TALENT PROPERTY GROUP LIMITED

新天地產集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 760)

2013 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 2013 with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
	Notes	**2013** ***HK$'000*** **(unaudited)**	2012 *HK$'000* (unaudited) (restated)
Continuing operations			
Revenue	*5*	**276,337**	46,091
Cost of sales		**(241,187)**	(37,001)
Gross profit		**35,150**	9,090
Other revenue and net income	*6*	**11,085**	2,406
Distribution costs		**(22,825)**	(18,017)
Administrative and other operating expenses		**(44,713)**	(56,196)
Gain on disposal of subsidiaries	*20*	**23,513**	–
Loss on disposal of investment properties		**–**	(29,287)
Share of loss of an associate		**(8,538)**	(1,315)
Impairment loss of completed properties held for sale		**(762)**	–
Impairment loss of properties under development		**–**	(93,918)
Fair value changes on investment properties		**(4,403)**	(21,541)
Fair value changes on derivative financial instrument	*18*	**(33,350)**	(58,649)
Finance costs	*7*	**(96,645)**	(87,064)
Loss before income tax	*8*	**(141,488)**	(354,491)
Income tax (expense)/credit	*9*	**(6,949)**	90,868

* *For identification purposes only*

	Notes	Six months ended 30 June **2013** ***HK$'000*** **(unaudited)**	 2012 *HK$'000* (unaudited) (restated)
Loss for the period from continuing operations		**(148,437)**	(263,623)
Discontinued operations			
Gain/(loss) for the period from discontinued operations	*10*	**51,665**	(88,007)
Loss for the period		**(96,772)**	(351,630)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit to loss:			
Share of exchange difference of an associate		**9,528**	(5,451)
Exchange gain/(loss) on translation of financial statements of foreign operations		**28,384**	(25,556)
Reclassification of exchange differences upon disposal of subsidiaries		**(7,261)**	–
Deficit on available-for-sale financial assets		**(283)**	–
Other comprehensive income/(loss) for the period		**30,368**	(31,007)
Total comprehensive loss for the period		**(66,404)**	(382,637)
Loss attributable to:			
Owners of the Company		**(76,795)**	(304,375)
Non-controlling interests		**(19,977)**	(47,255)
		(96,772)	(351,630)
Total comprehensive loss attributable to:			
Owners of the Company		**(51,723)**	(330,820)
Non-controlling interests		**(14,681)**	(51,817)
		(66,404)	(382,637)
Earnings/(loss) per share	*11*		
From continuing and discontinued operations			
Basic		**(2.379 HK cents)**	(10.558 HK cents)
Diluted		**N/A**	N/A
From continuing operations			
Basic		**(3.979 HK cents)**	(7.505 HK cents)
Diluted		**N/A**	N/A
From discontinued operations			
Basic		**1.600 HK cents**	(3.053 HK cents)
Diluted		**0.444 HK cents**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**435,795**	434,465
Property, plant and equipment		**7,849**	676,548
Leasehold land and land use rights		**–**	1,113,821
Interests in an associate		**698,520**	700,036
Deferred product development costs		**–**	395
Available-for-sale financial assets		**1,097**	1,361
		1,143,261	2,926,626
Current assets			
Leasehold land and land use rights		**–**	252
Financial assets at fair value through profit or loss		**–**	3,995
Properties under development		**1,815,879**	1,644,653
Completed properties held for sale		**312,418**	377,446
Inventories		**–**	34,142
Trade receivables	*12*	**2,645**	36,234
Prepayments, deposits and other receivables	*13*	**1,013,522**	1,060,286
Tax recoverable		**44**	2,301
Cash and cash equivalents		**175,241**	169,945
		3,319,749	3,329,254
Assets classified as held for sale	*14*	**2,403,813**	2,270,481
		5,723,562	5,599,735
Current liabilities			
Trade payables	*15*	**(20,080)**	(58,697)
Accruals, deposits received and other payables	*16*	**(1,066,808)**	(982,779)
Provision for tax		**(236,297)**	(242,851)
Borrowings		**(340,669)**	(586,098)
Obligations under finance lease		**–**	(62)
Promissory notes	*19*	**–**	(170,040)
		(1,663,854)	(2,040,527)
Liabilities associated with assets classified as held for sale	*14*	**(1,526,647)**	(1,637,278)
		(3,190,501)	(3,677,805)
Net current assets		**2,533,061**	1,921,930
Total assets less current liabilities		**3,676,322**	4,848,556

	Notes	As at **30 June 2013** *HK$'000* **(unaudited)**	31 December 2012 *HK$'000* (audited)
Non-current liabilities			
Provision for long service payment		**–**	(1,816)
Deferred tax liabilities		**(471,817)**	(729,428)
Borrowings		**(433,180)**	(1,110,330)
Obligations under finance lease		**–**	(184)
Convertible notes	*18*	**(2,248,851)**	(2,141,203)
		(3,153,848)	(3,982,961)
Net assets		**522,474**	865,595
EQUITY			
Share capital	*17*	**12,915**	12,915
Reserves		**414,399**	466,122
Equity attributable to the Company's owners		**427,314**	479,037
Non-controlling interests		**95,160**	386,558
Total equity		**522,474**	865,595

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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.

The Group was also engaged in the manufacture and sale of electronic products, trading of listed equity investments and commodities and provision of loan financing until 31 May 2013 when the Group disposed of and discontinued such businesses.

Whereas, the Group had entered into an agreement on 16 May 2013 for the disposal of its hotel operation segment. As at 30 June 2013, the disposal was still in progress.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2013 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 2012 annual financial statements.

The Group disposed of certain operations which constituted discontinued operations under Hong Kong Financial Reporting Standard ("HKFRS") 5 "Non-current Assets Held for Sale and Discontinued Operations". Therefore, the results derived from such operations are presented as discontinued operations in current period. The comparative figures for the corresponding period have been reclassified to conform with the current period's presentation.

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 2012 except as stated in note 3 below.

3. 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 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Financial instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as explained below, the adoption of the amendments has no significant impact on the Group's condensed consolidated financial statements.

