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TALENT PROPERTY GROUP LIMITED
新天地產集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 760)

2015 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Talent Property Group Limited (the "Company") presents the unaudited consolidated results of the Company and its subsidiaries (collectively called the "Group") for the six months ended 30 June 2015 with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Continuing operations			
Revenue	*6*	**208,438**	11,423
Cost of sales and income		**(162,702)**	(12,548)
Gross profit/(loss)		**45,736**	(1,125)
Other revenue and net income	*7*	**36,337**	39,807
Distribution costs		**(6,908)**	(5,886)
Administrative and other operating expenses		**(35,611)**	(73,465)
Share of profit/(loss) of an associate		**33,374**	(2,047)
Impairment loss of completed properties held for sale		**(3,890)**	(113)
Impairment loss of properties under development		**(77,033)**	(44,500)
Fair value changes on investment properties		**(2,799)**	3,329
Fair value changes on derivative financial instrument	*18*	**45,051**	(5,839)
Finance costs	*8*	**(61,874)**	(66,036)
Loss before income tax	*9*	**(27,617)**	(155,875)
Income tax (expense)/credit	*10*	**(45)**	10,876

* *For identification purposes only*

	Notes	Six months ended 30 June 2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Loss for the period from continuing operations		**(27,662)**	(144,999)
Discontinued operations			
Profit for the period from discontinued operations	*11*	**–**	5,411
Loss for the period		**(27,662)**	(139,588)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
Reclassification adjustment on disposal of available-for-sale financial assets		**535**	–
Exchange gain/(loss) on translation of financial statements of foreign operations		**6,421**	(15,386)
Other comprehensive income/(loss) for the period		**6,956**	(15,386)
Total comprehensive loss for the period		**(20,706)**	(154,974)
Loss attributable to:			
Equity shareholders of the Company		**(27,662)**	(139,588)
Non-controlling interests		**–**	–
		(27,662)	(139,588)
Total comprehensive loss attributable to:			
Equity shareholders of the Company		**(20,706)**	(154,974)
Non-controlling interests		**–**	–
		(20,706)	(154,974)
Earnings/(loss) per share	*12*		
From continuing and discontinued operations			
Basic		**(0.857 cents)**	(4.323 cents)
Diluted		**(0.857 cents)**	(4.323 cents)
From continuing operations			
Basic		**(0.857 cents)**	(4.491 cents)
Diluted		**(0.857 cents)**	(4.491 cents)
From discontinued operations			
Basic		**N/A**	0.168 cents
			(Restated)
Diluted		**N/A**	0.168 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June 2015	31 December 2014
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**1,070,872**	805,592
Plant and equipment		**2,019**	2,346
Interests in an associate		**568,904**	533,268
Available-for-sale financial assets		**1,000**	1,965
Loan receivables from an associate		**112,621**	117,121
		1,755,416	1,460,292
Current assets			
Properties under development		**1,433,155**	1,509,488
Completed properties held for sale		**210,140**	267,882
Trade receivables	*13*	**24,128**	1,137
Prepayments, deposits and other receivables	*14*	**125,526**	140,882
Tax recoverable		**17,268**	24
Cash and cash equivalents		**143,566**	247,542
		1,953,783	2,166,955
Assets classified as held for sale	*15*	**–**	266,000
		1,953,783	2,432,955
Current liabilities			
Trade payables	*16*	**(34,980)**	(28,481)
Accruals, deposits received and other payables	*17*	**(694,674)**	(820,836)
Provision for tax		**(342,858)**	(328,798)
Borrowings		**(189,980)**	(378,480)
Convertible notes	*18*	**(1,727,855)**	(1,721,942)
		(2,990,347)	(3,278,537)
Net current liabilities		**(1,036,564)**	(845,582)
Total assets less current liabilities		**718,852**	614,710

	Notes	As at 30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Non-current liabilities			
Deferred tax liabilities		**(370,567)**	(392,719)
Borrowings		**(147,000)**	–
		(517,567)	(392,719)
Net assets		**201,285**	221,991
EQUITY			
Share capital	*19*	**12,452**	12,452
Reserves		**168,641**	189,347
Equity attributable to equity shareholders of Company		**181,093**	201,799
Non-controlling interests		**20,192**	20,192
Total equity		**201,285**	221,991

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. GENERAL INFORMATION

Talent Property Group Limited (the "Company") is a limited liability company incorporated in Bermuda and domiciled in Hong Kong. The addresses of its registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of the principal subsidiaries are including (i) real estate development, (ii) property investment and (iii) property management.

Whereas, the Group had entered into an agreement on 16 May 2013 for the disposal of its hotel operation segment and the disposal was completed on 22 December 2014. Before the completion of the disposal, the Group was engaged in the hotel operation.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2015 are unaudited but have been reviewed by the Audit Committee.

The interim condensed consolidated 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 the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2014 annual financial statements. In the auditors' report dated 30 March 2015, the auditors expressed an unqualified opinion on those financial statements but included an emphasis of matter paragraph drawing attention to conditions which indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The accounting policies and method of computation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2014 except as stated in note 4 below.

