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

(Incorporated in Bermuda with limited liability)

(Stock code: 00760)

2015 ANNUAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

On behalf of the board of directors of Talent Property Group Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015.

FINANCIAL RESULTS

The consolidated revenue for 2015 amounted to approximately RMB366.0 million (2014: RMB185.7 million). Increased revenue and gross profit was primarily contributed by the continual sales & delivery of high-rise residential units of our flagship project, Xintian Banshan (新天半山). Whereas the accounting treatment of non-cash finance costs and fair value changes on convertible notes as part of the consideration of the real estate business acquired by the Company in 2010 in accordance with relevant accounting principles, continued bringing negative effect to the consolidated financial statements since then. In current year, a non-cash gain was recorded upon extension of maturity date of the convertible notes by 1-year. Overall sentiment of PRC property market has improved considerably since the second half of 2015. However, in late March 2016, new tightening measures have been launched to curb the property price in certain first tier cities. Given the new changes of tightening environment, construction complexity and more effort required to market the luxurious grand size units of Xintian Banshan, provision for impairment loss has been made conservatively. Besides, the rise of online shopping and the recent difficulties encountered by shoes industry affected the existing and target tenants of our investment properties. A fair value deficit was recorded after revaluation. Furthermore, there was a one-off gain from the disposal of hotel business in 2014. For these reasons, a loss attributable to the owners of the Company of RMB115.1 million was recorded instead of a profit of RMB17.7 million in 2014.

* *For identification purposes only*

Operating Review and Outlook

Throughout 2015, China was in the midst of an on-going economic transformation to shift away from an investment-driven, manufacturing-led growth model to a service-oriented, consumption-driven one. However, the growth of service sector was far from being sufficient to offset the slowdown in investment growth. With respect to economic data, for example, the GDP growth in the third quarter of 2015 fell below 7% for the first time in six years. In such a time of economic slowdown, the real estate industry was regarded as one of the "stabilizers" for China's economy. The central government took a U-turn in its attitude towards the real estate industry and encouraged to satisfy the housing demand of owner-occupiers and upgraders. In addition to multiple demand-stimulating measures such as reducing down payment, lowering interest rates, cutting taxes, loosening housing provident fund loan policies and cancelling house purchasing restrictions on foreigners, the central bank repeatedly cut RMB benchmark deposit and lending interest rates and lowered reserve requirement ratio for financial institutions. Benefiting from such a relaxed financial environment, real estate markets in first-tier cities and some second-tier cities saw improvement in transaction volumes, with inventory pressures eased.

However, Guangzhou, as one of the few first-tier cities, failed to catch up with other first-tier cities (i.e., Beijing, Shanghai and Shenzhen) in terms of growth in property transaction volumes in 2015, and was far outstripped by other first-tier cities in terms of growth in property prices. Guangzhou's property market in 2015 was denominated by rigid demand, with small and medium-sized residential units in most part of the city selling well, the sales of large-sized residential units being sluggish and the sales of high-end luxury property being far weaker than those of Beijing, Shanghai and Shenzhen. The sales of second-hand property market in Guangzhou was even weaker, and the total area sold was less than that of first-hand property.

Xintian Banshan, the Group's luxury residential project, featured with panoramic views of hills and lake in Nanhu Zone of Baiyun District in Guangzhou, is currently under development and for sale. Accentuating the grandeur of the project is a height difference of 118 meters along the valley of the mountain. Within 20-minute driving distance from Tianhe district of Guangzhou, the project is set in a tranquil environment in proximity to prosperous areas. The project has a total saleable residential gross floor area of 98,000 square meters, about 60% of which will be developed into high-rise furnished apartments of approximately 300 square meters per unit and the remaining 40% will be developed into grand-sized luxury villas with a gross floor area ranging from 300 to 700 square meters. The construction works of the high-rise residential buildings were substantially completed. The construction works of the villas, which built along the mountain and cliffs, and the landscaping works of the entire project are still in progress and expected to complete in 2017 due to complex terrain. Though the project is not designed to cater for rigid housing demand, its sales performance was moderately improved in the fourth quarter of 2015 thanks to improved property market conditions and the concerted efforts of the Group's employees at all levels. The total contracted sales and area for the year amounted to approximately RMB299 million (2014: RMB188 million) and 9,100 square meters (2014: 6,600 square meters) respectively. Looking ahead in 2016, the Group will continue to deepen and broaden its customer base, closely monitor the progress of the villa construction works and landscaping works and enhance product quality and image promotion to spur sales and accelerate cash collection.

The redevelopment project, which was located at Liwan District, Guangzhou and acquired by the Group in 2013, into a 10-storey mixed commercial and office building — Talent Shoes Trading Center (天倫鞋業交易中心) was completed in early 2015 and has been launched for rent. As at the end of 2015, the occupancy rate was about 70%. However, due to China's economic slowdown in 2015, tough competition from e-commerce business and a depressed shoe sector, the existing tenants, being small and medium enterprises, are facing difficulties in their business operation. In light of such situation and the less-than-expected letting rate, the Group offered rental discounts for a short and medium term in a bid to retain tenants and help them tide over the troubles. Part of the commercial units of Tianlun Garden (天倫花園) have been put on for rent again after the termination of the agreement in relation to its disposal contracted at the end of 2014. As the commercial property market demonstrated an overall downward trend in 2015, the commercial units of Tianlun Garden and the Talent Shoes Trading Center recorded decreases in valuation upon assessments of fair value of such investment properties.

The Group has partnered with Sun Hung Kai Properties in carrying out the Linhe Cun Rebuilding Project (林和村重建項目), which is located at the business zone of Tianhe District, Guangzhou and in the vicinity of the Guangzhou East Railway Station. The project has a total saleable GFA of approximately 200,000 square meters comprising residential and commercial portions. Forest Hill (峻林), being the residential portion of the project, comprises 7 luxury high-rise residential buildings, of which 4 have been sold out and delivered and the remaining 3 buildings are under construction. While the 39-storey grade-A office building — Guangzhou Commerce Centre (GCC廣貿中心), being the commercial portion of the project, has been topped out and is expected to complete by mid-2016.