Amendments to HKAS 1 — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

HKFRS 13 — Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. Some of these disclosures are specifically required to condensed consolidated financial statements for financial instruments under the consequential amendments to HKAS 34. Accordingly, the Group has included additional disclosures in the interim report.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

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 HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets[1]
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) Interpretation 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 January 2015

4. SEGMENT INFORMATION

The executive directors have identified the Group's seven (2012: seven) products and service lines as operating segments as follows:

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

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

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

(d) Electronic products consists of the manufacturing and sales of electronic products, which is considered as the discontinued operations as detailed in note 10 to the condensed consolidated financial statements;

(e) Equity and commodity investments consists of investments in equity securities and precious metals, which is considered as the discontinued operations as detailed in note 10 to the condensed consolidated financial statements;

(f) Provision of loan finance consists of loan financing services, which is considered as the discontinued operations as detailed in note 10 to the condensed consolidated financial statements;

(g) Hotel operation consists of the operation of the hotel, which is considered as the discontinued operations as detailed in note 10 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 2013 (unaudited)

	Continuing operations				Discontinued operations					
	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Sub-total *HK$'000*	Electronic products *HK$'000*	Equity and commodity investments *HK$'000*	Provision of loan finance *HK$'000*	Hotel operation *HK$'000*	Sub-total *HK$'000*	Total *HK$'000*
Reportable segment revenue										
External revenue	258,282	6,463	11,592	276,337	95,098	–	–	102,321	197,419	473,756
Inter-segment revenue	–	–	–	–	–	–	–	(425)	(425)	(425)
	258,282	6,463	11,592	276,337	95,098	–	–	101,896	196,994	473,331
Reportable segment profit/(loss)	(7,130)	779	2,421	(3,930)	(5,043)	(973)	(14)	(38,109)	(44,139)	(48,069)

For the six months ended 30 June 2012 (unaudited)

	Continuing operations				Discontinued operations					
	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Sub-total *HK$'000*	Electronic products *HK$'000*	Equity and commodity investments *HK$'000*	Provision of loan finance *HK$'000*	Hotel operation *HK$'000*	Sub-total *HK$'000*	Total *HK$'000*
Reportable segment revenue										
External revenue	31,678	9,806	4,607	46,091	127,641	–	–	83,597	211,238	257,329
Reportable segment profit/(loss)	(115,507)	(41,581)	3,056	(154,032)	(128)	(779)	(17)	(65,933)	(66,857)	(220,889)

As at 30 June 2013 (unaudited)

	Continuing operations				Discontinued operations	
	Property development ***HK$'000***	**Property investment** ***HK$'000***	**Property management** ***HK$'000***	**Sub-total** ***HK$'000***	**Hotel operation** ***HK$'000***	**Total** ***HK$'000***
Reportable segment assets	**2,169,151**	**438,890**	**8,357**	**2,616,398**	**1,771,896**	**4,388,294**
Reportable segment liabilities	**(700,348)**	**(123,091)**	**(7,835)**	**(831,274)**	**(832,609)**	**(1,663,883)**

As at 31 December 2012 (audited)

	Continuing operations				Discontinued operations					
	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Sub-total *HK$'000*	Electronic products *HK$'000*	Equity and commodity investments *HK$'000*	Provision of loan finance *HK$'000*	Hotel operation *HK$'000*	Sub-total *HK$'000*	Total *HK$'000*
Reportable segment assets	2,046,841	436,296	10,007	2,493,144	135,578	4,233	–	1,747,595	1,887,406	4,380,550
Reportable segment liabilities	(597,831)	(121,679)	(8,034)	(727,544)	(57,727)	–	–	(856,452)	(914,179)	(1,641,723)

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

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited) (restated)
Reportable segment revenue and Group revenue from continuing operations	**276,337**	46,091
Reportable segment loss from continuing operations	**(3,930)**	(154,032)
Share of loss of an associate	**(8,538)**	(1,315)
Fair value changes on derivative financial instrument	**(33,350)**	(58,649)
Finance costs	**(87,654)**	(87,064)
Income tax (expense)/credit	**(6,949)**	90,868
Discontinued operations	**51,665**	(88,007)
Gain on disposal of subsidiaries	**23,513**	–
Unallocated expenses	**(39,548)**	(54,371)
Unallocated income	**8,019**	940
Loss for the period	**(96,772)**	(351,630)

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

Revenue from external customers:

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited) (restated)
Continued operations		
Hong Kong (domicile) *(note (a))*	**60**	192
Mainland China	**276,277**	45,899
	276,337	46,091
Discontinued operations		
Hong Kong (domicile) *(note (a))*	**5,079**	9,834
North America *(note (b))*	**14,093**	21,201
Europe *(note (c))*	**7,492**	9,276
Japan	**65,141**	81,759
Mainland China	**102,412**	84,340
Others *(note (d))*	**2,777**	4,828
	196,994	211,238
Total	**473,331**	257,329

Non-current assets:

	As at	
	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited) (restated)
Continuing operations		
Hong Kong (domicile) *(note (a))*	**18,529**	18,879
Mainland China	**425,115**	424,266
	443,644	443,145
Discontinued operations		
Hong Kong (domicile) *(note (a))*	**–**	36,886
Mainland China	**–**	1,745,198
	–	1,782,084
Total	**443,644**	2,225,229

Notes:

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

(b) Principally included the United States of America ("the USA") and Canada.

(c) Principally included the United Kingdom, France, Germany and the Mainland Europe.

(d) Principally included Taiwan, Korea and elsewhere in Asia.

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 is based on the physical location of the assets.

5. REVENUE

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

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited) (restated)
Continuing operations		
Sales of properties	**258,282**	31,678
Property sub-letting and management fees	**11,592**	4,607
Gross rental income from investment properties	**6,463**	9,806
Total	**276,337**	46,091

6. OTHER REVENUE AND NET INCOME

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Other revenue		
Interest income on financial assets carried at amortised costs	**240**	653
Interest income on loan to an associate	**5,814**	–
Bad debt recovery	**3,066**	–
Rental income from sub-letting of leased assets	**–**	109
Written off of long outstanding payables	**–**	1,466
Others	**6**	178
	9,126	2,406
Other net income		
Exchange gain, net	**1,959**	–
	11,085	2,406

7. FINANCE COSTS

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Interest on bank loan borrowing, gross	**43,333**	16,884
Less: amount capitalised to properties under development	**31,630**	12,222
Interest on bank loan borrowing, net	**11,703**	4,662
Interest on other loans wholly repayable within five years	**10,644**	9,471
Interest on convertible notes	**74,298**	72,931
	96,645	87,064

8. LOSS BEFORE INCOME TAX

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Loss before income tax is arrived at after charging/(crediting):		
Cost of properties sold	**220,493**	33,469
Cost of property management	**8,543**	1,286
Business tax and other levies	**12,151**	2,246
Depreciation on property, plant and equipment	**1,264**	8,772
Operating lease charges in respect of land and buildings	**2,120**	3,746
Provision for impairment of trade receivables recognised	**1,233**	–
Rental income from investment properties less direct outgoings (note (a))	**(6,463)**	(9,806)

Note:

(a) Rental income from investment properties

There are no direct outgoings incurred for investment properties for the six months ended 30 June 2013 and 2012.