3. GOING CONCERN BASIS

As at 30 June 2015, the Group had net assets of approximately RMB201,285,000. With the classification of the convertible notes of the Company, with face value of HK$2,331,270,000 (equivalent to carrying amount of approximately RMB1,727,855,000) and maturity date on 10 December 2015, as current liability, the condensed consolidated statement of financial position of the Group shown a net current liabilities of approximately RMB1,036,564,000. Such condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The Group may be unable to realise its assets at its carrying amounts in the normal course of business and discharge its liabilities.

The Group had discussed with a major holder of the convertible notes. The convertible note holder stated that he would consider arrangements including using part of the properties of the Group to set off all or portion of the convertible notes, and/or exercising all or portion of the conversion rights of the convertible notes, and/or accepting extension of the maturity date of all or portion of the convertible notes and/or any other feasible and permissible way to resolve this outstanding issue instead of demanding cash repayment. The directors consider agreement with this convertible note holder can likely be reached. In addition, the directors will consider possible equity and/or debt fund raising exercise as and when appropriate to improve the Group's cash flows position.

The condensed consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group's ability to generate sufficient cash flow and carrying out of any arrangements acceptable by the convertible notes holders and the Group on or before its maturity date. The directors are therefore of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the condensed consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

4. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

The adoption of these new and revised HKFRSs has had no significant financial effects on these condensed consolidated financial statements of the Group.

The Group has not early adopted the new and revised standards, amendments or interpretation that have been issued but are not yet effective.

5. SEGMENT INFORMATION

The executive directors have identified the Group's three (2014: four) products and service lines as operating segments as follows:

(a) Property development consists of the sales and leases of properties which were completed;

(b) Property investment consists of the leasing of investment properties;

(c) Property management consists of the provision of property management services and property subletting business;

(d) Hotel operation consists of the operation of the hotel, which is considered as the discontinued operations as detailed in note 11 to the condensed consolidated financial statements.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

For the six months ended 30 June 2015 (unaudited)

	Continuing operations			
	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Total** *RMB'000*
Reportable segment revenue				
External revenue	**199,946**	**6,807**	**1,685**	**208,438**
Reportable segment (loss)/profit	**(54,142)**	**1,463**	**(656)**	**(53,335)**

For the six months ended 30 June 2014 (unaudited)

	Continuing operations				Discontinued operations	
	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Sub-total *RMB'000*	Hotel operation *RMB'000*	Total *RMB'000*
Reportable segment revenue						
External revenue	6,501	4,052	870	11,423	87,049	98,472
Inter-segment revenue	–	–	–	–	428	428
	6,501	4,052	870	11,423	87,477	98,900
Reportable segment (loss)/profit	(54,698)	8,919	(1,758)	(47,537)	78	(47,459)

As at 30 June 2015 (unaudited)

	Continuing operations			
	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Total** *RMB'000*
Reportable segment assets	**1,758,843**	**1,155,556**	**4,112**	**2,918,511**
Reportable segment liabilities	**(238,727)**	**(383,252)**	**(2,892)**	**(624,871)**

As at 31 December 2014 (audited)

	Continuing operations			
	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Reportable segment assets	1,947,105	1,076,046	6,390	3,029,541
Reportable segment liabilities	(527,783)	(329,080)	(2,135)	(858,998)

The total amounts presented for the Group's operating segments are reconciled to the Group's key financial figures as presented in the condensed consolidated financial statements as follows:

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Reportable segment loss from continuing operations	**(53,335)**	(47,537)
Share of profit/(loss) of an associate	**33,374**	(2,047)
Deposit forfeited on disposal of investment property	**20,000**	–
Fair value changes on derivative financial instrument	**45,051**	(5,839)
Finance costs	**(61,874)**	(66,036)
Income tax (expense)/credit	**(45)**	10,876
Discontinued operations	**–**	5,411
Unallocated expenses	**(16,366)**	(67,048)
Unallocated income	**5,533**	32,632
Loss for the period	**(27,662)**	(139,588)

The Group's revenues from external customers and its non-current assets (other than financial instruments) are divided into the following geographical areas:

Revenue from external customers:

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Continued operations		
Hong Kong (domicile) *(note (a))*	**119**	143
Mainland China	**208,319**	11,280
	208,438	11,423
Discontinued operations		
Mainland China	**–**	87,049
Total	**208,438**	98,472

Non-current assets:

	As at 30 June 2015 *RMB'000* (unaudited)	31 December 2014 *RMB'000* (audited)
Continuing operations		
Hong Kong (domicile) *(note (a))*	**11,927**	12,691
Mainland China	**1,629,868**	1,328,515
Total	**1,641,795**	1,341,206

Note:

(a) The place of domicile is determined based on the location of central management.

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets and interests in an associate are based on the physical location of the assets and location of operation respectively.

