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

(Incorporated in Bermuda with limited liability)

(Stock Code: 760)

2017 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 2017 with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*5*	**365,734**	123,578
Cost of sales and income		**(287,624)**	(96,975)
Gross profit		**78,110**	26,603
Other revenue and net income	*6*	**16,588**	4,884
Distribution costs		**(5,510)**	(5,260)
Administrative and other operating expenses		**(27,914)**	(18,920)
Share of profit/(loss) of an associate		**19,219**	(24,743)
Impairment loss of completed properties held for sale		**–**	(316)
Reversal of impairment loss of properties under development		**36,796**	19,156
Loss on disposal of investment properties		**(10,948)**	–
Fair value changes on investment properties		**(4,418)**	(37,778)
Fair value changes on derivative financial instrument		**–**	(4,830)
Finance costs	*7*	**(9,250)**	(55,296)

* *For identification purposes only*

	Notes	Six months ended 30 June 2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Profit/(loss) before income tax	*8*	**92,673**	(96,500)
Income tax expense	*9*	**(68,078)**	(466)
Profit/(loss) for the period		**24,595**	(96,966)
Profit/(loss) attributable to:			
Owners of the Company		**26,058**	(96,966)
Non-controlling interests		**(1,463)**	–
		24,595	(96,966)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(13,407)**	(49,673)
Other comprehensive loss for the period		**(13,407)**	(49,673)
Total comprehensive income/(loss) for the period		**11,188**	(146,639)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**12,651**	(146,639)
Non-controlling interests		**(1,463)**	–
		11,188	(146,639)
Earnings/(loss) per share	*10*		
Basic		**0.253 cents**	(2.017 cents)
Diluted		**0.253 cents**	(2.017 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**723,000**	725,000
Plant and equipment		**3,080**	2,074
Interests in an associate		**492,053**	510,835
Available-for-sale financial assets		**1,000**	1,000
Deferred tax assets		**11,256**	10,400
		1,230,389	1,249,309
Current assets			
Properties under development		**1,491,241**	1,299,920
Completed properties held for sale		**230,611**	355,407
Trade receivables	*11*	**9,914**	13,077
Prepayments, deposits and other receivables	*12*	**102,554**	119,934
Tax recoverable		**35,375**	7,924
Financial assets at fair value through profit or loss		**10,000**	140,000
Cash and cash equivalents		**200,099**	241,239
		2,079,794	2,177,501
Assets classified as held for sale	*13*	**–**	210,000
		2,079,794	2,387,501

		As at	
		30 June	31 December
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(audited)
Current liabilities			
Trade payables	*14*	**(109,627)**	(98,431)
Accruals and other payables	*15*	**(664,462)**	(1,015,978)
Provision for tax		**(239,875)**	(161,501)
Borrowings		**(236,854)**	(124,548)
		(1,250,818)	(1,400,458)
Net current assets		**828,976**	987,043
Total assets less current liabilities		**2,059,365**	2,236,352
Non-current liabilities			
Deferred tax liabilities		**(213,591)**	(286,266)
Borrowings		**–**	(120,500)
		(213,591)	(406,766)
Net assets		**1,845,774**	1,829,586
EQUITY			
Share capital	*16*	**37,628**	37,628
Reserves		**1,784,418**	1,771,767
Equity attributable to owners of Company		**1,822,046**	1,809,395
Non-controlling interests		**23,728**	20,191
Total equity		**1,845,774**	1,829,586

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 2017 are unaudited but have been reviewed by the Audit Committee and CHENG & CHENG LIMITED in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA. CHENG & CHENG's independent review report to the Board of Directors is included in interim report 2017.

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 2017.

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 2016 annual financial statements. In the auditor's report dated 30 March 2017, the auditor expressed an unqualified opinion on those financial statements.

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 2016 except as stated in note 3 below.

3. ADOPTION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies used in these condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016 except as described below.