9. INCOME TAX (EXPENSE)/CREDIT

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Current tax		
The PRC — Corporate Income Tax		
— Tax for the period	**(19,077)**	(714)
— (Under)/over provision in respect of prior years	**(17)**	6,471
	(19,094)	5,757
The PRC — Land Appreciation Tax		
— Tax for the period	**(1,592)**	(113,435)
Deferred tax		
— Over provision in respect of prior years	**290**	–
— Tax for the period	**13,447**	198,546
	13,737	198,546
Total income tax (expense)/credit	**(6,949)**	90,868

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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 applicable tax rate 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.

The National People's Congress of the PRC approved the Corporate Income Tax Law of the PRC (the "New Tax Law") on 16 March 2007. With effective from 1 January 2008, the tax rate applicable to the enterprises established in the PRC will be unified at 25%.

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 2013, 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 2013 in the foreseeable future.

10. DISCONTINUED OPERATIONS

Master Base Group

On 12 April 2013, the Group had entered into an agreement for the disposal of its entire equity interest in Master Base Limited ("Master Base"). On 31 May 2013, the disposal was completed and Master Base ceased to be a subsidiary of the Company and the businesses of manufacture and sale of electronic products, trading of listed equity investments and commodities and provision of loan financing operations which are solely carried out by the subsidiaries of Master Base, have become discontinued operations of the Group.

Junyu Hotel

On 16 May 2013, the Group had entered into another agreement for the disposal of its entire equity interest in Guangzhou Junyu Hotel Investment Limited ("Junyu Hotel"). The principal business of Junyu Hotel is hotel operation which is solely carried out by Junyu Hotel and has become a discontinued operation of the Group. As at 30 June 2013, the disposal was not yet completed. According to the terms of the agreement, the disposal is expected to be completed in second quarter of 2014.

The gain/(loss) for the period from discontinued operations is analysed as follows:

	For the six month ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss of Master Base Group for the period	**(22,956)**	(20,443)
Loss of Junyu Hotel for the period	**(3,217)**	(67,564)
Gain on disposal of Master Base Group *(note 20)*	**77,838**	–
Gain/(loss) from discontinued operations	**51,665**	(88,007)

The results of the Master Base Group and Junyu Hotel presented as discontinued operations included in the condensed consolidated income statement, were as follows:

For the period ended 30 June 2013 (unaudited)

	Master Base Group	**Junyu Hotel**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue	**95,098**	**101,896**	**196,994**
Cost of sales	**(77,343)**	**(78,036)**	**(155,379)**
Gross profit	**17,755**	**23,860**	**41,615**
Other revenue and net income	**1,157**	**33,943**	**35,100**
Distribution costs	**(3,097)**	**–**	**(3,097)**
Administrative and other operating expenses	**(30,779)**	**(41,415)**	**(72,194)**
Finance costs	**(7,845)**	**(23,755)**	**(31,600)**
Loss before income tax	**(22,809)**	**(7,367)**	**(30,176)**
Income tax (expense)/credit	**(147)**	**4,150**	**4,003**
Loss for the period	**(22,956)**	**(3,217)**	**(26,173)**

For the period ended 30 June 2012 (unaudited)

	Master Base Group *HK$'000*	Junyu Hotel *HK$'000*	Total *HK$'000*
Revenue	127,641	83,597	211,238
Cost of sales	(101,988)	(72,418)	(174,406)
Gross profit	25,653	11,179	36,832
Other revenue and net income	1,019	675	1,694
Distribution costs	(2,852)	–	(2,852)
Administrative and other operating expenses	(35,439)	(46,793)	(82,232)
Finance costs	(8,824)	(32,625)	(41,449)
Loss before income tax	(20,443)	(67,564)	(88,007)
Income tax expense	–	–	–
Loss for the period	(20,443)	(67,564)	(88,007)

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

For the period ended 30 June 2013 (unaudited)

	Master Base Group ***HK$'000***	**Junyu Hotel** ***HK$'000***	**Total** ***HK$'000***
Loss before income tax is arrived at after charging:			
Cost of inventories sold	**58,291**	**–**	**58,291**
Cost of hotel operation	**–**	**72,204**	**72,204**
Business tax and other levies	**–**	**5,832**	**5,832**
Depreciation on property, plant and equipment	**4,124**	**21,491**	**25,615**
Amortisation of leasehold land and land use rights	**105**	**16,599**	**16,704**
Operating lease charges in respect of land and buildings	**3,802**	**2,509**	**6,311**
Research and development costs (including amortisation charge on capitalized deferred product development costs)	**385**	**–**	**385**
Unrealised loss on financial assets at fair value through profit or loss	**954**	**–**	**954**
Provision for slow moving inventories	**856**	**–**	**856**

For the period ended 30 June 2012 (unaudited)

	Master Base Group *HK$'000*	Junyu Hotel *HK$'000*	Total *HK$'000*
Loss before income tax is arrived at after charging:			
Cost of inventories sold	77,985	–	77,985
Cost of hotel operation	–	67,709	67,709
Business tax and other levies	–	4,709	4,709
Depreciation on property, plant and equipment	5,164	26,594	31,758
Amortisation of leasehold land and land use rights	126	17,517	17,643
Operating lease charges in respect of land and buildings	3,927	670	4,597
Research and development costs (including amortisation charge on capitalized deferred product development costs)	529	–	529
Unrealised loss on financial assets at fair value through profit or loss	756	–	756
Provision for slow moving inventories	1,200	–	1,200

Cash flows from discontinued operations were as follows:

For the period ended 30 June 2013 (unaudited)

	Master Base Group ***HK$'000***	**Junyu Hotel** ***HK$'000***	**Total** ***HK$'000***
Net cash generated from operating activities	**4,843**	**14,253**	**19,096**
Net cash used in investing activities	**(496)**	**(3,642)**	**(4,138)**
Net cash used in financing activities	**(25)**	**(40,977)**	**(41,002)**
Net increase/(decrease) in cash and cash equivalent	**4,322**	**(30,366)**	**(26,044)**

For the period ended 30 June 2012 (unaudited)

	Master Base Group *HK$'000*	Junyu Hotel *HK$'000*	Total *HK$'000*
Net cash used in operating activities	(5,468)	(4,418)	(9,886)
Net cash used in investing activities	(1,127)	(3,107)	(4,234)
Net cash used in financing activities	(28)	(64,022)	(64,050)
Net decrease in cash and cash equivalent	(6,623)	(71,547)	(78,170)

11. 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 owners of the Company of approximately HK$76,795,000 (2012: loss of approximately HK$304,375,000) and on the weighted average of 3,228,682,010 (2012: 2,882,940,252) ordinary shares in issue during the period.