6. REVENUE

Revenue from the Group's principal activities recognised during the reporting period is as follows:

	For the six months ended 30 June 2015 *RMB'000* (unaudited)	2014 *RMB'000* (unaudited)
Continuing operations		
Sales of properties	**199,946**	6,501
Property sub-letting and management fees	**1,685**	870
Gross rental income from investment properties	**6,807**	4,052
Total	**208,438**	11,423

7. OTHER REVENUE AND NET INCOME

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Continuing operations		
Other revenue		
Interest income on financial assets carried at amortised costs	**305**	2,559
Interest income on loan to an associate	**4,211**	2,654
Compensation from vendors	**–**	894
Deposit forfeited on disposal of investment property	**20,000**	–
Management fee income	**699**	–
Gains on cancellation of convertible notes	**–**	27,382
Written off of long outstanding payables	**–**	2,770
Reversal of over-provision of compensation expenses	**10,804**	3,407
Others	**89**	141
Other net income		
Gain on disposal of available-for-sale financial assets	**229**	–
Total	**36,337**	39,807

8. FINANCE COSTS

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Continuing operations		
Interest on bank loan borrowing, gross	**5,144**	15,904
Less: amount capitalised to properties under development and investment property	**5,144**	14,232
Interest on bank loan borrowing, net	**–**	1,672
Interest on other loans wholly repayable within five years	**5,724**	10,740
Interest on convertible notes	**56,150**	53,624
	61,874	66,036

9. LOSS BEFORE INCOME TAX

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Continuing operations		
Loss before income tax is arrived at after charging/(crediting):		
Cost of properties sold	**143,891**	9,348
Cost of property investment	**1,158**	–
Cost of property management	**2,248**	2,565
Business tax and other levies	**15,405**	635
Depreciation on plant and equipment	**551**	1,773
Operating lease charges in respect of land and buildings	**1,059**	1,468
Provision for impairment of trade receivables recognised	**–**	286
Rental income from investment properties less direct outgoings *(note (a))*	**(6,807)**	(4,052)

Note:

(a) Rental income from investment properties

There are no direct outgoings incurred for investment properties for the six months ended 30 June 2015 and 2014.

10. INCOME TAX (EXPENSE)/CREDIT

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Continuing operations		
Current tax		
The PRC — Corporate Income Tax		
— Tax for the period	**(3,153)**	–
— Under provision in respect of prior years	**–**	(181)
	(3,153)	(181)
The PRC — Land Appreciation Tax		
— Tax for the period	**(19,344)**	(74)
— Over provision in respect of prior years	**301**	567
	(19,043)	493
Deferred tax		
— Over provision in respect of prior years	**–**	482
— Tax for the period	**22,151**	10,082
	22,151	10,564
Total income tax (expense)/credit	**(45)**	10,876

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the rate of 25% (2014: 25%) on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all properties development expenditures.

Furthermore, in accordance with the Detailed Implementation Regulations for implementation of the new Corporate Income Tax Law issued on 6 December 2007, a 10% withholding tax shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. Dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding tax. As at 30 June 2015, the Group has not accrued any withholding income tax for the earnings of its PRC subsidiaries, because the Group does not have a plan to distribute earnings from its PRC subsidiaries generated in the period from 1 January 2008 to 30 June 2015 in the foreseeable future.

11. DISCONTINUED OPERATIONS

Junyu Hotel

On 16 May 2013, the Group had entered into an agreement for the disposal of its entire equity interest in Guangzhou Junyu Hotel Investment Limited ("Junyu Hotel"). On 22 December 2014, the disposal was completed and Junyu Hotel cease to be a subsidiary of the Company and the business of hotel operation which is solely carried out by Junyu Hotel, has become a discontinued operation of the Group.

The profit for the period from discontinued operations is analysed as follows:

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit of Junyu Hotel for the period	–	5,411
Profit from discontinued operations	–	5,411

The results of the Junyu Hotel presented as discontinued operations included in the condensed consolidated statement of profit or loss, was as follows:

For the period ended 30 June 2014 (unaudited)

	Junyu Hotel
	RMB'000
Hotel operation income	87,049
Cost of income	(62,807)
Gross profit	24,242
Other revenue and net income	684
Administrative and other operating expenses	(1,941)
Finance costs	(17,574)
Profit before income tax	5,411
Income tax expense	–
Profit for the period	5,411

Profit before income tax for the period from discontinued operations included the following:

For the period ended 30 June 2014 (unaudited)

	Junyu Hotel
	RMB'000
Profit before income tax is arrived at after charging:	
Cost of hotel operation	57,803
Business tax and other levies	5,004
Operating lease charges in respect of land and buildings	500

Cash flows from discontinued operations were as follows:

For the period ended 30 June 2014 (unaudited)

	Junyu Hotel *RMB'000*
Net cash used in operating activities	(3,437)
Net cash used in investing activities	(883)
Net cash used in financing activities	(21,631)
Net decrease in cash and cash equivalent	(25,951)

12. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of loss per share for continuing and discontinued operations is based on the loss attributable to the equity shareholders of the Company of approximately RMB27,662,000 (2014: loss of approximately RMB139,588,000) and on the weighted average of 3,228,682,010 (2014: 3,228,682,010) ordinary shares in issue during the period.

The calculation of loss per share for continuing operations is based on the loss attributable to the equity shareholders of the Company of approximately RMB27,662,000 (2014: loss of approximately RMB144,999,000) and on the weighted average of 3,228,682,010 (2014: 3,228,682,010) ordinary shares in issue during the period.