The convertible notes issued as part of the consideration for the acquisition of the real estate business by the Company were originally scheduled to expire on 10 December 2015. Agreements had been reached upon negotiations between the Board and holder of the notes, and subsequently approved by shareholders in general meeting, pursuant to which the maturity date of the convertible notes was extended for another one year to 10 December 2016. As at the end of 2015, the total nominal amount of the convertible notes amounted to HK$2,139.85 million. As the Group's cash and current assets at the present and up to the due date of the convertible notes are not expected to be sufficient to meet the capital requirements for satisfying the cash redemption of the convertible notes, the Company had sought alternatives to satisfy the funding required for redemption of the outstanding amount of the convertible notes but remained unable to do so. In addition, the properties and projects of the Group are operational in nature and it would be detrimental to the Company and its shareholders if the Company is required to dispose of these assets under time pressure at a discounted price in order to redeem the convertible notes. Given the circumstances, the Board entered into the Second Supplemental Deed of Amendment, pursuant which the holder of the notes have agreed to, subject to the satisfaction of certain conditions, the full conversion of the convertible notes into ordinary shares of the Company in accordance with the conversion terms of the convertible notes. In my opinion, the conversion of the convertible notes would be the best outcome for the Company.

The Company is in the process of preparing a circular, which contains, amongst other things, details of the aforesaid Second Supplemental Deed of Amendment and the application for Whitewash Waiver, the letter from the Independent Board Committee, the letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders and notice convening special general meeting. It is expected that the circular will be despatched to shareholders not later than 12 May 2016.

APPRECIATION

On behalf of our board of directors, I would like to take this opportunity to thank our Shareholders, note holders, customers, banks and business partners for their trust and support and all our employees for their hard work and dedication. The Company and our board of directors will continue to enhance the integrated competitiveness of the Group and look for opportunities prudently, so as to ensure a steady growth in results of the Group and create value for our Shareholders and the community.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Continuing operations			
Revenue	4	**365,990**	185,710
Cost of sales		**(288,898)**	(165,981)
Gross profit		**77,092**	19,729
Other revenue and net income	5	**181,791**	68,498
Loss on disposal of investment properties		**(1,609)**	(1,006)
Fair value changes on investment properties		**(152,735)**	1,652
Impairment loss of completed properties held for sale and properties under development		**(116,840)**	(125,757)
Fair value changes on derivative financial instruments		**(2,937)**	(14,234)
Distribution costs		**(12,461)**	(9,313)
Administrative and other operating expenses		**(66,533)**	(97,085)
Share of profit/(loss) of an associate		**36,966**	(4,350)
Finance costs	6	**(134,169)**	(133,449)
Loss before income tax	7	**(191,435)**	(295,315)
Income tax credit	8	**76,309**	36,628
Loss for the year from continuing operations		**(115,126)**	(258,687)
Discontinued operations			
Gain for the year from discontinued operations	9	**–**	276,415
(Loss)/profit for the year		**(115,126)**	17,728
Other comprehensive loss for the year (after reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Unrealised gain on available-for-sale financial assets		**–**	186
Reclassification adjustment of fair value reserve on disposal of available-for-sale financial assets		**535**	–
Exchange loss on translation of financial statements of foreign operations		**(81,020)**	(13,116)
Other comprehensive loss for the year		**(80,485)**	(12,930)
Total comprehensive (loss)/income for the year		**(195,611)**	4,798

	Notes	**2015**	2014
		RMB'000	*RMB'000*
(Loss)/profit attributable to:			
Owners of the Company		**(115,125)**	17,728
Non-controlling interests		**(1)**	–
		(115,126)	17,728
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(195,610)**	4,798
Non-controlling interests		**(1)**	–
		(195,611)	4,798
		RMB	*RMB*
(Loss)/earnings per share	*10*		
From continuing and discontinued operations			
Basic		**(3.475 cents)**	0.549 cents
Diluted		**(3.475 cents)**	0.549 cents
From continuing operations			
Basic		**(3.475 cents)**	(8.012 cents)
Diluted		**(3.475 cents)**	(8.012 cents)
From discontinued operations			
Basic		**N/A**	8.561 cents
Diluted		**N/A**	8.561 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**962,601**	805,592
Property, plant and equipment		**1,565**	2,346
Interests in an associate		**572,464**	533,268
Available-for-sale financial assets		**1,000**	1,965
Loan receivables from an associate		**–**	117,121
		1,537,630	1,460,292
Current assets			
Properties under development		**1,466,005**	1,509,488
Completed properties held for sale		**209,160**	267,882
Trade receivables	*11*	**36,401**	1,137
Prepayments, deposits and other receivables	*12*	**124,724**	140,882
Tax recoverable		**9,935**	24
Cash and cash equivalents		**127,430**	247,542
		1,973,655	2,166,955
Assets classified as held for sale	*13*	**–**	266,000
		1,973,655	2,432,955
Current liabilities			
Trade payables	*14*	**(83,509)**	(28,481)
Accruals and other payables	*15*	**(534,224)**	(820,836)
Provision for tax		**(232,481)**	(328,798)
Borrowings		**(315,354)**	(378,480)
Convertible notes		**(1,663,786)**	(1,721,942)
		(2,829,354)	(3,278,537)
Net current liabilities		**(855,699)**	(845,582)
Total assets less current liabilities		**681,931**	614,710

	2015	2014
	RMB'000	*RMB'000*
Non-current liabilities		
Deferred tax liabilities	**(323,268)**	(392,719)
Borrowings	**(174,000)**	–
	(497,268)	(392,719)
Net assets	**184,663**	221,991
EQUITY		
Share capital	**14,384**	12,452
Reserves	**150,088**	189,347
Equity attributable to the owners of Company	**164,472**	201,799
Non-controlling interests	**20,191**	20,192
Total equity	**184,663**	221,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In addition, the Group has adopted the amendments to the Listing Rules relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the consolidated financial statements is on the presentation and disclosure of certain information in the consolidated financial statements.