In the current period, the Group has applied the following amendments to the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for an accounting period that begins on or after 1 January 2017:

Amendments to HKAS 7	Statement of cash flows "Disclosure initiative"
Amendments to HKAS 12, Income taxes	"Recognition of deferred tax assets for unrealised losses"
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 cycle

The adoption of these 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 (2016: 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 2017 (unaudited)

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Total** *RMB'000*
Reportable segment revenue				
External revenue	**350,744**	**11,375**	**3,615**	**365,734**
Reportable segment profit/(loss)	**91,438**	**(9,667)**	**62**	**81,833**

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)

As at 30 June 2017 (unaudited)

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Total** *RMB'000*
Reportable segment assets	**1,833,491**	**835,884**	**3,079**	**2,672,454**
Reportable segment liabilities	**(658,222)**	**(278,345)**	**(925)**	**(937,492)**

As at 31 December 2016 (audited)

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Reportable segment assets	1,894,375	945,753	10,895	2,851,023
Reportable segment liabilities	(788,120)	(477,420)	(3,101)	(1,268,641)

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	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Reportable segment profit/(loss)	**81,833**	(1,201)
Share of profit/(loss) of an associate	**19,219**	(24,743)
Fair value changes on derivative financial instrument	**–**	(4,830)
Finance costs	**(9,250)**	(55,296)
Income tax expense	**(68,078)**	(466)
Unallocated expenses	**(14,955)**	(12,498)
Unallocated income	**15,826**	2,068
Profit/(loss) for the period	**24,595**	(96,966)

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

Revenue from external customers:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Hong Kong (domicile) *(note (a))*	**–**	–
Mainland China	**365,734**	123,578
Total	**365,734**	123,578

Non-current assets (excluding available-for-sale financial assets and deferred tax assets):

	As at 30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Hong Kong (domicile) *(note (a))*	**25**	116
Mainland China	**1,218,108**	1,237,793
Total	**1,218,133**	1,237,909

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	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of properties	**350,744**	108,097
Properties management fees	**3,615**	2,454
Gross rental income from investment properties	**11,375**	13,027
Total	**365,734**	123,578

6. OTHER REVENUE AND NET INCOME

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other revenue		
Interest income on financial assets carried at amortised costs	**530**	445
Interest income on loan to an associate	**75**	291
Other interest income	**1,055**	–
Management fee income	**24**	91
Reversal of over-provision of compensation expenses	**–**	2,807
Others	**843**	512
Other net income		
Exchange gain	**14,061**	738
Total	**16,588**	4,884

7. FINANCE COSTS

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on bank loan borrowing, gross	**6,488**	18,000
Less: amount capitalised to properties under development	**–**	9,048
Interest on bank loan borrowing, net	**6,488**	8,952
Interest on other loans wholly repayable within five years	**2,762**	1,213
Interest on convertible notes	**–**	45,131
	9,250	55,296

8. PROFIT/(LOSS) BEFORE INCOME TAX

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit/(loss) before income tax is arrived at after charging/(crediting):		
Cost of properties sold	**275,913**	84,531
Cost of property investment	**1,517**	1,463
Cost of property management	**3,210**	2,819
Business tax and other levies	**6,984**	8,162
Depreciation on plant and equipment	**20**	452
Operating lease charges in respect of land and buildings	**1,171**	465
Rental income from investment properties less direct outgoings *(note (a))*	**(11,375)**	(13,027)

Notes:

(a) Rental income from investment properties

There are no direct outgoings incurred for investment properties for the six months ended 30 June 2017 and 2016.

9. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax		
The PRC – Corporate Income Tax		
– Tax for the period	**(66,079)**	(3,615)
The PRC – Land Appreciation Tax		
– Tax for the period	**(75,522)**	(8,858)
– Under provision in respect of prior years	**–**	(6,963)
	(75,522)	(15,821)
Deferred tax		
– Tax for the period	**73,523**	18,970
Total income tax expense	**(68,078)**	(466)

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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% (2016: 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 2017, the Group has not accrued any withholding income tax for the earnings of its PRC subsidiaries, because the Group does not have an immediate plan to distribute earnings from its PRC subsidiaries generated in the period from 1 January 2008 to 30 June 2017.

10. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of earnings/(loss) per share is based on the profit/(loss) attributable to the owners of the Company of approximately RMB26,058,000 (2016: loss of approximately RMB96,966,000) and on the weighted average of 10,293,136,554 (2016: 4,806,341,683) ordinary shares in issue during the period.

Diluted earnings/(loss) per share

There were no potential dilutive ordinary shares in existence during the period ended 30 June 2017 and hence the diluted earnings per share is the same as the basic earnings per share.