The calculation of loss per share for continuing operations is based on the loss attributable to the owners of the Company of approximately HK$128,460,000 (2012: loss of approximately HK$216,368,000) and on the weighted average of 3,228,682,010 (2012: 2,882,940,252) ordinary shares in issue during the period.

The calculation of earnings per share for discontinued operations is based on the profit attributable to the owners of the Company of approximately HK$51,665,000 (2012: loss of approximately HK$88,007,000) and the weighted average of 3,228,682,010 (2012: 2,882,940,252) ordinary shares in issue during the period.

Diluted earnings/(loss) per share

Diluted loss per share discontinued operations and/or continuing operations for the period ended 30 June 2013 and 2012 is not presented because the impact of the exercise of the share options and the conversion of convertible notes is anti-dilutive.

The calculation of the diluted earnings per share for discontinued operations is based on the following data:

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit/(loss) attributable to the owners of the Company	**51,665**	(88,007)

	For the six months ended 30 June	
	2013	2012
	'000	*'000*
	(unaudited)	(unaudited)
Weighted average number of ordinary shares in issue	**3,228,682**	2,882,940
Adjustments for convertible notes	**8,412,939**	–
Weighted average number of ordinary shares in issue (diluted)	**11,641,621**	2,882,940
Diluted earnings per share from discontinued operations	**0.444 cents**	N/A

12. TRADE RECEIVABLES

	As at 30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
Trade receivables	**2,645**	38,414
Less: Provision for impairment of trade receivables recognised	**–**	(2,180)
Trade receivables — net	**2,645**	36,234

In respect of the Group's sales on credit or documents against payment, the Group allows a range of credit periods ranging from 30 days to 90 days according to the credit rating of different trade customers.

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

	As at 30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
0 to 90 days	**954**	34,343
91 to 180 days	**344**	1,661
181 to 365 days	**269**	188
Over 365 days	**1,078**	42
	2,645	36,234

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 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
Neither past due	**—**	19,458
Within 30 days past due	**954**	16,095
31 to 60 days past due	**344**	454
61 to 90 days past due	**269**	185
Over 90 days past due	**1,078**	42
	2,645	36,234

13. PREPAYMENTS, DEPOSIT AND OTHER RECEIVABLES

	As at	
	30 June	31 December
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Deposits	**7,166**	11,157
Prepayments	**20,435**	11,768
Other receivables *(note (a))*	**985,921**	1,037,361
	1,013,522	1,060,286

Note:

(a) The amount of other receivable included HK$478,040,000 or equivalent to RMB380,000,000 (31 December 2012: HK$471,584,000 or equivalent to RMB380,000,000) which is indemnified by Talent Trend Holdings Limited according to the sales and purchase agreement for the sale of Talent Central Limited to the Group.

The amount of other receivable included the approximate amount of HK$280,168,000 (31 December 2012: HK$454,291,000) which was the amount due from an associate. Of which, the approximate amount of HK$232,029,000 (31 December 2012: HK$415,043,000) was unsecured, charged at 5% per annum and repayable in the year ended 31 December 2013.

14. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

Swan Bay Group

On 20 December 2012, the Group had entered into an agreement for the disposal of its entire interest in 海南白馬天鵝灣置業有限公司 (Hainan White Horse Swan Bay Garden Properties Limited) ("Swan Bay"). Details of this disposal were set out in the announcement published at the same day. The Group completed such disposal in May 2013.

Hainan Honglun

On 25 January 2013, the Group had entered into another agreement for the disposal of its entire equity interest in 海南宏倫置業有限公司 (Hainan Honglun Properties Limited) ("Hainan Honglun"). Details of this disposal were set out in the circular dated on 21 March 2013. As at 30 June 2013, relevant PRC administration of such equity transfer was still in progress.

Junyu Hotel

On 16 May 2013, the Group had entered into another agreement for the disposal of its entire equity interest in Guangzhou Junyu Hotel Investment Limited ("Junyu Hotel"). The principal business of Junyu Hotel is hotel operation which is solely carried out by Junyu Hotel and has become a discontinued operation of the Group. Details of this disposal were set out in the Circular dated on 26 June 2013. As at 30 June 2013, the disposal was not yet completed.

The assets and liabilities attributable to Swan Bay Group, Hainan Honglun and Junyu Hotel, equity interests of which are expected to be sold and completion of equity transfer to be taken place within twelve months, have been classified as a disposal group held for sale and are presented separately in the condensed consolidated statement of financial position.

The major classes of assets and liabilities of Swan Bay Group, Hainan Honglun and Junyu Hotel classified as held for sale are as follows:

	As at	
	30 June 2013	31 December 2012
	Hainan Honglun and Junyu Hotel	Swan Bay Group and Hainan Honglun
	HK$'000	*HK$'000*
Property, plant and equipment	**592,040**	31,910
Leasehold land and land use rights	**1,104,070**	–
Properties under development	**–**	1,012,509
Completed properties held for sale	**502,951**	632,036
Inventories	**1,901**	–
Trade receivables	**4,157**	–
Trade receivable from group companies	**202**	–
Prepayments, deposits and other receivables	**151,768**	386,740
Amounts due from group companies	**749,397**	71,827
Tax recoverable	**808**	6,648
Restricted cash	**17,098**	183,676
Cash and cash equivalents	**29,020**	16,962
	3,153,412	2,342,308
Less: Amounts due from group companies eliminated on consolidation	**(749,599)**	(71,827)
Total assets classified as held for sale	**2,403,813**	2,270,481
Accruals, deposits received and other payables	**(264,435)**	(637,879)
Trade payables	**(63,964)**	(193,563)
Amounts due to group companies	**(366,384)**	(119,058)
Bank loans	**(934,690)**	(670,140)
Deferred taxation liabilities	**(260,826)**	(129,066)
Provision for taxation	**(2,732)**	(6,630)
	(1,893,031)	(1,756,336)
Less: Amounts due to group companies eliminated on consolidation	**366,384**	119,058
Total liabilities classified as held for sale	**(1,526,647)**	(1,637,278)
Net assets classified as held for sales	**877,166**	633,203