Going Concern Basis

As at 31 December 2015, the Group had net assets of approximately RMB184,663,000. With the classification of the convertible notes of the Company, with face value of HK$2,139,850,000 (equivalent to carrying amount of approximately RMB1,663,786,000) and maturity date on 10 December 2016, as current liability, the consolidated statement of financial position of the Group shown a net current liabilities of approximately RMB885,699,000. 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 directors of the Company ("the Directors") have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favorable outcomes of the completion of the conditional conversion of all the outstanding convertible notes in the principal amounts of HK$2,139,850,000 into 6,484,393,939 new ordinary shares and application for whitewash wavier of which details were set out in the Company's announcements dated 11 January 2016 (the "Proposed Plan").

The completion of the conversion of all the outstanding convertible notes in the principal amounts of HK$2,139,850,000 into 6,484,393,939 new ordinary shares is conditional upon:

(a) the passing of the necessary resolution(s) by the independent shareholders who are allowed to vote under the Main Board Listing Rules, The Hong Kong Code on Takeovers and Mergers ("Takeovers Code") and/or other applicable laws and regulations approving separately at the extraordinary general meeting (i) the Proposed Amendment under the Second Supplement Deed of Amendments to the issue of conversion notice and (ii) the grant of whitewash wavier by the Securities and Future Commission of Hong Kong ("SFC");

(b) the listing committee of Main Board of The Stock Exchange of Hong Kong Limited having granted the listing of the permission to deal in, the conversion shares;

(c) the granting of whitewash wavier by SFC; and

(d) the capital reorganization having become effective.

The consolidated financial statements of the Group have been prepared on a going concern basis on the basis that the Proposed Plan will be successfully completed.

In the opinion of the Directors, if the Proposed Plan completed successfully, the Group would be able to generate sufficient funds to meet its future working capital requirements and financial obligations when they fall due. Accordingly, the Directors consider that it is appropriate to prepare these consolidated financial statements on a going concern basis.

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

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA:

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

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

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

Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 14	Regulatory Deferred Accounts[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKFRSs	Annual Improvements 2012–2014 cycle[1]
Amendments to HKAS 27	Equity method in Separate Financial Statements[1]
Amendments to HKAS16 and HKAS41	Agriculture: Bearer Plants[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sales or Contributions of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 No mandatory effective date yet determined

3. SEGMENT INFORMATION

The Group is organised into three (2014: four) business units, based on which information is prepared and reported to the Group's chief decision makers, for the purposes of resource allocation and assessment of performance.

Information of the Group's operating and reportable segments are shown as follows:

For the year ended 31 December 2015

	Continuing operations			
	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Total** *RMB'000*
Reportable segment revenue				
External revenue	**334,448**	**27,395**	**4,147**	**365,990**
Inter-segment revenue	**–**	**–**	**2,677**	**2,677**
	334,448	**27,395**	**6,824**	**368,667**
Reportable segment loss	**(89,281)**	**(120,994)**	**(957)**	**(211,232)**
— Business tax and other levies	**(23,815)**	**(3,765)**	**(378)**	**(27,958)**
— Compensation paid	**(6,375)**	**–**	**–**	**(6,375)**
— Impairment losses of completed properties held for sale and properties under development	**(116,840)**	**–**	**–**	**(116,840)**
— Fair vale changes on investment properties	**–**	**(152,735)**	**–**	**(152,735)**
— Loss on disposal of investment properties	**–**	**(1,609)**	**–**	**(1,609)**
— Finance cost	**–**	**(8,045)**	**–**	**(8,045)**
— Legal and professional fee	**(20,890)**	**–**	**–**	**(20,890)**
— Distribution cost	**(12,461)**	**–**	**–**	**(12,461)**
— Reversal of over-provision of compensation in previous years	**10,988**	**–**	**–**	**10,988**
— Sundry income	**10**	**20,682**	**–**	**20,692**

As at 31 December 2015

	Continuing operations			
	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Total** *RMB'000*
Reportable segment assets	**1,794,542**	**987,468**	**3,911**	**2,785,921**
Additions to non-current segment assets during the year	**113**	**56,435**	**–**	**56,548**
Reportable segment liabilities	**(589,398)**	**(427,015)**	**(3,780)**	**(1,020,193)**

For the year ended 31 December 2014

	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	175,403	8,999	1,308	185,710	190,214	375,924
Inter-segment revenue	–	–	–	–	482	482
	175,403	8,999	1,308	185,710	190,696	376,406
Reportable segment (loss)/profit	(97,675)	9,758	(4,380)	(92,297)	17,358	(74,939)
— Reversal of impairment losses of completed properties held for sale	8,016	–	–	8,016	–	8,016
— Business tax and other levies	(8,878)	(1,538)	(73)	(10,489)	(10,802)	(21,291)
— Depreciation on property, plant and equipment	(190)	–	–	(190)	–	(190)
— Distribution costs	(9,292)	–	(21)	(9,313)	–	(9,313)
— Compensation paid	(3,470)	(1,378)	–	(4,848)	–	(4,848)
— Impairment losses of completed properties held for sale and properties under development	(125,757)	–	–	(125,757)	–	(125,757)
— Fair vale changes on investment properties	–	1,652	–	1,652	–	1,652
— Loss on disposal of investment properties	–	(1,006)	–	(1,006)	–	(1,006)
— Written off of payables	–	2,770	–	2,770	–	2,770
— Reversal of over-provision of compensation in previous years	10,855	–	–	10,855	–	10,855
— Sundry income	5,875	–	–	5,875	–	5,875
— Finance costs	–	–	–	–	(34,443)	(34,443)

