

The following table includes the ageing analysis of trade receivables at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
Current or less than 1 month	**110**	4,191
1 to 3 months	—	1,000
More than 3 months but less than 12 months	—	122
More than 1 year	—	575
Total trade receivables, net of impairment	**110**	5,888
Deposits, prepayments and other receivables	**31,846**	28,012
	31,956	33,900

The Group has a policy of allowing an average credit period of 8 to 30 days to its trade customers. The Group's formal credit policy in place is to monitor the Group's exposure to credit risk through regular reviews of receivables and follow-up enquires on overdue accounts. Credit evaluations are performed on all customers requiring credit over a certain amount.

13. TRADE AND OTHER PAYABLES

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

	2009	2008
	HK$'000	*HK$'000*
Current or less than 1 month	**750**	35,678
1 to 3 months	**71**	2,761
More than 3 months but less than 12 months	**538**	986
More than 12 months	**3,418**	5,761
Total trade payables	**4,777**	45,186
Retention money payable for construction costs	—	3,888
Construction costs payable	**17,474**	62,688
Balance of consideration payable for acquisition of a subsidiary *(Note)*	—	63,573
Advanced payments received from customers		
— Pre-sale deposits received from buyers	**246,188**	—
— Receipts in advance, rental and other deposits from customers and/or tenants	**1,980**	22,140
Accrued transaction costs in relation to disposal of a subsidiary	**72,217**	—
Accruals and other payables	**75,435**	85,859
	418,071	283,334
Amounts due within one year included in current liabilities	**(418,071)**	(219,761)
Amount due after one year	—	63,573

Note:
This represents the balance of consideration payable to the vendor for acquisition of a subsidiary in 2006. By virtue of supplemental agreement dated 20 October 2008 entered into with the creditor, commencing 1 January 2009, the payable became interest-bearing and repayable on or before 31 December 2010. The amount was reclassified as other borrowings on 1 January 2009.

14. DISPOSAL OF A SUBSIDIARY

Disposal of 100% interest in the Westin Project
On 14 September 2009 and 13 October 2009, a subsidiary of the Company, Yue Tian, and a third party, HNA Hotel Holdings Ltd. ("HNA Hotel"), entered into an agreement and a supplemental agreement respectively, pursuant to which Yue Tian has conditionally agreed to dispose of the entire equity interest in CJTY and assign the shareholder loan due by CJTY to Yue Tian and HNA Hotel has conditionally agreed to acquire the same from Yue Tian. The entire equity interest in CJTY was transferred and the shareholder loan due by CJTY to Yue Tian was assigned to HNA Hotel at an aggregate consideration of approximately RMB1,087,710,000 (equivalent to approximately HK$1,235,753,000), being gross consideration of RMB2,200,000,000 for the properties net of assumed liabilities of approximately RMB1,046,901,000 and adjustment. The disposal was completed on 28 December 2009.

The underlying assets of the equity interest in CJTY are the properties comprising The Westin Guangzhou and Skyfame Tower (except for the office premises from the 17th floor to 22nd floor of the Skyfame Tower which have been sold in 2008).

The net proceeds from the disposal of approximately HK$1,062,656,000 (net of transaction costs and taxes) is be paid to the Noteholders for the settlement of the Notes in accordance with terms of the proposed settlement agreement.

15. CAPITAL COMMITMENTS

	2009	2008
	HK$'000	*HK$'000*
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of property construction and development costs	**1,094,981**	1,167,158

16. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Settlement with the Noteholders