15. TRADE PAYABLES

The Group was granted by its suppliers credit periods ranging from 30 to 60 days. Based on the invoice dates, the ageing analysis of the trade payables were as follows:

	As at	
	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 90 days	**–**	39,817
91 to 180 days	**–**	1,679
181 to 365 days	**–**	–
Over 365 days	**20,080**	17,201
	20,080	58,697

16. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	As at	
	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Deposits received *(note (a))*	**264,118**	75,297
Receipts in advance from customers	**254,138**	139,413
Accruals	**115,458**	86,117
Other payables *(note (b))*	**433,094**	681,952
	1,066,808	982,779

(a) The amount of deposits received included the approximate amount of HK$255,412,000 (31 December 2012: HK$62,050,000) which was the deposit received for disposal of subsidiaries.

(b) The amount of other payables included the approximate amount of HK$389,681,000 (31 December 2012: HK$384,688,000) which was the amount due to an associate. This amount was unsecured, interest free and no repayable term.

17. SHARE CAPITAL

	As at			
	30 June 2013		31 December 2012	
	Number of shares	***HK$'000***	Number of shares	*HK$'000*
		(unaudited)		(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			
	2013		2012	
	Number of shares	***HK$'000***	Number of shares	*HK$'000*
Issued and fully paid:				
Ordinary shares of HK$0.004 each				
At 1 January	**3,228,682,010**	**12,915**	2,803,682,010	11,215
Issue upon conversion of convertible notes *(Note)*	**–**	**–**	425,000,000	1,700
At 30 June	**3,228,682,010**	**12,915**	3,228,682,010	12,915

Note:

On 11 May 2012, a convertible note holder has exercised conversion right to convert part of the principal amount into 100,000,000 ordinary shares of the Company at the exercise price of HK$0.33 per share.

On 1 June 2012, convertible note holders have exercised conversion right to convert part of the principal amount into 325,000,000 ordinary shares of the Company at the exercise price of HK$0.33 per share.

The details of the convertible notes which are set out in note 18 to the condensed consolidated financial statements.

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 long 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 comprehensive income. The value of the equity component is not remeasured in subsequent years.

	As at	
	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Liability component	**2,373,030**	2,298,732
Derivative component	**(124,179)**	(157,529)
	2,248,851	2,141,203
Liability component		
At beginning of the period/year	**2,298,732**	2,264,417
Converted into Company's shares	**–**	(111,762)
Imputed finance cost	**74,298**	146,077
At end of the period/year	**2,373,030**	2,298,732
Derivative component		
At beginning of the period/year	**(157,529)**	(238,422)
Converted into Company's shares	**–**	11,465
Fair value change	**33,350**	69,428
At end of the period/year	**(124,179)**	(157,529)
Carrying amount	**2,248,851**	2,141,203

At 30 June 2013, convertible notes with principal amounts of HK$2,776,270,000 remained outstanding.

19. PROMISSORY NOTES

On 10 December 2010, the Group issued promissory notes with a principal amount of HK$160 million (the "Notes") as part of the consideration to acquire Talent Central Limited. The Notes were denominated in Hong Kong Dollars, unsecured and transferrable. The Notes carried interest at the rate of 5% per annum, payable at maturity and will mature on 10 June 2013 (the "Maturity Date"), unless redeemed earlier in minimum amount of HK$500,000 or whole multiple thereof without any penalty, fee or other additional payment.

At the date of completion of the Acquisition, the fair value of the promissory notes was HK$134,353,000.

	HK$'000
Non-current liability component at 31 December 2011 (audited)	**152,092**
Imputed finance cost	**17,948**
Current liability component at 31 December 2012 (audited)	**170,040**
Imputed finance cost	**7,845**
Disposal of subsidiary *(note 20)*	**(177,885)**
Current liability component at 30 June 2013 (unaudited)	**–**

The effective interest rate for the Notes is 12.12% per annum.

20. DISPOSAL OF SUBSIDIARIES

Master Base Group

On 31 May 2013, the Group disposed Master Base, its wholly owned subsidiary, at a consideration of HK$200,000. A gain on disposal of Master Base of approximately HK$77,838,000 was recognised in the condensed consolidated income statement. Summary of the effect of the disposal of Master Base and its subsidiaries is as follows:

Net liabilities disposed of:

	HK$'000 **(unaudited)**
Property, plant and equipment	**63,205**
Leasehold land and land use rights	**8,445**
Deferred product development costs	**333**
Financial assets at fair value through profit or loss	**3,041**
Inventories	**22,772**
Trade and bill receivables	**13,230**
Prepayment, deposits and other receivables	**7,435**
Cash and cash equivalents	**35,249**
Trade payables	**(21,501)**
Accruals, deposits received and other payables	**(25,289)**
Provision for tax	**(700)**
Obligations under finance lease	**(220)**
Provision for long service payment	**(1,815)**
Promissory notes	**(177,885)**
Deferred tax liabilities	**(5,426)**
	(79,126)
Reclassification of exchange differences upon disposal of subsidiaries	**1,488**
	(77,638)
Gain on disposal of discontinued operations *(note 10)*	**77,838**
Total consideration, satisfied by cash	**200**

Upon disposal of the subsidiary, the related property revaluation reserve previously recognised in equity is transferred to accumulated loss.

