TALENT PROPERTY GROUP LIMITED

新天地產集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 760)

2016 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 2016 with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*5*	**123,578**	208,438
Cost of sales and income		**(96,975)**	(162,702)
Gross profit		**26,603**	45,736
Other revenue and net income	*6*	**4,884**	36,337
Distribution costs		**(5,260)**	(6,908)
Administrative and other operating expenses		**(18,920)**	(35,611)
Share of (loss)/profit of an associate		**(24,743)**	33,374
Impairment loss of completed properties held for sale		**(316)**	(3,890)
Reversal of impairment loss of properties under development		**19,156**	–
Impairment loss of properties under development		**–**	(77,033)
Fair value changes on investment properties		**(37,778)**	(2,799)
Fair value changes on derivative financial instrument	*15*	**(4,830)**	45,051
Finance costs	*7*	**(55,296)**	(61,874)

* *For identification purposes only*

	Notes	Six months ended 30 June **2016** ***RMB'000*** **(unaudited)**	 2015 *RMB'000* (unaudited)
Loss before income tax	*8*	**(96,500)**	(27,617)
Income tax expense	*9*	**(466)**	(45)
Loss for the period		**(96,966)**	(27,662)
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Reclassification adjustment of fair value reserve on disposal of available-for-sale financial assets		**–**	535
Exchange (loss)/gain on translation of financial statements of foreign operations		**(49,673)**	6,421
Other comprehensive (loss)/income for the period		**(49,673)**	6,956
Total comprehensive loss for the period		**(146,639)**	(20,706)
Loss attributable to:			
Owners of the Company		**(96,966)**	(27,662)
Non-controlling interests		**–**	–
		(96,966)	(27,662)
Total comprehensive loss attributable to:			
Owners of the Company		**(146,639)**	(20,706)
Non-controlling interests		**–**	–
		(146,639)	(20,706)
Loss per share	*10*		
Basic		**(2.017 cents)**	(0.857 cents)
Diluted		**(2.017 cents)**	(0.857 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June	31 December
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**925,000**	962,601
Plant and equipment		**2,597**	1,565
Interests in an associate		**548,103**	572,464
Available-for-sale financial assets		**1,000**	1,000
		1,476,700	1,537,630
Current assets			
Properties under development		**1,441,400**	1,466,005
Completed properties held for sale		**303,088**	209,160
Trade receivables	*11*	**27,161**	36,401
Prepayments, deposits and other receivables	*12*	**107,538**	124,724
Tax recoverable		**23,551**	9,935
Cash and cash equivalents		**203,938**	127,430
		2,106,676	1,973,655
Current liabilities			
Trade payables	*13*	**(57,195)**	(83,509)
Accruals and other payables	*14*	**(749,320)**	(534,224)
Provision for tax		**(185,251)**	(232,481)
Borrowings		**(336,854)**	(315,354)
Convertible notes	*15*	**–**	(1,663,786)
		(1,328,620)	(2,829,354)
Net current assets/(liabilities)		**778,056**	(855,699)
Total assets less current liabilities		**2,254,756**	681,931

		As at	
		30 June	31 December
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(audited)
Non-current liabilities			
Deferred tax liabilities		**(304,305)**	(323,268)
Borrowings		**(150,000)**	(174,000)
		(454,305)	(497,268)
Net assets		**1,800,451**	184,663
EQUITY			
Share capital	*16*	**36,602**	14,384
Reserves		**1,743,658**	150,088
Equity attributable to owners of Company		**1,780,260**	164,472
Non-controlling interests		**20,191**	20,191
Total equity		**1,800,451**	184,663

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2016 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”). It was authorised for issued on 31 August 2016.