On 14 April 2010, the Company, Yue Tian, Mr. Yu Pan and the Noteholders signed the Second Term Sheet to restructure the Notes which stipulates the Company's full settlement of the entire outstanding principal amount of US$192,000,000 of the Notes and accrued interests and to set out the key terms of the settlement agreement to be entered into among these parties which include, among the others, i) the Noteholders agreed to receive US$100,000,000 by 17 June 2010 and receive the balance of US$53,600,000 by 30 August 2010 as full and final settlement of the Notes and all accrued interest. The total settlement amount is US$153,600,000 being 80% of the outstanding face value of the Notes; ii) if the Company fails to repay US$100,000,000 by 17 June 2010, the Noteholders agreed to receive a penalty calculated at a rate of 10% per annum on US$100,000,000 for the first extension month and an additional penalty in the amount of US$3,334,000, representing 3.334% on US$100,000,000 for the second extension month. Upon expiry of the second extension month, the Noteholders have the right to terminate the Settlement Agreement or grant a further extension of up to 3 months to the Company for the repayment of US$100,000,000 with a penalty in the amount of US$3,334,000, representing 3.334% on US$100,000,000 for each of the 3 additional extension months; and (iii) if the Company fails to repay the balance of US$53,600,000 by 30 August 2010, the Noteholders shall extend for a further period of 3 months for the repayment of US$53,600,000 with a penalty in the amount of US$1,787,024, representing 3.334% on US$53,600,000 for the first extension month and an additional penalty in the amount of US$3,067,280, representing 3.334% on US$92,000,000 for the each of second and third extension months, respectively. The Second Term Sheet supersedes the First Term Sheet. The Noteholders agreed to grant a four-month standstill period commencing from date of execution of the binding settlement agreement to the Company from taking steps to sell, realise or dispose of any of the Security provided that there is no breach of terms of the settlement agreement. Despite the deadline for entering into a settlement agreement with the parties has lapsed, the parties have informally agreed to an extension and are working on the formal binding agreement.

The Directors intend to use the proceeds from the disposal of Westin Project to repay the Noteholders and are seeking additional financial resources from potential financiers or investors to meet the payment of the remaining balance.

(b) Cooperation Agreement in relation to Tianhe Project

On 4 February 2010, 廣州寰城實業發展有限公司 (Guangzhou Huan Cheng Real Estate Development Company Limited) ("Huan Cheng"), a subsidiary of Yaubond, and 廣西廣利貿易有限責任公司 (Guangxi Guang Li Trading Limited) ("Guang Li") entered into the first agreement which was later superseded by a second agreement (the "Guang Li Agreement") on 21 February 2010 and pursuant to which Guang Li would negotiate with and seek to obtain the concession from the relevant government authorities in relation to the idle land issue of the Tianhe Project and participate in the investment for the development of the project, and in exchange, Guang Li would share 50% of the future after tax profit or loss of Huan Cheng during the development of the Tianhe Land.

Notwithstanding the provisions of the Guang Li Agreement, the board of directors of Huan Cheng has not been changed. The Guang Li Agreement does not stipulate a change in control and ownership of Huan Cheng and, in effect, Yaubond remains to hold 100% of the equity interest of Huan Cheng whereas Guang Li will participate the sharing of profit or loss derived from the development of the Tianhe Project.

Pursuant to the terms of the Guang Li Agreement, Yaubond has to complete the capital injection of RMB150,000,000 on or before 20 April 2010, which was later extended by Guang Li to 20 August 2010 on condition that a settlement agreement be executed with the lenders of the Term Loan on or before 30 April 2010. On the date of this announcement, Guang Li has expressed their willingness to extend the deadline to 30 November 2010.

In the event that the idle land issue of the Tianhe Project cannot be solved, Huan Cheng has to bear 50% of the cost Guang Li incurred. On the other hand, if Huan Cheng was unable to fulfil its obligations or events of default as set out in the Guang Li Agreement occurred, Guang Li would be entitled to either acquire the land use right of the plot of land of the Tianhe Project or to seek compensation according to the terms as stipulated in the Guang Li Agreement.

(c) Settlement with the petitioner of the winding-up order

On 27 January 2010, the Company entered into a settlement agreement ("Original Agreement") with a creditor of a subsidiary who is also the petitioner of the winding-up order. Pursuant to which the Company agreed, among the others, (i) to sign a settlement agreement with the Noteholders and the Trustee to withdraw the Acceleration Notice and discharge the receivers; and (ii) to pay to the creditor on behalf of the subsidiary an amount not less than HK$30,000,000 within ten days after signing of the agreement. The aforesaid terms of the Original Agreement still have not been fulfilled by the Company as at the date of this announcement and will have no binding effect. As a result, the Company and the creditor are negotiating the extension of the terms of the Original Agreement and the execution of another agreement effective from the date of execution of the proposed settlement agreement with the Noteholders.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

The independent auditor has given disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 December 2009. The disclaimer of opinion is as follows:

Basis for disclaimer of opinion

Basis of consolidation

As further explained in note 4(c) to the consolidated financial statements, the directors have prepared the financial statements on a consolidation basis which include the financial statements of the Company and its subsidiaries for the year ended 31 December 2009, despite the appointment of the receivers of Grand Cosmos Holdings Limited, the immediate holding company of the Company, and certain intermediary subsidiaries of the Company by the holders of the convertible notes (the "Notes") and by the lenders of the borrowings of HK$220,000,000 (the "Term Loan"), and the appointment of the provisional liquidators of the Company pursuant to the court order (collectively referred to as the "Appointments"). However, we have not been able to obtain sufficient appropriate audit evidence to determine, whether with the Appointments the Company is still able to exercise unilateral control over its subsidiaries in all circumstances and therefore whether the adopted basis of consolidation by the Company is appropriate. Had the preparation of the consolidated financial statements on a consolidation basis not been appropriate, the Group might have been required to de-consolidate the relevant subsidiaries which may have a consequential significant effect on the net assets of the Group and the Company as at 31 December 2009 and the Group's loss attributable to the owners for the year then ended.

Material uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 4(d) to the consolidated financial statements which explain the circumstances giving rise to the material uncertainty. The appropriateness of preparing the Group's and the Company's financial statements on the going concern basis depends on the successful outcome of:

(i) the conclusion of the proposed formal binding agreements on settlement with the holders of the Notes and the Term Loan lenders ("Debt Settlement Agreements");

(ii) the fulfillment of the terms to be set out in the proposed Debt Settlement Agreements, in particular additional financing can be sought from financiers and/or investors to meet with the commitments to fully settle the balance of the Notes and/or the Term Loan; and

(iii) obtaining new banking facilities to finance certain property development projects.

We consider that appropriate disclosures have been made; however, we consider that this material uncertainty is so extreme that we disclaim our opinion in respect of the appropriateness of the going concern basis. The financial statements of the Group and the Company do not include any adjustments that would be necessary if the Group and/or the Company failed to operate as a going concern. Had the going concern basis not been used, adjustments would have to be made to reduce the carrying values of the Group's and the Company's assets to their recoverable amounts, to provide further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. Such adjustments may have a consequential significant effect on the net assets of the Group and the Company as at 31 December 2009 and the Group's loss attributable to the owners for the year then ended.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether they have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

Business Review

During the year ended 31 December 2009, the Group recorded a total turnover of approximately HK$305 million (2008: HK$565 million), a 46% decrease from the previous year. The decrease in turnover is mainly due to the adoption of different accounting treatment in respect of the sales of Skyfame Tower during the year recorded as gain on disposal of a subsidiary instead of revenue from property development. Further, the hotel operation reflected a moderate adverse impact affected by the economic crisis spread in the last quarter of 2008. Hotel revenue, as the income earner, contributes to revenue of approximately HK$244 million (2008: HK$255 million), a downward adjustment of 5%. Rental income from the leasing of investment properties, however, brought an improved revenue of approximately HK$61 million (2008: HK$52 million) to the Group as a result of the increased occupancy in Skyfame Tower.

Due to the slow down in turnover coupled with substantial legal and professional expenses of HK$8 million resulted from the noteholders and creditors taking receivership actions, the operating results present a decreased EBITDA of approximately HK$69 million (2008: HK$129 million) before depreciation and amortisation of prepaid lease payment of approximately HK$73 million (2008: HK$99 million) charged mainly for the hotel operation.

Finance costs, consisting of effective interests amortised on convertible notes, interests paid to banks and financial institutions on borrowings, so far are not capitalised as development costs, and amounted to approximately HK$1,883 million (2008: HK$190 million) for the year ended 31 December 2009. The substantial increase is explained by the acceleration of liabilities payable to the convertible noteholders to its entire outstanding principal value and interest as referred in the following sentences, and the compounded effective interest expense of approximately HK$198 million (2008: HK$91 million) accrued to the convertible notes. On 2 November 2009, the Company received an acceleration notice from the trustee of the Notes demanding the repayment in full of the entire outstanding amount of US$192 million (approximately HK$1,500 million) of the Notes and interest accrued in full due to breach of the term of the Notes. Accordingly, the outstanding principal value of US$192 million plus accrued interest in an aggregate of approximately HK$2,057 million is reflected on the reporting date on the financial position of the Group as a current liability whilst the financial derivative component embedded in the Notes extinguishes. The acceleration has taken effect in profit or loss account for the year as finance cost of approximately HK$1,542 million.

To cope with the financial pressure, the Group disposed of its entire interest in the Westin Project to a third party at a gross consideration of RMB2,200 million (equivalent to approximately HK$2,499 million). The transaction was completed on 28 December 2009 and as a result, net proceeds of approximately HK$1,063 million, after netting off liabilities assumed by the purchaser from the gross consideration, will be received in full in 2009 and 2010 and be applied to redeem the Notes. The disposal transaction records an exceptional gain on disposal of approximately HK$302 million, net of recognised exchange reserve and transaction expenses.