Swan Bay Group

On 30 May 2013, the Group disposed 海南白馬天鵝灣置業有限公司 (Hainan White Horse Swan Bay Garden Properties Limited)("Swan Bay") and its subsidiary at a consideration of RMB85,100,000 (equivalent to HK$107,055,800). A gain on disposal of Swan Bay Group of approximately HK$23,513,000 was recognised in the condensed consolidated income statement. Summary of the effect of the disposal of the subsidiaries is as follows:

Net assets disposed of:

	HK$'000 **(unaudited)**
Property, plant and equipment	**35,091**
Properties under development	**1,069,976**
Prepayment, deposits and other receivables	**492,758**
Cash and cash equivalents	**7,673**
Restricted cash	**9,779**
Tax recoverable	**8,688**
Trade payables	**(4,257)**
Accruals, deposits received and other payables	**(815,491)**
Bank borrowings	**(321,042)**
Deferred tax liabilities	**(114,219)**
Non-controlling interests	**(276,717)**
	92,239
Reclassification of exchange difference upon disposal of subsidiaries	**(8,749)**
Cost directly attributable to the disposal	**53**
	83,543
Gain on disposal of subsidiaries	**23,513**
Total consideration, satisfied by cash	**107,056**

21. CAPITAL COMMITMENTS

	As at 30 June 2013 *HK$'000* **(unaudited)**	31 December 2012 *HK$'000* (audited)
Capital commitments (contracted but not provided for):		
Capital injection into a subsidiary	**10,494**	10,352
Capital injection into an associate	**33,021**	32,575
Construction of properties under development	**566,879**	554,200
	610,394	597,127
Capital commitments (authorised but not contracted for):		
Construction of properties under development	**762,825**	906,148
	1,373,219	1,503,275

22. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

	As at	
	30 June	31 December
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Guarantee given in respect of banking facilities for:		
— Mortgage facilities for certain purchasers of the Group's property units *(note (a))*	**141,548**	111,737

Note:

(a) It represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Of the amounts as at 30 June 2013 of HK$141,548,000 (31 December 2012: HK$111,737,000), was to be discharged upon earlier of (i) issuance of the real estate ownership certificate which are generally be available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loan by the purchasers of properties.

The Directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in these financial statements for the guarantees.

23. 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 director of the Company, details of whose emoluments are set out below:

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short term benefits	**1,637**	1,609
Post-employment benefits	**37**	36
	1,674	1,645

(b) Related party transactions

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Rental payment to a related party		
Related company:		
Guangzhou City Liwan Qi Che Zhi Pei Factory Company Limited *(note (a))*	**4,503**	–
Interest income on loan to a related party		
Associate:		
Guangzhou Xintian Properties Development Limited *(note (b))*	**5,814**	–

(c) Balance with related party:

	As at	
	30 June	31 December
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Balances due from/(to) related parties		
— included in prepayment, deposits and other receivables		
Associate:		
Guangzhou Xintian Properties Development Limited *(note (b)&(e))*	**280,168**	454,291
Related company:		
Guangzhou City Liwan Qi Che Zhi Pei Factory Company Limited *(note (c)&(e))*	**4,133**	–
— included in accruals, deposits received and other payables		
Associate:		
Guangzhou Xintian Properties Development Limited *(note (d))*	**(389,681)**	(384,688)

Notes:

(a) Rental expenses were paid to a related company in which a director of the Company's subsidiary has beneficial interests.

(b) Balances due from an associate are unsecured and repayable in the year ended 31 December 2013, of which the approximate amount of HK$232,029,000 (31 December 2012: HK$415,043,000) was charged at 5% per annum.

(c) Balances due from a related company are unsecured, interest-free and no repayment terms.

(d) Balances due to an associate are unsecured. interest-free and no repayment terms.

(e) No provision for impairment have been made in respect of this balance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The principal activity of Talent Property Group Limited (the "Company") is investment holding.

On 10 December 2010 (the "Completion Date"), 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"). During the six months ended 30 June 2013 (the "Reporting Period"), the Company and its subsidiaries (collectively "the Group") undergone certain reorganization of its businesses and projects with an objective to streamline its operation into more property focus in first-tier cities in PRC.

In order to minimize its exposure in residential sector in Hainan Province, the Group entered into agreements for the disposal of the project companies of Swan Bay Garden (天鵝灣) and Yuhaiwan (譽海灣) on 20th December 2012 and 25th January 2013, respectively. The disposal of Swan Bay Garden was completed in May 2013. Regarding the disposal of Yuhaiwan, the Group is handling relevant requirements under laws and regulations in the PRC and the disposal is expected to be completed in third quarter of 2013.

On 12th April 2013, the Group also entered into an agreement for the disposal of Master Base Limited, which engages in the electronic products operation, trading of commodities and listed equity and provision of loan financing. Such disposal was completed in May 2013.

In view of the intensified market competition and to concentrate resources on the Group's real estate business, on 16 May 2013, the Group entered into an agreement for the disposal of Guangzhou Junyu Hotel Investment Limited (廣州君譽酒店投資有限公司), which main asset is Hilton Guangzhou Tianhe (廣州天河新天希爾頓酒店). As at the date of this report, the Group has received the first and second tranche of the consideration totaling approximately RMB203 million. According to the terms of the agreement, the disposal is expected to be completed in second quarter of 2014.

Upon completion of the aforementioned disposals, the Group engages in the business of (i) real estate development, (ii) property investment and (iii) property management in Guangzhou.

REVENUE AND GROSS PROFIT

During Reporting Period, the Group recorded an unaudited consolidated revenue and gross profit from its continuing operation of HK$276.3 million and HK$35.2 million, respectively, as compared to HK$46.1 million and HK$9.1 million during the six months ended 30 June 2012 (the "Preceding Period").

Property development, management and investment

During the Reporting Period, revenue of HK$258.3 million was recorded from our property development business (Preceding Period: HK$31.7 million). Of which, HK$162.7 million was attributable to the ongoing delivery of residential units and car parking spaces of Yuhaiwan in Haikou and HK$95.6 million was attributable to the sales of some remaining villas and car parking spaces of Shangyu Garden (上譽花園) and South Lake Village Phase I (南湖山莊第一期) in Guangzhou.

Rental income generated from investment properties and car parking spaces of the Group reduced to HK$6.5 million in the Reporting Period (Preceding Period: HK$9.8 million). It was because of the disposal of substantially all the commercial units of Dongmingxuan (東鳴軒) in early 2012 as well as increased vacancies of commercial units of Tianlun Garden (天倫花園).

The Group commenced its business of property management in April 2012. Revenue of HK$11.6 million was recorded in the Reporting Period as compared to HK$4.6 million in the Preceding Period. Of which, sub-letting and management fee income amounted HK$11.3 million was derived from tenants of a leased commercial property.