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

11. TRADE RECEIVABLES

	As at	
	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**11,414**	15,230
Less: Provision for impairment of trade receivables recognised	**1,500**	2,153
Trade receivables – net	**9,914**	13,077

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

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

	As at 30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
0 to 90 days	**6,441**	11,647
91 to 180 days	**510**	12
181 to 365 days	**2,802**	1,418
Over 365 days	**161**	–
	9,914	13,077

12. PREPAYMENTS, DEPOSIT AND OTHER RECEIVABLES

	As at 30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Deposits	**3,778**	4,210
Prepayments	**17,971**	28,948
Other receivables *(note (a))*	**80,805**	86,776
	102,554	119,934

Note:

(a) As at 30 June 2017, the amount of other receivables included the approximate amount of RMB53,700,000 (2016: RMB53,700,000) which was interest receivable from an associate. Balance is expected to be recovered within twelve months after the end of reporting period.

13. ASSETS CLASSIFIED AS HELD FOR SALE

Commercial units of Tianlun Garden

On 1 August 2016, the Group entered into an agreement for the disposal of investment properties of 廣州建陽房地產發展有限公司 (Guangzhou Kinyang Real Estate Development Co., Ltd.) (commercial units of Tianlun Garden). As at 31 December 2016, the carrying amount of Tianlun Garden of RMB210,000,000 was determined based on the agreed consideration set out in the related sales and purchase agreement. Details of this disposal were set out in the announcement dated on 1 August 2016. As at 30 June 2017, the disposal was completed and details of the completion were set out in the announcement dated on 19 May 2017.

14. TRADE PAYABLES

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

	As at	
	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 90 days	**109,627**	98,431
91 to 180 days	**–**	–
Over 365 days	**–**	–
	109,627	98,431

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

15. ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Deposits received *(note (a))*	**9,309**	135,024
Receipts in advance from customers	**353,134**	532,408
Accruals	**10,886**	15,107
Other payables *(note (b) & (c))*	**291,133**	333,439
	664,462	1,015,978

Notes:

(a) As at 31 December 2016, the amount of deposit received included the approximately amount of RMB125,810,000 which was the down payment and second installment from the purchaser of Tianlun Garden.

(b) As at 30 June 2017, the amount of other payables included the approximate amount of RMB232,562,000 (31 December 2016: RMB272,628,000) 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 2016: RMB60,000,000) was charged at 4% per annum and repayable on demand.

(c) As at 30 June 2017, the approximate amount of RMB29,851,000 (31 December 2016: RMB27,105,000) which was the amounts due to executive director of the Company, Mr. Zhang Gao Bin, was unsecured, interest-free and no repayment term.

16. SHARE CAPITAL

	As at			
	30 June 2017		31 December 2016	
	Number of shares	***HK$'000*** **(unaudited)**	*Number of shares*	*HK$'000* (audited)
Authorised:				
Ordinary shares of HK$0.004 each	**125,000,000,000**	**500,000**	125,000,000,000	500,000

	As at					
	30 June 2017			31 December 2016		
	Number of shares	***HK$'000*** **(unaudited)**	***Equivalent to RMB'000***	*Number of shares*	*HK$'000* (audited)	*Equivalent to RMB'000*
Issued and fully paid:						
Ordinary shares of HK$0.004 each						
At 1 January	**10,293,136,554**	**41,173**	**37,628**	3,808,742,615	15,235	14,384
Convertible notes exercised	**–**	**–**	**–**	6,484,393,939	25,938	23,244
At 30 June 2017 and 31 December 2016	**10,293,136,554**	**41,173**	**37,628**	10,293,136,554	41,173	37,628

17. CAPITAL COMMITMENTS

	As at	
	30 June 2017	31 December 2016
	RMB'000 **(unaudited)**	*RMB'000* (audited)
Capital commitments (contracted but not provided for):		
Capital injection into subsidiaries	**38,260**	33,270
Capital injection into an associate	**26,249**	26,249
Construction cost of properties under development	**311,762**	383,217
	376,271	442,736
Capital commitments (authorised but not contracted for):		
Construction of properties under development cost	**98,000**	91,931
	474,271	534,667

18. FINANCIAL GUARANTEES

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Guarantee in respect of mortgage facilities for certain purchasers of the Group's property units *(note (a))*	**169,360**	240,680

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 2017, the outstanding guarantees amounted to RMB169,360,000 (31 December 2016: RMB240,680,000). 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 2017 RMB'000 (unaudited)	For the six months ended 30 June 2016 RMB'000 (unaudited)
Short term benefits	**2,009**	1,135
Post-employment benefits	**27**	26
	2,036	1,161