As at 31 December 2014

	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
Additions to non-current segment assets during the year	15	62,248	–	62,263
Reportable segment liabilities	(527,783)	(329,080)	(2,135)	(858,998)

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	2015	2014
	RMB'000	*RMB'000*
Revenue		
Total revenue from reportable segments	**368,667**	185,710
Elimination of inter-segment revenue	**(2,677)**	–
Consolidated revenue	**365,990**	185,710
Loss		
Reportable segment loss	**(211,232)**	(92,297)
Elimination of inter-segment profits	**–**	–
Reportable segment loss derive from Group's external customers	**(211,232)**	(92,297)
Operating lease charges	**(1,625)**	(2,990)
Fair value changes on derivative financial instruments	**(2,937)**	(14,234)
Share of profit/(loss) of an associate	**36,966**	(4,350)
Discontinued operations	**–**	276,415
Finance costs	**(126,124)**	(133,449)
Unallocated expenses	**(36,594)**	(86,266)
Unallocated income	**150,111**	38,271
Loss before income tax	**(191,435)**	(18,900)
Income tax credit	**76,309**	36,628
(Loss)/profit for the year	**(115,126)**	17,728
Reportable segment assets	**2,785,921**	3,029,541
Corporate assets	**725,364**	863,706
Group assets	**3,511,285**	3,893,247
Reportable segment liabilities	**(1,020,193)**	(858,998)
Corporate liabilities	**(2,306,429)**	(2,812,258)
Group liabilities	**(3,326,622)**	(3,671,256)

There was no single customer individually contributed over 10% of the Group's total revenue during the year ended 31 December 2015 (2014: Nil).

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:

	2015	2014
	RMB'000	*RMB'000*
Continued operations		
Hong Kong (domicile) *(note (a))*	**121**	285
Mainland China	**365,869**	185,425
	365,990	185,710
Discontinued operations		
Mainland China	**–**	190,214
Total	**365,990**	375,924

Non-current assets:

	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Hong Kong (domicile) *(note (a))*	**600**	12,691
Mainland China	**1,536,030**	1,328,515
	1,536,630	1,341,206

Notes:

(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 location of properties. The geographical locations of the non-current assets and interests of associate are based on the physical location of the assets and location of operation respectively.

4. REVENUE

The Group's principal activities are real estate development, property investment and property management. Turnover of the Group is the revenue from these activities. Revenue from the Group's principal activities recognised during the year is as follows:

	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Sales of properties	**334,448**	175,403
Gross rental income from investment properties	**27,395**	8,999
Rental income from sub-letting of leased assets	**–**	268
Properties management fees	**4,147**	1,040
Total	**365,990**	185,710

5. OTHER REVENUE AND NET INCOME

	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Other revenue		
Interest income on financial assets carried at amortised costs	**740**	3,209
Interest income on loan to an associate	**6,180**	6,642
Compensation from tenants	**682**	893
Deposit forfeited on disposal of investment property	**20,000**	–
Written off of payable	**–**	2,770
Management fee income from an associate	**923**	639
Service income	**37,100**	–
Gain on disposal of plant and equipment	**–**	9
Reversal of impairment loss of completed properties held for sale	**–**	8,016
Reversal of over-provision of compensation paid in previous years	**10,988**	10,855
Gains on cancellation of convertible notes	**–**	27,341
Others	**1,105**	7,283
	77,718	67,657
Other net income		
Exchange gain, net	**–**	841
Gain on extension of convertible notes	**103,844**	–
Gain on disposal of available-for-sale financial assets	**229**	–
	104,073	841
Total	**181,791**	68,498

6. FINANCE COSTS

	2015 *RMB'000*	2014 *RMB'000*
Continuing operations		
Interest on bank loan borrowing, gross	**16,998**	23,763
Less: amount capitalised to properties under development *(note (b))*	**8,953**	17,313
amount capitalised to investment property *(note (a))*	**–**	4,147
Interest on bank loan borrowing, net	**8,045**	2,303
Interest on other loans wholly repayable within five years	**11,174**	22,138
Interest on convertible notes	**114,950**	109,008
Total	**134,169**	133,449

Note:

(a) The borrowing costs have been capitalised of a range from 3.98% to 7.68% for the year ended 31 December 2014.

(b) The borrowing costs have been capitalised of a range from 6.32% to 7.73% (2014: 7.21% to 7.53%) per annum.

7. LOSS BEFORE INCOME TAX

	2015 *RMB'000*	2014 *RMB'000*
Continuing operations		
Loss before income tax is arrived at after charging/(crediting):		
Cost of properties sold	**253,297**	150,432
Cost of properties management	**4,726**	5,061
Business tax and other levies *(note (b))*	**27,958**	10,488
Depreciation on plant and equipment *(note (a))*		
— Owned assets	**1,107**	3,534
Operating lease charges in respect of land and buildings	**1,625**	3,044
Auditors' remuneration		
— audit services	**724**	793
— other services	**302**	246
Provision for impairment of trade receivables recognised	**–**	286
Loss on written off of plant and equipment	**85**	166
Rental income from investment properties less direct outgoings *(note (c))*	**(27,395)**	(8,999)

Notes:

(a) Depreciation expenses

Depreciation expenses of approximately RMB1,107,000 (2014: approximately RMB3,534,000) have been included in administrative expenses respectively.

(b) Business tax and other levies

The Group with business operation in the PRC is subject to business taxes on their revenue at the following rates:

Category	**Rate**
Sales of properties and car park units	5%
Rental income from investment properties and car park units	5%
Property management income	5%

(c) Rental income from investment properties

There are no direct outgoings incurred for investment properties for the years ended 31 December 2015 and 2014.