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 2015 annual financial statements. In the auditors’ report dated 31 March 2016, the auditors expressed an unqualified opinion on those financial statements but included an emphasis of matter paragraph drawing attention to conditions which indicated the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

The accounting policies and method of computation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2015 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	Disclosure Initiative
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
HKFRS 14	Regulatory Deferred Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interests In Joint Operations
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements 2012–2014 cycle
Amendments to HKAS 27	Equity method in Separate Financial Statements

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

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

4. SEGMENT INFORMATION

The executive directors have identified the Group's three (2015: three) products and service lines as operating segments as follows:

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

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

(c) Property management consists of the provision of property management services.

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 2016 (unaudited)

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Total** *RMB'000*
Reportable segment revenue				
External revenue	**108,097**	**13,027**	**2,454**	**123,578**
Reportable segment profit/(loss)	**29,782**	**(30,459)**	**(524)**	**(1,201)**

For the six months ended 30 June 2015 (unaudited)

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

As at 30 June 2016 (unaudited)

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Total** *RMB'000*
Reportable segment assets	**1,995,310**	**940,211**	**3,181**	**2,938,702**
Reportable segment liabilities	**(692,142)**	**(370,318)**	**(1,060)**	**(1,063,520)**

As at 31 December 2015 (audited)

	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
Reportable segment liabilities	(589,398)	(427,015)	(3,780)	(1,020,193)

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Reportable segment loss	**(1,201)**	(53,335)
Share of (loss)/profit of an associate	**(24,743)**	33,374
Deposit forfeited on disposal of investment property	**–**	20,000
Fair value changes on derivative financial instrument	**(4,830)**	45,051
Finance costs	**(55,296)**	(61,874)
Income tax expense	**(466)**	(45)
Unallocated expenses	**(12,498)**	(16,366)
Unallocated income	**2,068**	5,533
Loss for the period	**(96,966)**	(27,662)

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

Revenue from external customers:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Hong Kong (domicile) *(note (a))*	**–**	119
Mainland China	**123,578**	208,319
Total	**123,578**	208,438

Non-current assets:

	As at	
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Hong Kong (domicile) *(note (a))*	**363**	600
Mainland China	**1,475,337**	1,536,030
Total	**1,475,700**	1,536,630

Note:

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

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

5. REVENUE

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of properties	**108,097**	199,946
Properties management fees	**2,454**	1,685
Gross rental income from investment properties	**13,027**	6,807
Total	**123,578**	208,438

6. OTHER REVENUE AND NET INCOME

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other revenue		
Interest income on financial assets carried at amortised costs	**445**	305
Interest income on loan to an associate	**291**	4,211
Deposit forfeited on disposal of investment property	**–**	20,000
Management fee income	**91**	699
Reversal of over-provision of compensation expenses	**2,807**	10,804
Others	**512**	89
Other net income		
Gain on disposal of available-for-sale financial assets	**–**	229
Exchange gain	**738**	–
Total	**4,884**	36,337

7. FINANCE COSTS

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on bank loan borrowing, gross	**18,000**	5,144
Less: amount capitalised to properties under development	**9,048**	5,144
Interest on bank loan borrowing, net	**8,952**	–
Interest on other loans wholly repayable within five years	**1,213**	5,724
Interest on convertible notes	**45,131**	56,150
	55,296	61,874

8. LOSS BEFORE INCOME TAX

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss before income tax is arrived at after charging/(crediting):		
Cost of properties sold	**84,531**	143,891
Cost of property investment	**1,463**	1,158
Cost of property management	**2,819**	2,248
Business tax and other levies	**8,162**	15,405
Depreciation on plant and equipment	**452**	551
Operating lease charges in respect of land and buildings	**465**	1,059
Rental income from investment propertiesless direct outgoings *(note (a))*	**(13,027)**	(6,807)

Note:

(a) Rental income from investment properties

There are no direct outgoings incurred for investment properties for the six months ended 30 June 2016 and 2015.

9. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax		
The PRC — Corporate Income Tax		
— Tax for the period	**(3,615)**	(3,153)
	(3,615)	(3,153)
The PRC — Land Appreciation Tax		
— Tax for the period	**(8,858)**	(19,344)
— (Under)/Over provision in respect of prior years	**(6,963)**	301
	(15,821)	(19,043)
Deferred tax		
— Tax for the period	**18,970**	22,151
	18,970	22,151
Total income tax expense	**(466)**	(45)

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the rate of 25% (2015: 25%) on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

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

Furthermore, in accordance with the Detailed Implementation Regulations for implementation of the new Corporate Income Tax Law issued on 6 December 2007, a 10% withholding tax shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. Dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding tax. As at 30 June 2016, 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 2016 in the foreseeable future.

10. LOSS PER SHARE

Basic loss per share

The calculation of loss per share is based on the loss attributable to the owners of the Company of approximately RMB96,966,000 (2015: loss of approximately RMB27,662,000) and on the weighted average of 4,806,341,683 (2015: 3,228,682,010) ordinary shares in issue during the period.

Diluted loss per share

Diluted loss per share for the period ended 30 June 2016 and 2015 is not presented because the impact of the conversion of convertible notes is anti-dilutive.

11. TRADE RECEIVABLES

	As at	
	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**29,314**	38,554
Less: Provision for impairment of trade receivables recognised	**(2,153)**	(2,153)
Trade receivables — net	**27,161**	36,401

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

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

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
At the beginning and at the end of the period/year	**2,153**	2,153

At each reporting date, the Group reviews trade receivables for evidence of impairment on both an individual and collective basis. As at 30 June 2016, the Group's trade receivables of approximately RMB2,153,000 (31 December 2015: approximately RMB2,153,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and the management assessed that the receivables were not expected to be recovered.

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

	As at	
	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 90 days	**12,578**	36,116
91 to 180 days	**337**	180
181 to 365 days	**10,870**	39
Over 365 days	**3,376**	66
	27,161	36,401

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 2016	31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Neither past due	**22,421**	35,378
Within 30 days past due	**944**	417
31 to 60 days past due	**1,738**	112
61 to 90 days past due	**207**	209
Over 90 days past due	**1,851**	285
	27,161	36,401

12. PREPAYMENTS, DEPOSIT AND OTHER RECEIVABLES

	As at	
	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Deposits	**3,822**	3,787
Prepayments	**3,037**	1,235
Other receivables	**100,679**	119,702
	107,538	124,724

13. TRADE PAYABLES

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

	As at	
	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 90 days	**57,195**	83,509
91 to 180 days	**–**	–
Over 365 days	**–**	–
	57,195	83,509

14. ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Deposits received	**8,760**	7,816
Receipts in advance from customers	**421,979**	182,079
Accruals	**62,699**	60,197
Other payables *(note (a) & (b))*	**255,882**	284,132
	749,320	534,224

Notes:

(a) As at 30 June 2016, the amount of other payables included the approximate amount of RMB204,852,000 (31 December 2015: RMB225,287,000) which was the amount due to an associate. This amount was unsecured, interest free and no repayable term except for the approximate amount of RMB60,000,000 (31 December 2015: RMB60,000,000) was charged at 4% per annum and repayable on demand.

(b) As at 30 June 2016, the approximate amount of RMB22,858,000 (31 December 2015: RMB17,032,000) which was the amounts due to substantial shareholder, Mr. Zhang, was unsecured, interest-free and no repayment term.

15. 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 the expiry of the put option to and including 10 December 2015 (the "Maturity Date"). The Company has option to redeem the outstanding principal amount of the convertible notes at any time after the third anniversary from the date of the issue of the convertible notes at 100% of the face amount thereof.

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

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

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

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

The Company cancelled convertible notes with a face value of approximately HK$337,000,000 (equivalent to RMB267,687,000) and HK$108,000,000 (equivalent to RMB84,986,000) on 15 January and 24 January 2014 respectively, by settling total receivables of approximately RMB303,513,000, which has been allocated to the liability of RMB236,577,000 and RMB75,937,000 respectively and the equity component of RMB51,986,000 and RMB16,660,000 respectively by using the same method as that on initial recognition. The difference between the consideration and transaction costs allocated to the liability component and its carrying value of RMB19,911,000 and RMB7,430,000 is recognised in other revenue (Note 6) respectively. The amount of consideration and transaction costs allocated to equity component is recognised in equity.