The calculation of earnings per share for discontinued operations is based on the profit attributable to the equity shareholders of the Company of approximately RMB Nil (2014: profit of approximately RMB5,411,000) and the weighted average of 3,228,682,010 (2014: 3,228,682,010) ordinary shares in issue during the period.

Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for discontinued operations and/or continuing operations for the period ended 30 June 2015 and 2014 is not presented because the impact of the conversion of convertible notes is anti-dilutive.

13. TRADE RECEIVABLES

	As at	
	30 June 2015 ***RMB'000*** **(unaudited)**	31 December 2014 *RMB'000* (audited)
Trade receivables	**26,281**	3,290
Less: Provision for impairment of trade receivables recognised	**(2,153)**	(2,153)
Trade receivables — net	**24,128**	1,137

Trade receivables are mainly arose from rental income from investment properties and sales of properties. Proceeds are to be received in accordance with the terms of related tenancy agreements and sales and purchase agreements.

Provision for impairment of trade receivables is recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. Movement in the provision for impairment on trade receivable is as follows:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
At the beginning of the period/year	**2,153**	1,867
Provision of impairment of trade receivables recognised	**–**	286
At the end of the period/year	**2,153**	2,153

At each reporting date, the Group reviews trade receivables for evidence of impairment on both an individual and collective basis. As at 30 June 2015, the Group's trade receivables of approximately RMB2,153,000 (31 December 2014: approximately RMB2,153,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and the management assessed that the receivables were not expected to be recovered.

Based on the invoice date, the ageing analysis of the trade receivables is as follows:

	As at	
	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 90 days	**23,313**	541
91 to 180 days	**815**	53
181 to 365 days	**–**	81
Over 365 days	**–**	462
	24,128	1,137

The ageing analysis of the Group's trade receivables that were past due as at the reporting date but not impaired, based on due date is as follows:

	As at	
	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 30 days past due	**21,595**	371
31 to 60 days past due	**1,552**	79
61 to 90 days past due	**166**	91
Over 90 days past due	**815**	596
	24,128	1,137

14. PREPAYMENTS, DEPOSIT AND OTHER RECEIVABLES

	As at	
	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Deposits	**5,058**	5,403
Prepayments	**1,032**	1,970
Other receivables	**119,436**	133,509
	125,526	140,882

15. ASSETS CLASSIFIED AS HELD FOR SALE

Commercial units of Tianlun Garden

On 29 October 2014, the Group had entered into an agreement for the disposal of investment properties of 廣州建陽房地產發展有限公司 (Guangzhou Kinyang Real Estate Development Co., Ltd.) ("Guangzhou Kinyang"). The disposal was terminated and details of this termination were set out in the announcement dated on 3 July 2015. As at 30 June 2015, the property was classified as investment properties with the carrying amount of RMB261,200,000.

16. TRADE PAYABLES

Based on the invoice dates, the ageing analysis of the trade payables were as follows:

	As at	
	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 90 days	**34,980**	28,481
91 to 180 days	**–**	–
Over 365 days	**–**	–
	34,980	28,481

17. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	As at	
	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Deposits received	**8,515**	7,740
Receipts in advance from customers	**150,187**	260,473
Accruals	**102,273**	98,725
Other payables *(note (a) & (b))*	**433,699**	453,898
	694,674	820,836

Notes:

(a) The amount of other payables included the approximate amount of RMB382,813,000 (31 December 2014: RMB391,994,000) which was the amount due to an associate. This amount was unsecured, interest free and no repayable term except for the approximate amount of RMB60,000,000 (31 December 2014: RMB60,000,000) was charged at 4% per annum and repayable on demand.

(b) As at 30 June 2015, the approximate amount of RMB21,361,000 (31 December 2014: RMB16,530,000) which was the amounts due to Mr. Zhang, the convertible notes' holder was unsecured, interest-free and no repayment term.

18. CONVERTIBLE NOTES

On 10 December 2010, the Company issued convertible notes with a principal amount of HK$3,100 million as part of the consideration to acquire Talent Central Limited. The convertible notes were denominated in Hong Kong Dollars, unsecured, transferrable and interest-free. The convertible notes entitled the holders thereof to convert the convertible notes, in whole or in part, into ordinary shares of the Company at a conversion price of HK$0.33 per share, at any time after 10 June 2011 to and including 10 December 2015 (the "Maturity Date"). The Company has option to redeem the outstanding principal amount of the convertible notes at any time after the third anniversary from the date of the issue of the convertible notes at 100% of the face amount thereof.

The principal amount of HK$1,090 million of the convertible notes are pledged and will be released to Talent Trend Holdings Limited ("Talent Trend") which is the vendor of Talent Central Limited according to the sale and purchase agreement signed between Talent Trend and Canton Million Investments Limited which is a directly owned subsidiary of the Company for the acquisition of Talent Central Limited.

At the date of completion of the Acquisition, the fair value of the convertible notes was HK$2,574,228,000 which included the equity component of fair value HK$602,879,000. The fair value of the liability component was HK$1,971,349,000.