8. INCOME TAX CREDIT

	2015 *RMB'000*	2014 *RMB'000*
Continuing operations		
Current tax		
The PRC — Corporate Income Tax		
— Tax for the year	**7,874**	–
— Under provision in respect of prior years	**–**	1,277
	7,874	1,277
The PRC — Land appreciation tax		
— Current year	**28,224**	14,788
— Over provision in respect of prior years	**(42,945)**	–
	(14,721)	14,788
Deferred tax		
— Current year	**(68,845)**	(52,916)
— (Over)/under provision in respect of prior years	**(617)**	223
	(69,462)	(52,693)
Total income tax credit	**(76,309)**	(36,628)

Reconciliation between tax credit and accounting loss at applicable tax rates:

	2015	2014
	RMB'000	*RMB'000*
Loss before taxation	**(191,435)**	(295,315)
Income tax at Hong Kong profits tax rate of 16.5%	**(31,587)**	(48,726)
Tax effect of different taxation rates in other tax jurisdictions	**(13,648)**	(15,508)
(Over)/under provision in prior years	**(43,562)**	1,500
Tax effect of non-taxable revenue	**(3,337)**	(5,222)
Tax effect of non-deductible expenses	**10,823**	36,284
Tax effect of temporary differences not provided	**1,137**	925
Tax effect of prior year's unrecognised tax losses utilised this year	**(4,476)**	(21,274)
Tax effect of unused tax losses not recognised	**3,847**	708
Tax effect of share of (profit)/loss of an associate	**(9,242)**	1,088
PRC land appreciation tax	**28,224**	14,788
Effect of PRC land appreciation tax	**(4,063)**	(4,513)
Land appreciation tax on fair value changes on investment properties	**(11,974)**	3,262
Others	**1,549**	60
Income tax credit	**(76,309)**	(36,628)

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year 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 year, 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% (2014: 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 31 December 2015, the Group has not accrued any withholding income tax for the earnings of its PRC subsidiaries (2014: nil), because the Group does not have a plan to distribute earnings from its PRC subsidiaries generated in the period from 1 January 2008 to 31 December 2015 in the foreseeable future.

9. DISCONTINUED OPERATIONS

Junyu Hotel

On 16 May 2013, the Group had entered into another agreement for the disposal of its entire interest in Guangzhou Junyu Hotel Investments 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 discontinued operations of the Group.

The gain for the year from discontinued operations is analysed as follows:

	2015 ***RMB'000***	2014 *RMB'000*
Profit of Junyu Hotel for the year	**–**	17,704
Gain on disposal of Junyu Hotel *(note 16)*	**–**	258,711
Gain from discontinued operations	**–**	276,415

The results of Junyu Hotel presented as discontinued operations included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014, were as follows:

	Junyu Hotel *RMB'000*
Revenue	
— Hotel operation income	190,214
Cost of income	(132,873)
Gross profit	57,341
Other revenue and net income	1,222
Administrative and other operating expenses	(6,416)
Finance costs	
— Interest on bank loan borrowing	(34,443)
Profit before income tax	17,704
Income tax expense	–
Profit for the year	17,704

Profit before income tax for the year ended 31 December 2014 from discontinued operations included the following:

	Junyu Hotel
	RMB'000
Profit before income tax is arrived at after charging/(crediting):	
Rental income from sub-letting of leased assets	(1,070)
Cost of hotel operation	121,951
Business tax and other levies	10,862
Operating lease charges in respect of land and buildings	1,064
Loss on written off of property, plant and equipment	1,032
Staff cost	
— Wages and salaries	31,094
— Pension costs — defined contribution plans	3,530

Cash flows from discontinued operations for the year ended 31 December 2014 were as follows:

	Junyu Hotel
	RMB'000
Net cash generated from operating activities	12,618
Net cash used in investing activities	(883)
Net cash used in financing activities	(77,705)
Net decrease in cash and cash equivalent	(65,970)

10. LOSS/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of (loss)/earnings per share for continuing and discontinued operations is based on the loss attributable to the owners of the Company of approximately RMB115,125,000 (2014: profit of approximately RMB17,728,000) and on the weighted average of 3,313,398,324 (2014: 3,228,682,010) ordinary shares in issue during the year.

The calculation of loss per share for continuing operations is based on the loss attributable to the owners of the Company of approximately RMB115,125,000 (2014: loss of approximately RMB258,687,000) and on the weighted average of 3,313,398,324 (2014: 3,228,682,010) ordinary shares in issue during the year.

The calculation of earnings per share for discontinued operations is based on the profit attributable to the owners of the Company of Nil (2014: profit of approximately RMB276,415,000) and the weighted average of 3,313,398,324 (2014: 3,228,682,010) ordinary shares in issue during the year.

Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for continuing and/or discontinued operations for the years ended 31 December 2015 and 2014 is not presented because the impact of the conversion of convertible notes is anti-dilutive.

11. TRADE RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**38,554**	3,290
Less: Provision for impairment of trade receivables recognised	**(2,153)**	(2,153)
Trade receivables — net	**36,401**	1,137

The directors considered that the fair value of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inspection.

As at 31 December 2015 and 31 December 2014, 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 purchases 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:

	2015	2014
	RMB'000	*RMB'000*
At the beginning of the year	**2,153**	1,867
Provision for impairment of trade receivables recognised	**–**	286
At the end of the 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 31 December 2015, the Group's trade receivables of approximately RMB2,153,000 (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:

	2015	2014
	RMB'000	*RMB'000*
0 to 90 days	**36,116**	541
91 to 180 days	**180**	53
181 to 365 days	**39**	81
Over 365 days	**66**	462
	36,401	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:

	2015	2014
	RMB'000	*RMB'000*
Neither past due	**35,378**	–
Within 30 days past due	**417**	371
31 to 60 days past due	**112**	79
61 to 90 days past due	**209**	91
Over 90 days past due	**285**	596
	36,401	1,137

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default of payments. The concentration of credit risk is limited due to the customer base being large and unrelated.