A gross profit and overall gross profit margin of HK$35.2 million and 12.7%, respectively, were recorded from property development, investment and management in the Reporting Period as compared to HK$9.1 million and 19.7%, respectively, in the Preceding Period. After taking into account the acquisition cost from Previous Acquisition, subsequent development cost as well as provision for impairment loss, delivery of residential units of Yuhaiwan and sales of remaining villas and car parking spaces of Shangyu Garden recorded a minimal gross profit margin. Reduction of rental income in the Reporting Period also contributed to lower overall gross profit margin.

DISTRIBUTION COSTS

During the Reporting Period, distribution costs amounted to HK$22.8 million. Of which, HK$16.5 million and HK$5.9 million were attributable to marketing activities of projects in Hainan and Xintian Banshan (新天半山) in Guangzhou. In Preceding Period, substantial distribution costs were related to projects in Hainan.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

During the Reporting Period, administrative and other operating expenses totaling HK$44.7 million was recorded (Preceding Period: HK$56.2 million). This was the result of increased headcount and increased legal & professional expensed incurred, inter alia, for various disposal transactions during the Reporting Period off-setting by reduced depreciation charge and other sundry operating expenses.

GAIN ON DISPOSAL OF SUBSIDIARIES

The amount represents gain arising from the disposal of project companies of Swan Bay project in Hainan. Whereas, the gain or loss on disposal of Yuhaiwan project is expected to be recorded in second half of the year once the disposal is completed. Detail of the disposal was stated in the circular to shareholders dated 21 March 2013.

LOSS ON DISPOSAL OF INVESTMENT PROPERTIES

In the Preceding Period, the Group sold nearly all the commercial units of Dongmingxing. In order to preserve more cash for the Group, the Group had initially entered into contract for the sales of basement floor of Tianlun Garden in April 2013. Subsequently, the Group had terminated the contract with the purchaser with a view to resell the properties as a whole if opportunities arise.

SHARE OF LOSS OF AN ASSOCIATE

We partnered with Sun Hung Kai Properties Group in carrying out the Linhe Cun Rebuilding project (林和村重建項目). It is a high-end residential project at the CBD of Tianhe District of Guangzhou City. The Group's share of loss of this 30% owned project company increased from HK$1.3 million in the Preceding Period to HK$8.5 million in the Reporting Period. More expenses were incurred since the commencement of pre-sale in 4th quarter of 2012.

IMPAIRMENT LOSS AND FAIR VALUE CHANGES ON PROPERTIES PORTFOLIO

During the Reporting Period, revaluation deficit of HK$4.4 million was recorded for our investment properties in Guangzhou after re-assessment conducted by a professional independent qualified valuer. In the Preceding Period, provision of impairment loss amounted to HK$93.9 million had been made for the Hainan project and revaluation deficit of HK$21.5 million was recorded for our investment properties portfolio.

FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENT

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 and its volatility. A fair value deficit of HK$33.4 million (2012: HK$58.6 million) was recorded in the year after re-assessment conducted by a professional independent qualified valuer.

FINANCE COST

Imputed finance cost totaling HK$74.3 million (2012: HK$72.9 million) was arising from the convertible notes issued for the Previous Acquisition. During the period, increased borrowing had been made to fund the projects under development. As a result, finance costs from bank and other borrowings (before capitalization) increased to HK$54.0 million (2012: HK$26.4 million).

GAIN/LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS

According to applicable accounting standard, results arising from hotel operation, electronic products operation, trading of commodities and listed equity and provision of loan financing were classified and presented as a separate item in the statement of comprehensive income.

Hotel Operation

During the Reporting Period, the Group recorded a gross revenue of HK$101.9 million (Preceding Period: HK$83.6 million) from room rentals, food and beverage and other ancillary services. Market competition was intensified. The management company and the Group had strived for higher occupancy with the average room rate remained stable, yet substantially lower than competitors, at approximately RMB810 per room night. The average occupancy rate improved from 47% in the Preceding Period to 63% in the Reporting Period. As a result, a gross profit of HK$23.9 million (Preceding Period: HK$11.2 million) was recorded.

After the depreciation and amortization charge of HK$38.1 million, finance costs of HK$23.8 million and a one-off sundry income of HK$32.5 million, a post-tax loss of HK$3.2 million (Preceding Period: loss of HK$67.6 million) was recorded.

The gain or loss arising from the disposal of Hotel Operation is expected to be recorded in second quarter of 2014. Detail of the disposal was stated in the circular to shareholders dated 26 June 2013.

Business of electronic products, equity and commodities investments

The manufacturing business environment remains challenging. Revenue, gross profit margin and post-tax net loss of HK$95.1 million, 18.7%, and HK$23.0 million, respectively, were recorded for the business segments during the 5 months' period as compared to HK$127.6 million, 20.1% and HK$20.4 million, respectively, in the Preceding Period. The Group had completed the disposal of these business segments in May 2013 and a gain on disposal amounted HK$77.8 million was recorded.

TAXATION

During the Reporting Period, a tax charge of HK$6.9 million was recorded. In Preceding Period, a tax credit was recorded to reflect the results of reversal of deferred tax due to valuation deficit of properties.

LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

As a result of reorganization activities, gain on disposal of subsidiaries and discontinued operations was recorded. Along with reduced unfavorable fair value changes on investment properties and derivative financial instrument as well as no further provision for impairment loss on has been made on properties portfolio, loss attributable to owners of the Company reduced significantly from HK$304.4 million in the Preceding Period to HK$76.8 million in the Reporting Period.

PROSPECT

In 2013, the global economic development remained uncertain. In the first half of the year, the labour market and property market of the United States saw signs of improvement. The Federal Reserve implied that it would exit the market on such improvements. It is anticipated that the exit of the Federal Reserve will have significant impact on the global financial market.

The economic growth of Europe will remain slow as the debt crisis drags on. On the other hand, the aggressive monetary policy adopted by the Japanese government has immediate effect on its financial market. However, its effect on the real economy of Japan has yet to be seen. It is obvious that funds have fled from emerging economies recently, generating pressure on their economic development.