On 20 October 2015, the Company entered into a deed of amendment with Talent Trend for the extension of both the conversion period and the maturity date of the convertible notes with the principal amount of HK$1,929.85 million by a period of one year, such that the maturity date will become 10 December 2016 ("Original Extension"). Apart from the extension of the maturity date and the conversion period, all terms of the convertible notes remain unchanged from the original terms.

On 4 November 2015, a transfer of convertible notes in the principal amount of HK$210 million from another note holder to Talent Trend took place (the "Transfer"). Following the completion of the Transfer, the Company entered into a supplemental deed of amendment with Talent Trend for the addition of such convertible notes with the principal amount of HK$210 million to the Original Extension.

Immediate after the completion of the Transfer, on 4 November 2015, convertible notes in principal amount of approximately HK$170,000,000 (equivalent to RMB141,549,000) was converted by the holder of convertible notes into 515,151,515 ordinary shares at a conversion price of HK$0.33 per conversion share.

On 4 December 2015, all conditions precedent to the deed of amendment (as supplemented by the supplemental deed of amendment) have been satisfied. As a result, the extension contemplated therein became effective on 4 December 2015.

The extended maturity date is considered not to be a substantial modification of terms of the convertible notes as the discounted present value of the cash flows of the convertible notes with extended maturity date is less than 10% different from the discounted present value of the cash flows of the outstanding convertible notes prior to the extension of maturity date. As such, the amount of future cash flow of the extended convertible notes as at 10 December 2015 is discounted by the original effective interest rate amount to approximately HK$2,010,782,000 (equivalent to RMB1,674,256,000). The difference between the carrying amount of extended convertible notes and the amount of discounted future cash flow of the extended convertible notes of approximately HK$129,068,000 (equivalent to RMB103,844,000) has been recognised in other net income.

The decrease in fair value of the derivative component before the extension of maturity date of approximately HK$23,415,000 (equivalent to RMB18,839,000) and the increase in fair value of the derivative component after the extension of maturity date of approximately HK$19,765,000 (equivalent to RMB15,902,000) have been recognised in the profit or loss for the year ended 31 December 2015.

On 8 December 2015, convertible notes in principal amount of approximately HK$21,420,000 (equivalent to RMB17,835,000) was converted by the holder of convertible notes into 64,909,090 ordinary shares at a conversion price of HK$0.33 per conversion share.

The application of whitewash wavier for conversion of all the outstanding convertible notes in the principal amounts of HK$2,139,850,000 has been approved by passing the resolutions proposed at the special general meeting of the Company held on 1 June 2016.

On 3 June 2016, all the outstanding convertible notes in principal amount of HK$2,139,850,000 (equivalent to RMB1,762,427,000) were converted by the holder of convertible notes into 6,484,393,939 ordinary shares at a conversion price of HK$0.33 per conversion share.

	As at 30 June 2016 RMB'000 (unaudited)	As at 31 December 2015 RMB'000 (audited)
Liability component	**–**	1,680,243
Derivative component	**–**	(16,457)
	–	1,663,786
Liability component		
At beginning of the period/year	**1,680,243**	1,740,704
Exchange realignment	**49,077**	86,915
Effect on extension of convertible notes	**–**	(103,844)
Conversion during the period/year	**(1,774,451)**	(158,482)
Imputed finance cost	**45,131**	114,950
At end of the period/year	**–**	1,680,243
Derivative component		
At beginning of the period/year	**(16,457)**	(18,762)
Exchange realignment	**(397)**	(830)
Conversion during the period/year	**12,024**	198
Fair value change	**4,830**	2,937
At end of the period/year	**–**	(16,457)
Carrying amount	**–**	1,663,786

At 30 June 2016, no convertible notes remained outstanding (31 December 2015: convertible notes with principal amounts HK$2,139,850,000) remained outstanding.