(b) **Related party transactions**

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income on loan to a related party		
Associate:		
Guangzhou Xintian Properties Development Limited *(note (a))*	**75**	291
Interest paid on current account to a related party		
Associate:		
Guangzhou Xintian Properties Development Limited *(note (c))*	**(1,207)**	(1,213)
Management fee income from a related party		
Associate:		
Guangzhou Xintian Properties Development Limited *(note (e))*	**24**	91
Rental payment paid to a related party		
Related Company:		
Tianlun Holdings Limited Company *(note (g))*	**(821)**	(266)
Building management fee paid to a related party		
Related Company:		
Guangzhou Tianlun Property Management Limited Company *(note (g))*	**(1,349)**	(1,827)

(c) Balance with related party:

	As at	
	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(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))*	**(232,562)**	(272,628)
Related Company:		
Tianlun Holdings Limited Company *(note (f))*	**(133)**	(133)
Guangzhou Tianlun Property Management Limited Company *(note (f))*	**(3,639)**	(2,291)
Executive Director:		
Mr. Zhang Gao Bin *(note (f))*	**(29,851)**	(27,105)

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 2017 and year ended 31 December 2016.

(c) Balance due to an associate are unsecured, interest free and no repayment terms in the period ended 30 June 2017 and year ended 31 December 2016 except for the approximate amount of RMB60,000,000 (31 December 2016: 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) Balances due to related companies and an executive director are unsecured, interest free and no repayment terms in the period ended 30 June 2017.

(g) Rental payment and management fee paid to related companies 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 the PRC. The Group currently engages in the business of (i) real estate development, (ii) property investment and (iii) property management in the PRC.

During the six months ended 30 June 2016, 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 2017 (the "Reporting Period"), the Group recorded an unaudited consolidated revenue and gross profit of RMB365.7 million and RMB78.1 million, respectively, as compared to revenue of RMB123.6 million and gross profit of RMB26.6 million for the six months ended 30 June 2016 (the "Preceding Period").

During the Reporting Period, a revenue of RMB340.2 million (Preceding Period: RMB100.1 million) was recorded from the continual delivery of the newly completed luxury villas and high-rise residential units of Xintian Banshan (新天半山) with gross floor area of approximately 10,700 square meters ("sqm") (Preceding Period: 3,400 sqm). Whereas, revenue from selling of other properties held for sales was RMB10.5 million (Preceding Period: RMB8.0 million). During the Reporting Period, contracted sales reduced to approximately RMB203.8 million (Preceding Period: RMB346.3 million) with a gross floor area of approximately 4,900 sqm (Preceding Period: 11,800 sqm). Remaining residential units in Area C and Area D available for sales reduced but were contracted for sales at higher unit price.

During the Reporting Period, rental income and properties management fee income totaling RMB10.6 million (Preceding Period: RMB11.6 million) were recorded from our Talent Shoes Trading Center (天倫鞋業交易中心), a 10-storey complex building located at Zhan Xi Shoe Market.

Rental income and properties management fee generated from other properties of the Group totaling RMB4.4 million (Preceding Period: RMB3.9 million) was recorded.

After taking into account the costs from Previous Acquisition, subsequent development cost as well as the net provision for impairment loss in previous years, a gross profit and overall gross profit margin of RMB78.1 million and 21.4% (Preceding Period: a gross profit of RMB26.6 million and gross profit margin of 21.5%), respectively, were recorded.

Distribution costs

Comparable resources were spent in marketing of Xintian Banshan. As such, distribution costs of RMB5.5 million were recorded (Preceding Period: RMB5.3 million).

Administrative and other operating expenses

Administrative expense of RMB27.9 was recorded as compared to RMB18.9 million in Preceding Period. Such increase was attributable to commencement of logistic property projects as well as increased old project related compensation.

Share of profit/(loss) of an associate

The Linhe Cun Rebuilding project is an old village redevelopment project located in the CBD of Tianhe District in Guangzhou and adjacent to the Guangzhou East Railway station. The project is carried out by an associate which is 30% and 70% owned by the Group and Sun Hung Kai Properties Group, respectively.

Development of the first two phases of the project was completed and relevant residential and commercial units were substantially sold in previous years. As a result of reversal of over-provided income tax in last year, a post-tax profit was recorded in the books of the associate. After taking into account the costs from Previous Acquisition, the Group recorded a share of profit of RMB19.2 million (Preceding Period: loss of RMB24.7 million).