The economic recovery in the mainland China has led to rebound in prices and volumes of the property market, the value of the asset portfolio of the Group is on a rising trend. Consequently, there is no adverse adjustment in the valuation of investment properties or other assets held by the Group but an impairment loss of approximately HK$71 million was booked to write down the carrying value of Guiyang Project due to the substantial interests capitalised as development costs of the project.

After taking into account of the aforesaid exceptional items, the current year results present a loss for the year attributable to shareholders of approximately HK$1,538 million (2009: profit of HK$685 million).

Hotel Operation

Due to the lower passage of business travelers to Guangzhou since the break out of the global financial crisis, the performance of the Westin hotel was affected in both revenue and bottom line. The revenue derived by the operation of approximately HK$244 million was down by 5%, and EBITDA was approximately HK$82 million, down by 8% as compared with last year. As mentioned earlier, the transaction to dispose of The Westin Guangzhou and the Skyfame Tower was completed in December 2009 pursuant to which most of the net sale proceeds, amounting to approximately HK$1,070 million has been received and the balance will be collected in late 2010.

Investment Properties and Properties for Sale

The improved occupancy rate of the Skyfame Tower, consisting of 32,000 m^2 for grade-A offices and 9,000 m^2. for commercial podium, has brought stable revenue and earning to the Group prior to being disposed of in late December 2009.

The Group also receives stable rental income from the leasing of about 20,000 m^2 commercial podium at Tianyu Garden Phase 2 located next to Skyfame Tower. The property is now 63% occupied, tenanted with renowned corporations and the US consulate.

To avoid the Tianhe Project from being treated as idle land and repossessed by the Government of the Guangzhou Municipal Government, in February 2010, Guangzhou Huan Cheng Real Estate Development Company Limited, a PRC-incorporated subsidiary engaged in the development of the Tianhe Project, entered into an agreement with Guangxi Guang Li Trading Limited, a state-owned enterprise and an independent third party, pursuant to which Guang Li would negotiate with and seek concession for an extension of the construction timeline from the relevant government authorities and participate in the investment for the development of the project, and in exchange, Guang Li would share 50% of the future after-tax profit or loss with Huan Cheng during the development of the Tianhe Project.

Properties Development

Guiyang Project

The development, which the Group holds a 55% stake, consists of high-end residential apartments with a total gross floor area ("GFA") of approximately 480,000 m^2 and community facilities. The first phase of the development with GFA of about 91,000 m^2 was launched for pre-sale in the second quarter of 2009 and are expected to be delivered for occupation in late 2010. At the date of this report, approximately 82,000 m^2 GFA were pre-sold with satisfactory results. It is expected that the second phrase, consisting of GFA of about 155,000 m^2, will be launched for pre-sale in the coming months in 2010.

Zhoutouzui Project

The management is going through the procedures in connection with the approval of the design plan and transfer of the land use right certificate to the project company from the original user. All the licensing procedures are expected to be completed in 2010.

Tianhe Project

The building of the new fire station is undergoing and relocation of the fire station will be followed afterwards. Achievements have been made in the negotiations with the governmental authorities for the concession in extending the construction period by Guang Li, the Directors believe that Huan Cheng will continue to own the land use right and hence its carrying investment value of the land could be crystalised. The relocation of the fire station is expected to be completed and construction of Tianhe Project will commence later this year.

Going Concern

Due to the Group's non-compliance with the Trust Deed in relation to the 4% secured convertible notes due 2013 with principal amount of US$200 million on the grounds that a subsidiary of the Company cannot obtain the land use right certificate and other permits in respect of the Zhoutouzui Project by the extended deadline of 31 May 2009, it constitutes a breach of the term of the Notes as a subsidiary's failure to repay a Term Loan in principal value of HK$220 million which was due on 29 January 2009, the trustee of the Notes and the lenders of the Term Loan appointed receivers to replace the existing directors in the boards of certain subsidiaries of the Group which shares are pledged in favour of the Noteholders and the lenders. Since the receiverships, the Company have been discussing with the creditors about a feasible debt restructuring proposal.