16. SHARE CAPITAL

	As at 30 June 2016 Number of shares	As at 30 June 2016 HK$'000 (unaudited)	As at 31 December 2015 Number of shares	As at 31 December 2015 HK$'000 (audited)
Authorised:				
Ordinary shares of HK$0.004 each	**125,000,000,000**	**500,000**	125,000,000,000	500,000

	For the six months ended 30 June 2016 Number of shares	2016 HK$'000 (unaudited)	2016 Equivalent to RMB'000	2015 Number of shares	2015 HK$'000 (unaudited)	2015 Equivalent to RMB'000
Issued and fully paid:						
Ordinary shares of HK$0.004 each						
At 1 January	**3,808,742,615**	**15,235**	**14,384**	3,228,682,010	12,915	12,452
Convertible notes exercised	**6,484,393,939**	**25,938**	**22,218**	–	–	–
At 30 June	**10,293,136,554**	**41,173**	**36,602**	3,228,682,010	12,915	12,452

17. CAPITAL COMMITMENTS

	As at	
	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Capital commitments (contracted but not provided for):		
Capital injection into a subsidiary	**8,342**	8,342
Capital injection into an associate	**26,249**	26,249
Construction cost of properties under development	**439,267**	226,000
	473,858	260,591
Capital commitments (authorised but not contracted for):		
Construction of properties under development cost	**103,516**	169,613
	577,374	430,204

18. FINANCIAL GUARANTEES

	As at	
	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Guarantee in respect of mortgage facilities for certain purchasers of the Group's property units *(note (a))*	**108,215**	56,570

Note:

(a) The Group has in cooperation with certain financial institutions arranged mortgage loan facility for its purchasers of property and provided guarantees to secure obligations of such purchasers for repayments. As at 30 June 2016, the outstanding guarantees amounted to RMB108,215,000 (31 December 2015: RMB56,570,000). Such guarantees will be discharged upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year after the purchasers take possession of the relevant property; and (ii) the satisfaction of relevant mortgage loan by purchasers.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the banks, and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee starts from the dates the mortgagees grant the mortgage loans. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantees measured at fair value are immaterial.

19. RELATED PARTY TRANSACTIONS

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

(a) Compensation of key management personnel:

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Short term benefits	**1,135**	1,563
Post-employment benefits	**26**	31
	1,161	1,594

(b) Related party transactions

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income on loan to a related party		
Associate:		
Guangzhou Xintian Properties Development Limited *(note (a))*	**291**	4,211
Interest paid on current account to a related party		
Associate:		
Guangzhou Xintian Properties Development Limited *(note (c))*	**(1,213)**	(995)
Management fee income from a related party		
Associate:		
Guangzhou Xintian Properties Development Limited *(note (e))*	**91**	699
Rental payment paid to a related party		
Related Company:		
Tianlun Holdings Limited Company *(note (f) & (g))*	**(266)**	–
Building management fee paid to a related party		
Related Company:		
Guangzhou Tianlun Property Management Limited Company *(note (f) & (g))*	**(1,827)**	–

(c) Balance with related party:

	As at 30 June 2016 *RMB'000* **(unaudited)**	As at 31 December 2015 *RMB'000* (audited)
Balances due from/(to) a related party		
— included in prepayment, deposits and other receivables		
Associate:		
Guangzhou Xintian Properties Development Limited *(notes (b)&(d))*	**53,700**	53,700
— included in accruals and other payables		
Associate:		
Guangzhou Xintian Properties Development Limited *(note (c))*	**(204,852)**	(225,287)
Related Company:		
Tianlun Holdings Limited Company *(note (g))*	**(266)**	–
Related Company:		
Guangzhou Tianlun Property Management Limited Company *(note (g))*	**(585)**	–

Notes:

(a) Balances due from an associate are unsecured, charged at 5% per annum. The amount has been fully repaid as at 31 December 2015.