Trade receivables that were past due but not impaired related to a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and these balances are still considered to be recoverable.

The Group did not hold any collateral in respect of trade receivables.

As at 31 December 2015, the Group's trade receivables are denominated in RMB (2014: RMB), no interest is charged on trade receivables.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Deposits	**3,787**	5,403
Prepayments	**1,235**	1,970
Other receivables *(Note (a))*	**119,702**	133,509
	124,724	140,882

Note:

(a) As at 31 December 2015, the amount of other receivables included the approximate amount of RMB53,700,000 (2014: RMB49,199,000) which was interest receivable from an associate.

13. ASSETS CLASSIFIED AS HELD FOR SALE

Guangzhou Kinyang

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") with the carrying amount of RMB266,000,000. The disposal was terminated and details of this termination were set out in the announcements dated on 3 July 2015 and 4 December 2015. As at 31 December 2015, the property was classified as investment properties with the carrying amount of RMB245,700,000.

14. TRADE PAYABLES

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

	2015	2014
	RMB'000	*RMB'000*
0 to 90 days	**83,509**	28,481
91 to 180 days	**–**	–
Over 365 days	**–**	–
	83,509	28,481

All amounts are short term and hence the carrying values of trade payables are considered to be a reasonable approximation of fair value.

15. ACCRUALS AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Deposits received	**7,816**	7,740
Receipts in advance from customers	**182,079**	260,473
Accruals	**60,197**	98,725
Other payables *(notes (a)&(b))*	**284,132**	453,898
	534,224	820,836

Notes:

(a) As at 31 December 2015, the amount of other payables included the approximate amount of RMB225,287,000 (2014: RMB391,994,000) which was the amounts due to an associate. This amount was unsecured, interest-free and no repayment term except for the approximate amount of RMB60,000,000 (2014: RMB60,000,000) was charged at 4% per annum and repayable on demand.

(b) As at 31 December 2015, the approximate amount of RMB17,032,000 (2014: RMB16,530,000) which was the amounts due to Mr. Zhang, the convertible notes' holder was unsecured, interest-free and no repayment term.

16. DISPOSAL OF SUBSIDIARIES

Junyu Hotel

On 22 December 2014, the Group disposed Junyu Hotel, its wholly owned subsidiary, at a consideration of RMB1,164,665,000. A gain on disposal of Junyu Hotel of approximately RMB258,711,000 was recognised in the consolidated statement of profit or loss and other comprehensive income. Summary of the effect of the disposal of Junyu Hotel is as follows:

Net assets disposed of:

	RMB'000
Property, plant and equipment	**471,529**
Leasehold land and land use rights	**877,639**
Inventories	**1,324**
Trade receivables	**5,412**
Prepayment, deposits and other receivables	**234,663**
Cash and cash equivalents	**33,305**
Trade payables	**(5,866)**
Accruals, deposits received and other payables	**(42,200)**
Bank loans	**(501,103)**
Deferred tax liabilities	**(197,380)**
	877,323
Gain on disposal of discontinued operations	**258,711**
Total consideration, satisfied by cash	**1,164,665**
Payables taken up by the buyer	**230,713**
Related income tax expenses	**(259,344)**
Total net consideration	**1,136,034**

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2014 and 2015.

MANAGEMENT DISCUSSIONS 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 operations into a more property focused business in first-tier cities in the PRC. The Group currently engages in the business of (i) real estate development, (ii) property investment and (iii) property management in Guangzhou, the PRC.

Revenue and Gross Profit

For the year ended 31 December 2015, the Group recorded a revenue and gross profit of RMB366.0 million and RMB77.1 million, respectively, from its continuing operations as compared to revenue of RMB185.7 million and gross profit of RMB19.7 million for the year ended 31 December 2014.

Revenue for the year 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 year, a revenue of RMB323.1 million (2014: RMB125.2 million) was recorded from the delivery of Xintian Banshan with gross floor area of approximately 11,200 square meters (2014: 4,200 square meters). Whereas, revenue from selling of other properties held for sale was RMB11.3 million (2014: RMB50.2 million).

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 income and properties management fee income totalling RMB25.8 million were generated since its grand opening in March 2015 (2014: RMB0.3 million).

Rental income and properties management fee generated from commercial units of Tianlun Garden (天倫花園) and other properties reduced from RMB10.0 million in 2014 to RMB5.8 million in 2015. The commercial units of Tianlun Garden were put on rent again at lower rental value after the failure of its disposal.

A gross profit and overall gross profit margin of RMB77.1 million and 21.1%, respectively, were recorded in 2015 as compared to RMB19.7 million and 10.6%, respectively, in 2014. It was attributable to the delivery of residential units of Xintian Banshan which got a higher gross margin as well as the commencement of operation of Talent Shoes Trading Center.

Distribution Costs

The Group increased its effort on marketing Xintian Banshan in Guangzhou. As a result, distribution cost increased from RMB9.3 million in 2014 to RMB12.5 million in 2015.

Administrative and Other Operating Expenses

Administrative and other operating expenses reduced to RMB66.5 million (2014: RMB97.1 million). The increased administrative expenses spent for the opening and operation 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 2014.

Loss on Disposal of Investment Properties

In 2015, a Hong Kong residential unit held for investment was sold. A loss of RMB1.6 million was recorded.

In October 2014, the Group had entered into agreements for the disposal of all the commercial units of Tianlun Garden with an independent third party (the "Purchaser"). The disposal of commercial units of basement floor was completed. A loss was recorded after taking into account of business tax and sundry expenses in 2014. As the Purchaser did not pay according to the terms of the purchase agreement, legal action had been taken. The courts ruled in favour of the Group about forfeiture of the deposit in the amount of RMB20 million but rejected the request against the Purchaser for an addition penalty to the Group. As at the date of this report, the Group does not apply for a retrival application.