The embedded derivatives relating to the Company's redemption option which are not closely related to the host contract shall be separately measured and included together with the liabilities component as a financial liability. The fair value of the derivative component is determined based on the valuation performed by B.I. Appraisals Limited ("BI") using Black-Scholes Option Pricing Model. The fair value of the liabilities component is determined based on the valuation performed by BI using discounted cash flow method. The effective interest rate of the host contract is determined to be 6.42%. The residual amount is assigned as the equity component for the conversion option and was included in the convertible notes equity reserve.

The liability component is carried as a short term liability on the amortised cost basis until extinguished on conversion or redemption. The derivative component of the Convertible Notes is subsequently measured at fair value with changes recognised in the condensed consolidated statement of profit or loss and other comprehensive income. The value of the equity component is not remeasured in subsequent years.

The Company cancelled convertible notes with a face value of approximately HK$337,000,000 (equivalent to RMB236,934,000) and HK$108,000,000 (equivalent to RMB76,051,000) on 15 January and 24 January 2014 respectively, by settling total receivables of approximately RMB306,150,000, which has been allocated to the liability of RMB212,216,000 and RMB66,446,000 respectively and the equity component of RMB20,934,000 and RMB6,554,000 respectively by using the same method as that on initial recognition. The difference between the consideration and transaction costs allocated to the liability component and its carrying value of RMB19,941,000 and RMB7,441,000 is recognised in other revenue (Note 6) respectively. The amount of consideration and transaction costs allocated to equity component is recognised in equity.

	As at	
	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Liability component	**1,791,566**	1,740,704
Derivative component	**(63,711)**	(18,762)
	1,727,855	1,721,942
Liability component		
At beginning of the period/year	**1,740,704**	1,927,071
Exchange realignment	**(5,288)**	17,139
Cancellation of convertible notes	**–**	(312,514)
Imputed finance cost	**56,150**	109,008
At end of the period/year	**1,791,566**	1,740,704
Derivative component		
At beginning of the period/year	**(18,762)**	(38,948)
Exchange realignment	**102**	(346)
Cancellation of convertible notes	**–**	6,298
Fair value change	**(45,051)**	14,234
At end of the period/year	**(63,711)**	(18,762)
Carrying amount	**1,727,855**	1,721,942

At 30 June 2015, convertible notes with principal amounts of HK$2,331,270,000 (31 December 2014: HK$2,331,270,000) remained outstanding.

19. SHARE CAPITAL

	As at			
	30 June 2015		31 December 2014	
	Number of shares	***HK$'000*** **(unaudited)**	Number of shares	*HK$'000* (audited)
Authorised:				
Ordinary shares of HK$0.004 each	**125,000,000,000**	**500,000**	125,000,000,000	500,000

	For the six months ended 30 June					
	2015			2014		
	Number of shares	***HK$'000*** **(unaudited)**	**Equivalent to *RMB'000***	Number of shares	*HK$'000* (unaudited)	Equivalent to *RMB'000*
Issued and fully paid:						
Ordinary shares of HK$0.004 each						
At 1 January and at 30 June	**3,228,682,010**	**12,915**	**12,452**	3,228,682,010	12,915	12,452

20. CAPITAL COMMITMENTS

	As at	
	30 June 2015	31 December 2014
	RMB'000 **(unaudited)**	*RMB'000* (audited)
Capital commitments (contracted but not provided for):		
Capital injection into subsidiaries	**11,342**	8,342
Capital injection into an associate	**26,249**	26,249
Construction cost of properties under development and investment properties	**324,992**	321,974
	362,583	356,565
Capital commitments (authorised but not contracted for):		
Construction of properties under development cost	**174,527**	268,423
	537,110	624,988

21. FINANCIAL GUARANTEES

	As at	
	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Guarantee in respect of mortgage facilities for certain purchasers of the Group's property units *(note (a))*	**23,360**	12,920

Note:

(a) The Group has in cooperation with certain financial institutions arranged mortgage loan facility for its purchasers of property and provided guarantees to secure obligations of such purchasers for repayments. As at 30 June 2015, the outstanding guarantees amounted to RMB23,360,000 (31 December 2014: RMB12,920,000). Such guarantees will be discharged upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year after the purchasers take possession of the relevant property; and (ii) the satisfaction of relevant mortgage loan by purchasers.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the banks, and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee starts from the dates the mortgagees grant the mortgage loans. No provision has been made for the guarantees as the management is of the view that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty in case of any default in payments.

22. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties:

(a) Compensation of key management personnel:

The directors are of the opinion that the key management personnel were the executive and non-executive directors of the Company, details of whose emoluments are set out below:

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Short term benefits	**1,563**	1,419
Post-employment benefits	**31**	31
	1,594	1,450

(b) Related party transactions

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income on loan to a related party		
Associate:		
Guangzhou Xintian Properties Development Limited *(note (a))*	**4,211**	2,654
Interest paid on current account to a related party		
Associate:		
Guangzhou Xintian Properties Development Limited *(note (c))*	**(995)**	–
Management fee income from a related party		
Associate:		
Guangzhou Xintian Properties Development Limited *(note (e))*	**699**	–

(c) Balance with related party:

	As at	
	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Balances due from/(to) a related party		
— included in loan receivables from an associate		
Associate:		
Guangzhou Xintian Properties Development Limited *(note (a)&(d))*	**112,621**	117,121
— included in prepayment, deposits and other receivables		
Associate:		
Guangzhou Xintian Properties Development Limited *(notes (b)&(d))*	**52,058**	49,199
— included in accruals, deposits received and other payables		
Associate:		
Guangzhou Xintian Properties Development Limited *(note (c))*	**(382,813)**	(391,994)

Notes:

(a) Balances due from an associate are unsecured, charged at 5% per annum and repayable in the year ended 31 December 2016.