(b) Balances due from an associate are unsecured, interest-free and are repayable in the period ended 30 June 2016 and year ended 31 December 2015.

(c) Balance due to an associate are unsecured, interest free and no repayment terms in the period ended 30 June 2016 and year ended 31 December 2015 except for the approximate amount of RMB60,000,000 (31 December 2015: RMB60,000,000) was charged at 4% per annum and repayable on demand.

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

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

(f) Balance due to related companies are unsecured, interest free and no repayment terms in the period ended 30 June 2016.

(g) Rental payment and management fee paid to a related company was charged at a negotiated value.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Overview

The principal activity of Talent Property Group Limited (the "Company") is investment holding. On 10 December 2010, the Company completed the acquisition of Talent Central Limited which, through its subsidiaries, holds interests in various real estate projects in the PRC (the "Previous Acquisition") from Talent Trend Holdings Limited ("Talent Trend"). In previous years, the Company and its subsidiaries (collectively "the Group") had undergone certain reorganisation of its businesses and projects with an objective to streamline its 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.

During the 6 months' period, approvals were obtained from relevant authorities and independent shareholders of the Company for the full conversion of the outstanding convertible notes, which was issued for the Previous Acquisition, with value of HK$2,139.85 million into ordinary shares of the Company. After its full conversion on 3 June 2016, the capital base of the Company was enlarged significantly.

Revenue and Gross Profit

During the six months ended 30 June 2016 (the "Reporting Period"), the Group recorded an unaudited consolidated revenue and gross profit of RMB123.6 million and RMB26.6 million, respectively, as compared to revenue of RMB208.4 million and gross profit of RMB45.7 million for the six months ended 30 June 2015 (the "Preceding Period").

During the Reporting Period, a revenue of RMB100.1 million (Preceding Period: RMB199.9 million) was recorded from the delivery of the residential units of Xintian Banshan (新天半山) with gross floor area of approximately 3,400 square meters ("sqm") (Preceding Period: 6,900 sqm). Whereas, revenue from selling of other properties held for sales was 8.0 million (Proceding Period: RMB Nil). Such reduction was a result of sluggish contract sales in earlier years. Combining the favorable market conditions and change of our sales taskforce since second half of 2015, contract sales had been improved markedly. During the Reporting Period, contracted sales of approximately RMB346.3 million (Preceding Period: RMB51.8 million) for a gross floor area of approximately 11,800 sqm (Preceding Period: 1,900 sqm) was recorded.

Redevelopment of the 10-storey complex building, namely Talent Shoes Trading Center (天倫鞋業交易中心), for commercial and office use located at Zhan Xi Shoe Market was completed and opened in March 2015. Rental income and properties management fee income totaling RMB11.6 million were recorded therefrom during the Reporting Period (Preceding Period: RMB5.7 million).

Rental income and properties management fee generated from commercial units of Tianlun Garden (天倫花園) and other properties increased from RMB2.8 million in the Preceding Period to RMB3.9 million in the Reporting Period.

After taking into account the acquisition costs from Previous Acquisition, subsequent development cost as well as provision for impairment loss in previous years, a gross profit and overall gross profit margin of RMB18.0 million and 16.7% (Preceding Period: a gross profit of RMB44.9 million and gross profit margin of 22.5%), respectively, were recorded from business of property development. Whereas, improved gross profit and overall gross profit margin of RMB8.6 million and 55.5% (Preceding Period: RMB0.8 million and 9.4%), respectively, were recorded from businesses of property investment and management as a result of operation of Talent Shoes Trading Center.

Distribution Costs

During the Reporting Period, less resource was used for the advertising of Xintian Banshan as compared to Preceding Period. As a result, distribution cost was reduced to RMB5.3 million (Preceding Period: RMB6.9 million).

Administrative and Other Operating Expenses

Compared with Preceding Period, less project related legal cost was incurred in the Reporting Period. As such, administrative and other operating expenses was reduced to RMB18.9 million (Preceding Period: RMB35.6 million).