Fair Value Changes and Impairment Loss on Properties Portfolio

Regarding our investment properties, a net revaluation deficit of RMB152.7 million was recorded (2014: surplus of RMB1.7 million). Redevelopment work of Talent Shoes Trading Center was completed in early 2015. In addition to the increasing popularity of online shopping, weakened growth of PRC shoe industry in the year also hit adversely the traditional retail and wholesale businesses of the property tenants. The Group had launched various incentive programs to secure and retain tenants. As such, revaluation deficit of RMB130.4 million was recorded. Whereas, after the fallen through of the disposal of commercial units of Tianlun Garden, it has to be reclassified as investment properties and restated at fair value instead of its previous consideration amount. A valuation deficit of RMB20.3 million was recorded therefrom.

Regarding our residential project, Xintian Banshan, internal decoration for the unsold high-rise residential units and the structural work of the grand-sized luxurious villas are ongoing. In 2015, 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, driven by the easing of strict home purchase restrictions in most cities in China and the introduction of relevant taxation policies, overall sentiment in the residential property markets recovered steadily. Combining these favorable effects and the change of marketing tactic of the Group, the pace of sales of the large sized & luxurious residential units in Xintian Banshan was improved in the second half of the year. After considering market conditions, pace of contract sales, further development costs to be incurred as well as the latest revaluation, an impairment loss of RMB116.8 million (2014: RMB125.8 million) has been provided for the properties under development and completed properties held for sale.

Fair Value Changes 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 deficit of RMB2.9 million (2014: RMB14.2 million) was recorded in the year after re-assessment conducted by an independent qualified professional valuer.

Share of Profit (Loss) on 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. Development of the first two phases of the project was completed. Its residential units were almost sold out and delivered during the year. 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 RMB37.0 million (2014: loss of RMB4.4 million).

Finance Cost

During the year, imputed finance cost totaling RMB115.0 million (2014: RMB109.0 million) was recorded for the convertible notes which maturity date was extended. On partial repayment of bank & other loan during the year, finance costs therefrom (before capitalization) reduced to RMB28.2 million (2014: RMB45.9 million).

Income Tax Credit

In 2015, an income tax credit of RMB76.3 million was recorded (2014: RMB36.6 million). It was primarily the results of reversal of previous provided deferred tax led by revaluation deficits of our properties portfolio setting off by income tax and land appreciation tax provided for properties sales.

Gain for the year from Discontinue Operation

On completion of the disposal of 100% equity interest of Guangzhou Junyu Hotel Investment Limited in December 2014, the Group recorded a gain of RMB276.4 million in 2014.

Loss/Profit for the year Attributable to Owners of the Company

As a result of the above, the Group recorded a loss attributable to owners of the Company of RMB115.1 million in 2015 (2014: Profit of RMB17.7 million).

PROSPECT

Looking ahead, China's economy in 2016 is expected to remain stable, and steady growth in personal income and the on-going urbanization may bring some support for the real estate market and property prices. Though the property sector will still be regarded as an important driving force for promoting economic growth, the local governments of Shenzhen and Shanghai have announced stricter housing purchase restrictions in late March this year amidst widespread concern over the surges in property prices in these cities, for the purpose of promoting stable and healthy development of the market and preventing the next housing bubble. Thanks to a relatively rational property market in Guangzhou, housing prices and transaction volumes in the city remain stable, and there is still room for improvement in sales of property in the downtown area and high-end property. The Group will proactively seize this opportunity to further promote the sales of Xintian Banshan. On the other hand, since the Board has entered into the Second Supplemental Deed of Amendment, the Company is taking effort to prepare a circular in respect thereof and wishes to have it be reviewed and approved, so as to ensure the full conversion of the convertible notes into ordinary shares of the Company which can optimize the capital structure of the Group. The Board believes that the above-mentioned moves would greatly enhance the overall value of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 December 2015 were approximately RMB3,511.3 million (31 December 2014: approximately RMB3,893.2 million) which were financed by the total equity and total liabilities (including convertible notes) of approximately RMB184.7 million (31 December 2014: approximately RMB222.0 million) and approximately RMB3,326.6 million (31 December 2014: approximately RMB3,671.3 million) respectively.

As at 31 December 2015, the convertible note with value of HK$2,139.85 million is to be matured on 10 December 2016. As stated in the paragraphs headed "Significant events after the reporting period", Talent Trend had agreed with the Company, subject to satisfaction of certain conditions, to convert all the convertible notes into ordinary shares of the Company instead of demanding cash repayment. 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 Hong Kong Dollars, United States Dollars and Renminbi. As at 31 December 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 94.7% as at 31 December 2015 (31 December 2014: 94.3%). As at 31 December 2015, bank borrowings were amounted to RMB399.5 million carried fixed interest rate (2014: RMB187 million carried interest rate varied in accordance with the base rate of People's Bank of China). Whereas other borrowings amounted to RMB89.9 million (2014: RMB191.5 million) carried fixed interest rate.

EXPOSURE TO FOREIGN EXCHANGE

The revenue of the Group is mainly denominated in Renminbi, and the cost of production and purchase 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 1.2429: RMB1 and 1.2010: RMB1, respectively, were applied on consolidation of the financial statements for the year ended 31 December 2015.

CHARGES ON ASSETS

As at 31 December 2015, certain assets of the Group with an aggregate amount of approximately RMB1,546.7 million (31 December 2014: RMB648.5 million), represented by properties under development of approximately RMB545.0 million (31 December 2014: RMB532.3 million), completed properties held for sale of approximately RMB78.0 million (31 December 2014: RMB116.2 million) and investment properties of approximately RMB923.7 (31 December 2014: RMB Nil).