(b) Balances due from an associate are unsecured, interest-free and are repayable in the period ended 30 June 2015 and 31 December 2014.

(c) Balance due to an associate are unsecured, interest free and no repayment terms in the period ended 30 June 2015 and year ended 31 December 2014 except for the approximate amount of RMB60,000,000 (2014: RMB60,000,000) was charged at 4% per annum and repayable on demand.

(d) No provision for impairment have been made in respect of these balances.

(e) Management fee income from an associate was charge at a negotiated value.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Overview

The principal activity of Talent Property Group Limited (the "Company") is investment holding. On 10 December 2010, the Company completed the acquisition of Talent Central Limited which, through its subsidiaries, holds interests in various real estate projects in the PRC (the "Previous Acquisition") from Talent Trend Holdings Limited ("Talent Trend"). In previous years, the Company and its subsidiaries (collectively "the Group") had undergone certain reorganisation of its businesses and projects with an objective to streamline its operation into more property focus in first-tier cities in the PRC. After completion of the disposal of hotel business in December 2014, the Group engages in the business of (i) real estate development, (ii) property investment and (iii) property management in Guangzhou, the PRC.

Revenue and Gross Profit/(Loss)

During the six months ended 30 June 2015 (the "Reporting Period"), the Group recorded an unaudited consolidated revenue and gross profit from its continuing operations of RMB208.4 million and RMB45.7 million, respectively, as compared to revenue of RMB11.4 million and gross loss of RMB1.1 million for the six months ended 30 June 2014 (the "Preceding Period").

Revenue for the Reporting Period increased significantly. It was primarily the result of continual delivery of the newly completed luxury high-rise residential units of Xintian Banshan (新天半山) in Guangzhou since fourth quarter of 2014. During the Reporting Period, revenue of RMB199.9 million was recorded from the delivery. In the Preceding Period, RMB6.5 million was recorded from other sales of properties.

Redevelopment of the 10-storey complex building, namely Talent Shoes Trading Center (天倫鞋業交易中心), for commercial use and office use located at Zhan Xi Shoe Market was completed. Rental and management fee income amounted RMB5.7 million were generated since its grand opening in March 2015.

Whereas rental income generated from other investment properties and car parking spaces of the Group reduced to RMB2.4 million in the Reporting Period (Preceding Period: RMB4.1 million). It was mainly due to a number of tenants had already moved out from Tianlun Garden (天倫花園) pending for its disposal. Reference is made to the announcement of the Company dated 3 July 2015 in relation to the progress of the disposal of the 1st to 4th floors of the commercial portion of Tianlun Garden. Hearing had been held on 25 August 2015. No decision has yet been made by the People's Court. Since the disposal was fallen through, the Company commenced looking for potential buyers but has so far been unsuccessful in gauging interest from other potential buyers.

After taking into account the acquisition costs from Previous Acquisition, subsequent development cost as well as provision for impairment loss, a gross profit and overall gross profit margin of RMB44.9 million and 22.5% (Preceding Period: a gross loss of RMB2.7 million and gross loss margin of 41.5%), respectively, were recorded from business of property development. Whereas a gross profit and overall gross profit margin of RMB0.8 million and 9.4% (Preceding Period: RMB1.6 million and 32.7%), respectively, were recorded from businesses of property investment and management.

Distribution Costs

During the Reporting Period, distribution cost of RMB6.9 million (Preceding Period: RMB5.9 million) was recorded. It was attributable to the marketing activities of Xintian Banshan in Guangzhou.

Administrative and Other Operating Expenses

Administrative and other operating expenses was reduced from RMB73.5 million in the Preceding Period to RMB35.6 million in the Reporting Period. The increased administrative expenses expended for the opening of Talent Shoes Trading Center as well as project related legal cost were set-off by stringent control on recurring expenses and the absence of a one-time charge related to Linhe Cun Rebuilding project (林和村重建項目) in the Preceding Period.

Impairment Loss and Fair Value Changes on Properties Portfolio

Tightening measures against residential property market by central government had been loosened since the end of first quarter of 2015. However, its favorable effect was not prominent to the Group until a bigger bargaining price was offered by the Group for its large sized & luxurious residential project, Xintian Banshan. During the Reporting Period, contracted sales of approximately RMB51.8 million (Preceding Period: RMB57.0 million) for a gross floor area of 1,921 square meters ("sq.m.") (Preceding Period: 1,900 sq.m.) was recorded. Internal decoration for the unsold residential units of the high-rise buildings and the structural work of the grand-sized luxurious villas are ongoing. After consideration of market conditions, paces of contract sales, further development costs to be incurred as well as the latest revaluation, an impairment loss of RMB80.9 million (Preceding Period: RMB44.6 million) has been provided for the properties under development and completed properties held for sale.