Share of Loss of An Associate

The Linhe Cun Rebuilding project is an old village redevelopment project located in the CBD of Tianhe District in Guangzhou and adjacent to the Guangzhou East Railway station. The project involves compensation and relocation of original occupiers of the village, demolition of existing village buildings, construction of new buildings for the resettlement of existing occupiers and construction of new high-end residential buildings (namely Forest Hills (峻林)) and commercial tower (namely Guangzhou Commerce Centre (廣貿中心)) for sale. The project is carried out by an associate which is owned as to 30% and 70% by the Group and Sun Hung Kai Properties Group, respectively.

Development the first two phases of the project was completed. Substantial residential units sold were delivered in previous years. As such, units sold in previous years available for delivery in the Reporting Period were significantly reduced. In addition, an increase of tax charge was recorded. As such, a post-tax loss was recorded in the books of the associate in the Reporting Period. After taking into account the acquisition costs from Previous Acquisition, the Group recorded a share of loss of RMB24.7 million (Preceding Period: profit of RMB33.4 million).

Impairment Loss and Fair Value Change on Properties Portfolio

Regarding our investment properties, a revaluation deficit of RMB37.8 million was recorded (Preceding Period: RMB2.8 million). Weakened growth of PRC shoe industry, increasing popularity of online trading and shopping continue affecting traditional retail and wholesale businesses of the tenants of our investment properties. The Group had launched various incentive programs to secure and retain tenants of in our Talent Shoes Trading Center. On the other hand, the Group had entered into an agreement for the disposal of all commercial units in Tianlun Garden.

Regarding our residential project, Xintian Banshan, garden and landscape engineering, refined decoration and structural work of the grand-sized luxurious villas along the valley of the mountains are ongoing. In first half of 2016, the sentiment of the residential property market in Guangzhou improved prominently. Accompanied with our adjustment on marketing strategies, the pace of contract sales of the high-rise residential units in keeps improving since second half of last year. After considering market conditions, pace of contract sales, further development costs to be incurred as well as the latest revaluation, a reversal of previously provided impairment loss of RMB18.8 million (Preceding Period: impairment loss of RMB80.9 million) was recorded for our completed properties for sales and properties under development.

Fair Value Change on Derivative Financial Instruments

According to applicable accounting standards, the fair value of the derivative component of the convertible notes 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 RMB4.8 million (Preceding Period: surplus of RMB45.1 million) was recorded in the Reporting Period upto the date immediate before the full conversion of the convertible notes in accordance with the re-assessment conducted by an independent qualified professional valuer.

Finance Cost

During the Reporting Period and upto the date immediate before the full conversion of convertible notes, imputed finance cost totaling RMB45.1 million (Preceding Period: RMB56.2 million) arising from the convertible notes was recorded. Finance costs arising from bank and other borrowings (before capitalisation) increased to RMB19.2 million (Preceding Period: RMB10.9 million) as a result of increased average outstanding balances of bank borrowings during the Reporting Period.

Income Tax Expense

An income tax charge of RMB466,000 was recorded in the Reporting Period as compared to a tax charge of RMB45,000 in the Preceding Period. It was mainly the combined effect of sales of Xintian Banshan as well as net reversal of deferred tax led by net revaluation deficit of our properties portfolio.

Loss of the Period Attributable to owners of the Company

As a result of the above and with the absence of certain one-off sundry income as recorded in the Preceding Period, the loss attributable to owners of the Company widened from RMB27.7 million in the Preceding Period to RMB97.0 million in the Reporting Period.

Prospect

Looking forward to the second half of the year, the overall economy of China is expected to maintain steady growth. We expect that the policies of central government among real estate sector will remain unchanged in order to ensure stability and maintain economic growth. Whereas, local governments may introduce different policies based on their local property market and policies may vary among different cities.