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 31 December 2015, the Group had approximately 190 (31 December 2014: 186) employees, with about 186 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 current year.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 11 January 2016, the Company and Talent Trend Holdings Limited ("Talent Trend"), being a sole holder of the convertible notes of the Company with the values of HK$2,139.85 million (the "Convertible Notes"), entered into a second supplemental deed of amendment (the "2nd Supplemental Deed of Amendment") amending the terms and conditions of the Convertible Notes. Pursuant to the terms therein, Talent Trend has agreed to convert full amount of the Convertible Notes into ordinary shares of the Company within 5 business days subsequent to the satisfaction of: (a) obtaining the approval from the Stock Exchange; (b) obtaining the Whitewash Waiver from the Securities and Futures Commission ("SFC") and (c) obtaining Independent Shareholders' approval at the SGM.

A circular containing, amongst other things, details of the proposed amendment as stipulated in the 2nd Supplemental Deed of Amendment, implications and requirements under the listing rules and the Codes on Takeovers and Mergers and Share Buy-backs and notice of a special general meeting will be despatched to the independent shareholders of the Company. The Company expects the despatch date of this circular will be postponed to a date not later than 12 May 2016. Detail of this issue and capitalised terms used herein were stated in the announcements of the Company dated 11 January 2016, 1 February 2016, 26 February 2016 and 31 March 2016.

PRINCIPAL RISKS AND UNCERTAINTIES

The following content lists out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below.

Market Risk

The Group's assets are predominantly in the form of land use rights, land under development, properties under development, properties held for sale and investment properties. In the event of a severe downturn in the property market in Guangzhou and Mainland China, these assets may not be readily realised.

Operational Risk

The Group's operation is subject to a number of risk factors distinctive to property development and property related businesses. Default on the part of its buyers, tenants, sub-tenants, contractors and strategic business partners, and inadequacies or failures of internal processes, people and systems or other external factors may have various levels of negative impact on the results of the Group's operations. Additionally, accidents may happen despite systems and policies set up for their prevention, which may lead to the Group's financial loss, litigation, or damage in reputation.

Risk pertaining to the property leasing and sub-leasing

The rental rates and the occupancy rates will depend on various factors, including but not limited to, prevailing supply and demand conditions, economic conditions as well as the quality of the properties. There is no assurance that the Group is able to look for new tenants and/or sub-tenants within a short period of time or procure new leases or renew existing leases and/or sub-leases at the prevailing market rates.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group adheres to environmental sustainability from office throughout the property portfolio. As a responsible corporation, the Group strives to ensure minimal environmental impacts by carefully managing its energy consumption, water usage, property design and waste production. In addition, we engaged construction contractors with relevant licenses that was granted by government authorities encompass environmental protection and work safety. The Group has closely monitored the project at every stage to ensure the project development and construction process are in compliance with environmental protection and safety laws and regulations, and would require construction contractors to immediately resolve any defect or non-compliance, where necessary.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in mainland China while the Company itself is listed on the Stock Exchange of Hong Kong. The Group would make professional judgement and seek professional legal advice from its legal department and, where necessary, legal advisers to ensure transactions and businesses to be performed by the Group are in compliance with the applicable laws, regulations and local industry practices.

KEY RELATIONSHIPS WITH THE GROUP'S EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group believes that the Directors, senior management and employees are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market. Therefore, the Group offered competitive remuneration package to relevant staff. In addition, a Share Option Scheme was adopted by the Company on 20 May 2013. At appropriate time, option would be granted for the purpose of providing incentives and rewards to eligible participants who can contribute to the success of the Group's operations.

The Group maintains good relationship with existing and potential customers to understand the market trends that would enable the Group to adjust its operating and marketing strategies timely, which are crucial to the development and success of the Group.

The Group maintains a solid and steady relationship with major contractors to ensure product quality and progress on-schedule. The Group works and closely monitors daily construction work of its contractors and settled their workdone timely.

The Group places effort to build up and maintain good relationships with various commercial banks and financial institutions as the businesses of the Group are capital intensive nature and require on-going funding to maintain continuous growth.

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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2015, except for the following deviations.

CG Code Provision A.2.1

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.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for directors' securities transactions. Having make 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 annual report.

CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption of shares or other securities of the Company by the Company or its subsidiaries during the year.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors (the "Audit Committee") and reports to the board of directors. A written terms of reference had been established. The Audit Committee meets the external auditors at least once a year to discuss any areas of concerns during the audits without the presence of the management. During the year, the Audit Committee reviewed the adequacy and effectiveness of the internal control systems and focused not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

For the year ended 31 December 2015, the fees paid/payable to the auditor of the Company in respect of the audit services and non audit services in 2015 were amounted to approximately RMB0.7 million and RMB0.3 million respectively.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditors' report on the Group's audited financial statements for the year ended 31st December, 2015. The report includes an emphasis of matter, without qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2.2 in the consolidated financial statements which indicates that Group incurred a net loss of RMB115,126,000 for the year ended 31 December 2015 and, as of that day, the Group's current liabilities exceeded its current assets by RMB855,699,000. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. As explained in note 2.2 to the consolidated financial statements, these consolidated financial statements have been prepared on a going concern basis.

SCOPE OF WORK OF MESSRS. CHENG & CHENG LIMITED

The figures in respect of the Group's consolidated statement of financial position as of 31 December 2015, and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year then ended as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Cheng & Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Cheng & Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Cheng & Cheng Limited on the preliminary announcement.

ANNUAL GENERAL MEETING

The notice of the annual general meeting will be published and dispatched to shareholders in the manner specified in the Listing Rules in due course.

PUBLICATION OF THE ANNUAL RESULTS AND 2015 ANNUAL REPORT ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.760hk.com) and the 2015 annual report of the Company containing all the information required by the Listing Rules will also be published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
You Xiaofei
Chairman and Executive Director

PRC Hong Kong
31 March 2016

As at the date hereof, the Board comprises Mr. You Xiaofei and Mr. Luo Zhangguan as Executive Directors and Mr. Lo Wai Hung, Mr. Chan Chi Mong, Hopkins and Mr. Mak Yiu Tong as Independent Non-executive Directors.