In light of the forthcoming settlement with the noteholders and the Term Loan lenders as detailed in the "Outlook" section below and a debt restructuring plan moving forward, the financial statements are prepared on a going concern basis. The Directors considered that the business of the Group is a going concern after having considered the assumptions and qualifications that may have material effects on the foreseeable period covering the next twelve months since the end of the reporting period. Key assumptions and qualifications are: (i) the fulfillment of the obligations of the Company and other obligors; (ii) the successful implementation of the terms as laid down in the settlement agreement and the restructuring agreement to be entered into with the noteholders and Term Loan lenders respectively; (iii) the general economic performance in the PRC and the specific industrial parameters affecting the real estate sectors continue to be stable; and (iv) additional and new banking facilities will be available to the Group from financial institutions to finance the construction work in progress of the Tianhe, Zhoutouzui and Guiyang Projects in accordance with respective construction timetables.

Outlook

On 14 April 2010, the Company and the Noteholders signed the Second Term Sheet to restructure the Notes stipulating a full settlement of the entire outstanding principal amount of US$192 million of the Notes together with accrued interests on conditions of the Company's repaying US$100 million by 16 June 2010, with two months extension due on 17 August 2010, and the remaining US$53.6 million due on 17 August 2010 but with a three-month extension up to 30 November 2010 subject to some penalty charges if payment of the two payments are paid in the extended months. The Directors intend to use the proceeds from the disposal of the Westin Project to repay the Noteholders and it is seeking additional financial resources from potential financiers or investors to meet with the remaining balance. To comply with the terms in the settlement agreement, the Company will compromise with the petitioner in relation to the winding up petition for the dismissal of the winding up proceeding and discharge of the Provisional Liquidators pending court approval in the next court hearing. Upon the dismissal of the Provisional Liquidators, the receivers appointed by the trustee will be discharged. A formal binding settlement agreement with similar terms as on the Second Term Sheet is expected to be executed amongst the parties soon after the report date.

The Company are negotiating with the lenders of the Term Loan about the terms of settlement of the outstanding principal amount of HK$220 million and accrued interest owed to the lenders. Discussions are at a very mature stage however, the Directors expect an agreement to facilitate a full settlement of the claims will be entered into imminently. Upon the execution of this restructuring agreement and the fulfillment of certain terms and conditions, the receiver appointed by the lenders will be discharged.

The Directors envisage the aforesaid settlement agreement and restructuring agreement as important steps to restore the control of the Group and business standing and will serve the best interest of its stakeholders.

The global economy has been at its early stage of recovery, given that the super-loose monetary policy and the unprecedented stimulus measures have boosted investments in the mainland's real estate industry to a record high in 2009. Though the Directors predict the stimulus will slow down this year and the tightening lending and other austerity measures may stabilise prices, given the implementation of debt restructuring of the Notes and Term Loan that enable a substantial reduction in debt obligations, the Group will revive from the financial struggle with its creditors and has staged itself for a more financially stable and better business prospect.

Liquidity and Financial Resources

Capital Structure and Liquidity

The Notes have an outstanding face value of US$192 million as at the date of this results announcement (equivalent to approximately HK$1,500 million) and interest accrued for yield calculated at 15% per annum less coupon interest paid amounting to approximately HK$557 million at the reporting date. Upon receipt of an acceleration notice from the trustee calling for immediate repayment of the entire outstanding principal and interests accrued up to the end of the reporting period, the Notes are treated as a current liability of approximately HK$2,057 million whilst the financial derivative component embedded to the Notes as presented in the corresponding previous period at approximately HK$93 million extinguishes.

Assuming the settlement agreement and restructuring agreement are completed at the end of the reporting period, there will be a full settlement of the Notes and Term Loan and accrued interests by using the cash available from the sale proceeds from the disposal of the Westin Project and new financing, total liabilities of the Group of approximately HK$3,504 million (2008: HK$2,714 million) will be reduced to approximately HK$1,527 million. Excluding the Notes and Term Loan, the Group is indebted to commercial banks for mortgage loans, advance from a minority shareholder of a subsidiary, deferred tax liabilities, advanced payments received from pre-sale and trade payable, totaling approximately HK$1,227 million (2008: HK$2,094 million). The decrease was caused by the drop in bank borrowing as a result of the bank loan associated with the Westin Project being acquired by the purchaser upon the disposal.

The gearing ratios, based on the net debt (represented by bank and other borrowings, the Term Loan, the convertible notes, loan from minority shareholder and other payable net of cash and bank balances) to the equity attributable to equity holders plus net debt at the end of the reporting periods of the two years in 2009 and 2008 are 76% and 44% respectively. The rise in gearing ratio is explained by the restatement of the Notes payable to its full principal value. Assuming the debt restructuring as a result of successful implementation of the Settlement Agreement and Restructuring Agreement has been effected on the reporting date, the gearing level will be reduced to 29%.