Regarding our investment properties, a net revaluation deficit of RMB2.8 million (Preceding Period: surplus of RMB3.3 million) was recorded in 2014. Surplus of RMB3.9 million was attributable to the newly opened Talent Shoes Trading Center, whereas, deficit totaling RMB6.7 million was recorded from other investment properties of the Group.

The above revaluation was conducted by an independent qualified professional valuer.

Fair Value Change on Derivative Financial Instruments

According to applicable accounting standards, the fair value of the derivative component of the convertible notes issued by the Company for Previous Acquisition has to be re-measured. The Company's right to redeem the convertible notes before its maturity date represents this derivative component. Its fair value will vary with its unexpired period to maturity, outstanding face value as well as the Company's share price, volatility of its and its comparable peers. A fair value surplus of RMB45.1 million (Preceding Period: fair value deficit of RMB5.8 million) was recorded in the Reporting Period after re-assessment conducted by an independent qualified professional valuer.

Share of Profit/(Loss) of An Associate

The Linhe Cun Rebuilding project is an old village redevelopment project located in the CBD of Tianhe District in Guangzhou and adjacent to the Guangzhou East Railway station. The project involves compensation and relocation of original occupiers of the village, demolition of existing village buildings, construction of new buildings for the resettlement of existing occupiers and construction of new high-end residential buildings (namely Forest Hills (峻林)) and commercial tower (namely Guangzhou Commerce Centre (廣貿中心)) for sale. The project is carried out by an associate which is owned as to 30% and 70% by the Group and Sun Hung Kai Properties Group, respectively. Encouraging result was achieved from the pre-sale of first two phases of residential units. Remaining units pre-sold in first phase and substantial number of units pre-sold in second phase were delivered during the Reporting Period. A post-tax profit was recorded in the books of the associate. After taking into account the acquisition costs from Previous Acquisition, the Group recorded a share of profit of RMB33.4 million (Preceding Period: loss of RMB2.0 million).

Finance Cost

During the Reporting Period, imputed finance cost totaling RMB56.2 million (Preceding Period: RMB53.6 million) arising from the convertible notes issued for the Previous Acquisition was recorded. On repayment of more bank and other borrowing by spare cash, finance costs arising from bank and other borrowings (before capitalisation) reduced to RMB10.9 million (Preceding Period: RMB26.6 million).

Income Tax Credit/Expense

An income tax charge of RMB45,000 was recorded in the Reporting Period as compared to a tax credit of RMB10.9 million in the Preceding Period. It was mainly the combined effect of sales of Xintian Banshan as well as reversal of deferred tax led by its revaluation deficit.

Loss For The Period Attributable to Equity Shareholders of the Company

As a result of the above, the loss attributable to equity shareholders of the Company reduced significantly from RMB139.6 million in the Preceding Period to RMB27.7 million in the Reporting Period.

Prospect

During the reporting period, after several rounds of reduction of the RMB benchmark interest rates for deposits and loans as well as the reserve requirement ratio by the People's Bank of China, and driven by the easing of strict home purchase restrictions in most cities in China and the introduction of relevant taxation policies, residential property markets in tier-1 and tier-2 cities recovered steadily. In the second half, following the sharp depreciation of Renminbi to USD by the PRC government in order to stabilize its GDP growth by boosting exports and the subsequent fluctuation of the PRC and international stock markets as well as foreign exchange rates, the real estate market will be full of uncertainties and challenges.

Despite the rigid demand in the real estates market, we will put more efforts to complete the development of our Group's luxurious project, Xintian Banshan (新天半山), located at South Lake Scenic Area, Baiyun District, Guangzhou. We are confident that, upon its completion, the project will get the favour of high-end customers with its elegant design, quality construction, and breathtaking panoramic scenary and unique natural environment. In respect of Talent Shoes Trading Center, over 60% of its lettable area of commercial portion and office have been contracted to lease upon its new opening. It is expected to generate stable cash flow for the Group. Besides, as the disposal of Tianlun Garden (天倫花園) has fallen through, we have initiated legal action to forfeit the deposits paid by the former buyer and seek for additional compensation through legal means, and we will continue to look for potential buyers in order to recover funds.

With our efforts in consolidating the property portfolio and structure of the Group in recent years, the risk of bank loans is remote. The convertible notes issued as part of the consideration for the acquisition of the real estate business is to be matured on 10 December 2015. In view of this, the Board initiated preliminary dialogue with notes holders. A major note holder indicated that he would consider various measures and any other feasible and permissible way to resolve the outstanding issue instead of demanding cash repayment. The Board will keep liaising with all the notes holders and pursue any re-organization, debt-restructuring and re-financing where it thinks fit.