At the end of the Reporting Period, the banks in China experienced a liquidity crisis as the People's Bank of China refused to provide liquidity instantly to the interbank market. The overnight interbank rate soared to its record high. Coupled with the weakening global economy, the economic indicators of China (e.g. GDP) have reflected the slowdown in its economic growth. There is a concern over the deteriorating economic growth in China in the second half of the year. However, the consumer price index indicated that the inflation remained tamed, allowing the government to flexibly regulate the economic growth by strengthening its control. It is the policy of the Chinese government to achieve a balanced and sustainable economic growth by adopting a new economic development mode. The further development of the economy of China will be driven by urbanization and the growth in household income. There will be huge demand of residential properties due to ample room for urbanization. The disposable income will increase in line with the improving household income, meaning that more commodity houses are becoming affordable.

The property market was still heavily regulated by government in the first half of the year. According to the recent policies, local governments are required to strengthen the regulation on property price, impose strict regulations on capital gain tax and property purchase by increasing the down payment requirement and higher mortgage interest rate for non-first-time home purchasers. Notwithstanding such new measures, the average property price in the second quarter of the year has recorded increases for 13 consecutive months since the mid of 2012, which was mainly attributed to the increase of demand, although the increase was partially offset by the promulgation of the above measures. The local demand in Guangzhou, where the headquarters of our Group is located, remained strong despite the strict control on its property market. According to the National Bureau of Statistics of China, the primary and secondary property prices as at the end of July increased by approximately 17% and 10% respectively as compared with the same period of last year. Therefore, it is expected that the relevant authorities will retain the strict regulations on property prices during this year.

Xintian Banshan (新天半山), a luxury villa project of the Group which is characterized by panoramic views of hills and lake in Nanhu Zone of Baiyun District in Guangzhou, is under development. Pre-sale permit has been obtained for its high-rise residential units. The contract sales price is satisfactory. Although the sales progress is slower than expected due to the effect of the relevant policy, we are confident of this project because the recent auction price of a nearby land parcel has hit a new record high. In the second half of the year, we will adjust the marketing strategy to increase the pace of contract sales and thereby our cash inflow. In addition, the first batch of pre-sale units of Forest Hill (峻林) has been sold out. It is the Linhe Cun Rebuilding Project jointly developed by the Group and Sun Hung Kai Properties located in the business zone of Tianhe District in Guangzhou and near the Guangzhou East railway station. The new round of pre-sales is in final preparation and will be launched very soon.

During the Reporting Period, the Group carried out various restructuring and disposals, including the disposal of non-core electronic product business as well as the residential projects in Hainan and the Hilton hotel with low profit margin. In the second half of the year, we will complete the legal procedures for such disposals as well as the tidying up of balance sheet. Together with the sales of Xintian Banshan (新天半山) and other projects, the Group will have sufficient liquidity and strengthened capacity to focus on the development of urban renewal projects and identify acquisition opportunities so as to bring fruitful results to the shareholders in the near future.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 June 2013 were approximately HK$6,866.8 million (31 December 2012: approximately HK$8,526.4 million) which were financed by the total equity and total liabilities (including convertible notes and promissory notes) of approximately HK$522.5 million (31 December 2012: approximately HK$865.6 million) and approximately HK$6,344.3 million (31 December 2012: approximately HK$7,660.8 million) respectively.

The directors consider the Group will have sufficient working capital for its operations and financial resources for financing future investment opportunities in suitable business ventures.

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 30 June 2013, 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 92.4% as at 30 June 2013 (31 December 2012: 89.8%). As at 30 June 2013, bank borrowings which include the loans classified in liabilities associated with assets held for sales were amounted to RMB1,099.3 million (31 December 2012: RMB1,490.0 million) carried interest rate varied in accordance with the base rate of People's Bank of China. Whereas other borrowings amounted to RMB258.8 million (31 December 2012: RMB408.8 million) carried fixed interest rate. The other borrowings for the amount of RMB8.2 million at 31 December 2012 were interest free and the borrowings were fully repaid during the Reporting period.

EXPOSURE TO FOREIGN EXCHANGE

The revenue of the Group is mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi, and the cost of production and purchase are mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi. Therefore, the Group is not exposed to any other material foreign currency exchange risk. An average rate and a closing rate of HK$1.2508: RMB1 and HK$1.258: RMB1, respectively, were applied on consolidation of the financial statements for the Reporting Period.

CHARGES ON ASSETS

As at 30 June 2013, certain assets of the Group with an aggregate amount of approximately HK$4,007.4 million (31 December 2012: HK$5,034.9 million), represented by completed properties held for sale of approximately HK$538.4 million (31 December 2012: HK$683.1 million), properties under development of approximately HK$1,454.9 million (31 December 2012: HK$2,328.2 million), investment properties of approximately HK$322.3 million (31 December 2012: HK$321.2 million), property, plant and equipment of approximately HK$587.7 million (31 December 2012: HK$596.9 million) and land use right of approximately HK$1,104.1 million (31 December 2012: HK$1,105.5 million), were pledged to secure general banking facilities.

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 30 June 2013, the Group had approximately 652 (31 December 2012: 1,875) employees, with about 646 in the Mainland China and 6 in Hong Kong. Significant reduction of employee was due to the completion of disposal of Master Base Limited and Hainan White Horse Swan Bay Garden Properties Limited. 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.

During the Report Period, a resolution had been passed in the annual general meeting for the adoption of a new share option scheme. Details of the new share option scheme were shown in the Appendix II of the circular dated 17 April 2013. No share options were granted under the new scheme.

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 2013.

DIVIDEND

The board does not recommend payment of any interim dividend for the six months ended 30 June 2013.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the connected and related party transactions are set out in note 23 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 report, 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.

CG Code Provision A4.1

Under the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.

During the Reporting Period, one independent non-executive director of the Company, namely Mr. Cheung Chung Leung, Richard, was not appointed for any specific fixed term and who was resigned on 31 January 2013. As at 30 June 2013, the Company has three independent non-executive directors, namely, Mr. Lo Wai Hung, Ms. Pang Yuen Shan Christina and Mr. Chan Chi Mong, Hopkins. They were appointed for a term of two years commencing. In accordance with the bye-laws of the Company, at each annual general meeting of the Company one third of the directors shall retire from office by rotation. The Board considers that sufficient measures will be taken to ensure the corporate governance practices of the Company are not less exacting than those in the CG Code.

REVIEW OF ACCOUNTS

The unaudited condensed consolidated accounts of the Company and its subsidiary companies for the six months ended 30 June 2013 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 2013 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
Ng Pui Keung
Chairman

Hong Kong, 30 August 2013

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