The current assets increased to approximately HK$1,725 million as a result of the proceeds received from the purchaser of the Westin Project which, according to the debt restructuring, will be used to redeem the Notes and working capital of the Group. The current ratio was 0.6 (2008: 3.1). Current assets and current liabilities of the Group were approximately HK$1,725 million and approximately HK$2,873 million respectively at the end of the reporting period. Comparing with the previous year-end date, the current liabilities were increased by approximately HK$2,212 million caused by the recognition of the full outstanding principal value and the accrued interests of the Notes.

Borrowings and Pledge of Assets

Other than the deposit of approximately HK$22 million restricted for construction costs of work-in-progress, cash in accounts totaling approximately HK$17 million (31 December 2008: HK$68 million) was restricted for the redemption of the Notes and payment of interests to the Noteholders and lenders of the Term Loan. Apart from the escrowed money, shares of certain intermediate holding companies of the property developing subsidiaries of the Group were charged in favor of a security trustee acting for the noteholders and the lenders of the Term Loan. To secure for banking facilities with loans credit lines of RMB221 million granted to operating subsidiaries for working capital and construction costs by two commercial banks in the mainland China, mortgages of property interests in Tianyu Garden Phase 2 and works in progress and land of the Guiyang Project were charged in favour of the banks. At the end of the reporting period, other than the convertible notes, secured bank and other borrowings (including the Term Loan) in an aggregate amount of approximately HK$517 million (31 December 2008: HK$1,323 million) were outstanding, of which approximately HK$278 million (31 December 2008: HK$280 million), including Term Loan, are due within one year.

Foreign Currency Management

The Group is principally engaged in property development activities which are all conducted in the PRC and denominated in Renminbi ("RMB"), the functional currency of the Company's principal subsidiaries. At the same time, certain financing activities of the Group are denominated in other currencies, such as the convertible notes are in US dollars and the Term Loan in HK dollars.

Due to the slight appreciation of RMB against HK and US dollars during the year, a foreign exchange gain of approximately HK$5 million arises on consolidation of the assets and liabilities of the PRC subsidiaries. The foreign exchange reserve of approximately HK$223 million, decreased due to the recognition upon the disposal of the Westin Project, as at end of the reporting period adds to the equity attributable to shareholders of the Company. Since the US and HK dollars are pegged whilst RMB moves with a small band, the Group foresees no significant foreign currency exposure in the foreseeable future but possible appreciation in the exchange rates of RMB against HK dollars, such fluctuations will not have significant effect on the financial position of the Group. For these reasons, the Group does not hedge against its foreign currency risk. However, any permanent or significant changes in the exchange rates in RMB for HK and US dollars and the peg system of US dollars with HK dollars may have possible impact on the Group's results and financial position.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2009.

CORPORATE GOVERNANCE

None of the Directors are 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 2009 financial statements, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules except for code provision A2.1, where the roles of chairman and chief executive officer of the Company is not separated as required but is currently performed by the same individual.

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

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

During the year, the Company has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 to the Listing Rules. Specific confirmation has been obtained from all Directors to confirm compliance with the Model Code throughout the year ended 31 December 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

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

PUBLICATION OF THE FINAL RESULTS

This results announcement is published on the websites of the Company (www.sfr59.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).

DELAY IN DESPATCH OF ANNUAL REPORT

As the Company requires additional time for the printer to complete the printing work and translation, it is expected that the despatch of the annual report of the Company for the year ended 31 December 2009 (the "Annual Report") shall have to be delayed.

It is expected that the Annual Report will be despatched to the shareholders of the Company and published on the aforesaid websites on or before 6 May 2010.

The delay in the despatch of the Annual Report constitutes a breach of Rule 13.46 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

OTHER

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

Trading in the shares of the Company has been suspended since 9:30 a.m. on 3 November 2009 at the request of the Company and will remain suspended until further notice.

For and on behalf of
Skyfame Realty (Holdings) Limited
(Provisional Liquidators Appointed)
Stephen Liu Yiu Keung
David Yen Ching Wai
Joint and Several Provisional Liquidators

By Order of the Board
Skyfame Realty (Holdings) Limited
(Provisional Liquidators Appointed)
Yu Pan
Chairman

Hong Kong, 30 April 2010