The Board will cautiously seek opportunities for development, so as to ensure a sustainable and steady growth of the Group and create opportunities and value for our Shareholders, note holders, customers, bankers, partners as well as our employees.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 June 2015 were approximately RMB3,709.2 million (31 December 2014: approximately RMB3,893.2 million) which were financed by the total equity and total liabilities (including convertible notes) of approximately RMB201.3 million (31 December 2014: approximately RMB222.0 million) and approximately RMB3,507.9 million (31 December 2014: approximately RMB3,671.2 million) respectively.

The convertible notes would be matured on 10 December 2015. The Group was indicated by a major note holder that he would consider various measures and any other feasible and permissible way to resolve the outstanding issue instead of demanding cash repayment. The Board will keep liaising with all the notes holders and pursue any re-organization, debt-restructuring and re-financing when and where it thinks fit. Save for this, the directors consider the Group will have sufficient working capital for its operations and financial resources for financing future investment opportunities.

The Group borrowings were all denominated in Renminbi. Bank balances and cash were mainly denominated in Renminbi. As at 30 June 2015, there were no outstanding forward contracts in foreign currency committed by the Group that might involve it in significant foreign exchange risks and exposures.

CAPITAL STRUCTURE

On 10 December 2010, convertible notes and promissory notes in principal amount of HK$3,100 million and HK$160 million respectively were issued as part of the consideration for the Acquisition. The Group's gearing ratio then computed as total debts over total assets was approximately 94.6% as at 30 June 2015 (31 December 2014: 94.3%). As at 30 June 2015, bank borrowings were amounted to RMB150 million (31 December 2014: RMB187 million) carried interest rate varied in accordance with the base rate of People's Bank of China. Whereas other borrowings amounted to RMB187.0 million (31 December 2014: RMB191.5 million) carried fixed interest rate.

EXPOSURE TO FOREIGN EXCHANGE

The revenue and the cost of production and purchase of the Group are mainly denominated in Renminbi. Therefore, the Group is not exposed to any other material foreign currency exchange risk. The convertible notes of the Company is denominated in Hong Kong dollars. An average rate and a closing rate of HK$1.2632: RMB1 and HK$1.2645: RMB1, respectively, were applied on condensed consolidation of the financial statements for the Reporting Period.

CHARGES ON ASSETS

As at 30 June 2015, certain assets of the Group with an aggregate amount of approximately RMB758 million (31 December 2014: RMB648.5 million), represented by properties under development of approximately RMBNil million (31 December 2014: RMB532.3 million), completed properties held for sale of approximately RMBNil million (31 December 2014: RMB116.2 million) and investment properties of approximately RMB758 million (31 December 2014: Nil), were pledged to secure general banking facilities.

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 30 June 2015, the Group had approximately 196 (31 December 2014: 186) employees, with about 192 in the Mainland China and 4 in Hong Kong. All employees are remunerated based on industry practice and in accordance with prevailing labor law. In Hong Kong, apart from basic salary, staff benefits including medical insurance, performance related bonus, and mandatory provident fund would be provided by the Group.

The adoption of a new share option scheme was approved by the shareholders meeting held on 20 May 2013. No new share options were granted during the Reporting period.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the 6 months' period ended 30 June 2015.

DIVIDEND

The board does not recommend payment of any interim dividend for the six months ended 30 June 2015.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the connected and related party transactions for the Reporting Period are set out in note 22 to the condensed consolidated financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for directors' securities transactions. Having made specific enquiries of all directors of the Company, they have confirmed that they complied with required standard set out in the Model Code throughout the accounting period covered by the interim report.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Company's directors.

CORPORATE GOVERNANCE

The Board has been committed to maintaining the high level of corporate governance within the Group in order to enhance the transparency in disclosure of material information. The Board considers such commitment is essential for internal management, financial management and protection of shareholders' interests and believes that maintaining a high standard of corporate governance benefits all shareholders, investors, and its business as a whole. The Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, except for the following deviations.

CG Code Provision A2.1

Currently, the Company does not appoint chief executive officer. In view of the operation of the Group, the Board believes that the present structure of the Board will provide a strong leadership for the Group to implement prompt decisions and to formulate efficient strategies, which is for benefits of the Group.

Moreover, the day-to-day operation of the Group's businesses are shared among those executive directors and the management of the Company. Therefore, there should be a clear division of the responsibilities at the board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

REVIEW OF ACCOUNTS

The unaudited condensed consolidated accounts of the Company and its subsidiary companies for the six months ended 30 June 2015 have been reviewed by the Company's auditor, Cheng & Cheng Limited, in accordance with Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The unaudited condensed consolidated accounts of the Company and its subsidiary companies for the six months ended 30 June 2015 have also been reviewed by the Audit Committee of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITE OF THE COMPANY AND OF THE STOCK EXCHANGE

The interim results announcement is published on the websites of the Company (www.760hk.com) and the Stock Exchange. The interim report containing all the information required by the Listing Rules will be available at the above websites and dispatched to shareholders in due course.

By Order of the Board
You Xiaofei
Chairman

Hong Kong, 31 August 2015

As at the date hereof, the Board comprises Mr. You Xiaofei and Mr. Luo Zhangguan as Executive Directors and Mr. Lo Wai Hung, Ms. Pang Yuen Shan, Christina and Mr. Chan Chi Mong, Hopkins as Independent Non-executive Directors.