The Group will keep on the fruitful momentum on marketing and contracts sales of Xintian Banhan. In addition, we continue taking steps to ensure the highest quality of inner scenery and decoration of this precious product and to tackle the complexities on construction along the slope. We target to make the grand-sized villa available for sales not later than early next year.

In respect of the Linhe Cun Rebuilding project held by the Associate, the third phase of Forest Hills has just been launched in July with inspiring results seen. Whereas Guangzhou Commerce Centre is scheduled for sales very soon.

Coupling with the continuous contract sales of Xintain Banshan, consideration receipts from the disposal of Tianlun Garden in coming months as well as the full conversion of convertible notes in June 2016, the cash reserve and the capital structure of the Group are greatly enhanced. The Group is seeking opportunities and business partner to set foot in properties projects aiming shorter development and cash conversion cycles than our traditional residential & commercial projects in order to create values for shareholders and a long term growth of the Group.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group had entered into a sale and purchase agreement for the disposal of all the commercial units of Tianlun Garden with a consideration of RMB210 million after the balance sheet date of the Reporting Period. Details of this disposal and capitalized terms used were stated in the announcement of the Company dated 1 August 2016. As at the date of this announcement, the Company had received a deposit of RMB8 million and the First Payment amounted RMB58 million has been paid to Escrow Account.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 June 2016 were approximately RMB3,583.4 million (31 December 2015: approximately RMB3,511.3 million) which were financed by the total equity and total liabilities of approximately RMB1,800.5 million (31 December 2015: approximately RMB184.7 million) and approximately RMB1,782.9 million (31 December 2015: including convertible notes approximately RMB3,326.6 million) respectively.

The Group borrowings were all denominated in Renminbi. Bank balances and cash were mainly denominated in Renminbi. As at 30 June 2016, 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$3,100.0 million and HK$160.0 million respectively were issued as part of the consideration for the Acquisition. All the outstanding convertible notes are converted into ordinary shares of the Company on 3 June 2016. The Group's gearing ratio then computed as total debts over total assets was approximately 49.8% as at 30 June 2016 (31 December 2015: 94.7%). As at 30 June 2016, bank borrowings and other borrowings were amounted to RMB486.9 million (31 December 2015: RMB489.4 million) carried fixed interest rate.

EXPOSURE TO FOREIGN EXCHANGE

The revenue and the cost of production and purchase of the Group are mainly denominated in Renminbi. Therefore, the Group is not exposed to any other material foreign currency exchange risk. An average rate and a closing rate of HK$1.1859: RMB1 and HK$1.1674: RMB1, respectively, were applied on condensed consolidation of the financial statements for the Reporting Period.

CHARGE ON ASSETS

As at 30 June 2016, certain assets of the Group with an aggregate amount of approximately RMB1,459 million (31 December 2015: RMB1,546.7 million), represented by properties under development of approximately RMB779 million (31 December 2015: RMB545.0 million), completed properties held for sale of approximately RMB20 million (31 December 2015: RMB78.0 million) and investment properties of approximately RMB660 million (31 December 2015: RMB923.7 million), were pledged to secure general banking facilities.

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 30 June 2016, the Group had approximately 202 (31 December 2015: 190) employees, with about 198 in the Mainland China and 4 in Hong Kong. All employees are remunerated based on industry practice and in accordance with prevailing labor law. In Hong Kong, apart from basic salary, staff benefits including medical insurance, performance related bonus, and mandatory provident fund would be provided by the Group.

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

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the 6 months' period ended 30 June 2016.

DIVIDEND

The board does not recommend payment of any interim dividend for the six months ended 30 June 2016.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the connected and related party transactions for the Reporting Period are set out in note 19 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.

REVIEW OF ACCOUNTS

The unaudited condensed consolidated accounts of the Company and its subsidiary companies for the six months ended 30 June 2016 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 2016 have also been reviewed by the Audit Committee of the Company.

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

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

By Order of the Board
You Xiaofei
Chairman

Hong Kong, 31 August 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.