Loss on disposal of investment properties

The disposal of commercial units of Tianlun Garden (天倫花園) was completed in the Reporting Period. Taking into account the value added tax of RMB10.9 million, a loss of RMB10.9 million was recorded.

Reversal of impairment loss and fair value change on properties portfolio

Regarding our investment properties, a revaluation deficit amounting RMB4.4 million (Preceding Period: deficit of RMB18.2 million) was recorded for Talent Shoes Trading Center after revaluation. The Group changed its tenant mix as well as retaining tenants effectively by launching incentive program. Whereas the revaluation deficit of RMB17.7 million attributable to the commercial units of Tianlun Garden no longer exists as its disposal was completed during the Reporting Period.

Regarding our residential project, Xintian Banshan, garden and landscape engineering, refined decoration of the grand-sized luxurious villas and show flats along the valley of the mountains are ongoing. After considering sentiment of property market in Guangzhou, pace of contract sales, lifted selling prices, further development costs to be incurred as well as the latest revaluation, a reversal of previously provided impairment loss of RMB36.8 million (Preceding Period: RMB19.2 million) was recorded for our completed properties for sales and properties under development.

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

Fair value change on derivative financial instruments

All the outstanding convertible notes issued for the Previous Acquisition were fully converted into ordinary shares of the Company in Preceding Period. A fair value deficit of RMB4.8 million was recorded in the Preceding Period. There is no more charge for the Reporting Period.

Finance cost

Finance costs arising from bank and other borrowings reduced to RMB9.3 million (Preceding Period: RMB10.2 million) as a result of reduced average outstanding balances of bank borrowings during the Reporting Period. No imputed finance cost was recorded from the convertible notes after its full conversion in Preceding Period.

Income Tax Expense

An income tax charge of RMB68,078,000 was recorded in the Reporting Period as compared to a tax charge of RMB466,000 in the Preceding Period. Increased provision of corporate income tax and land appreciation tax were made in according with the recognition of revenue of Xintian Banshan as well as the disposal of Tianlun Garden. Deferred tax provided in previous years was utilized to set-off corresponding tax charge.

Profit/(Loss) Of The Period Attributable To Owners Of The Company

As a result of the above, a profit attributable to owners of the Company of RMB26.1 million was recorded for the Reporting Period (Preceding Period: loss of RMB97.0 million).

Prospect

Looking forward to the rest of the year, with the tightened control on property market, it is expected that the pace of our contract sales would slow down. Despite of this, we are exploring ways to facilitate contract sales of Xintian Banshan. We are also working for an impressive launch of the luxury villas in its District B, which are scarce in market, in fourth quarter of the year.

Early this year, we have partnered with founders of the renowned Guangdong Linan Logistics Group to diversify into property development for logistics industry. The construction and development of our first logistic project, with a gross floor area over 100,000 sqm, in Yangzhou City, Jiangsu Province is underway. We expect to start its marketing activities near the end of the year. In addition, we are actively seeking and evaluating any new opportunities of logistic projects with good potential.

Upon full conversion of outstanding convertible notes, maintain a low gearing ratio and a balanced properties portfolio, the Group is in a favourable position that allows further expansion and it can also defense against uncertainties in property and credit markets.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 June 2017 were approximately RMB3,310.2 million (31 December 2016: approximately RMB3,636.8 million) which were financed by the total equity and total liabilities of approximately RMB1,845.8 million (31 December 2016: approximately RMB1,829.6 million) and approximately RMB1,464.4 million (31 December 2016: approximately RMB1,807.2 million) respectively.

The Group borrowings were all denominated in Renminbi. Bank balances and cash were mainly denominated in Renminbi. As at 30 June 2017, 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 were 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 44.2% as at 30 June 2017 (31 December 2016: 49.7%). As at 30 June 2017, bank borrowings and other borrowings were amounted to RMB236.9 million (31 December 2016: RMB245.0 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$1.1306: RMB1 and HK$1.1504: RMB1, respectively, were applied on condensed consolidation of the financial statements for the Reporting Period.

CHARGE ON ASSETS

As at 30 June 2017, certain assets of the Group with an aggregate amount of approximately RMB686 million (31 December 2016: RMB688 million), represented by investment properties), were pledged to secure general banking facilities.

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 30 June 2017, the Group had approximately 196 (31 December 2016: 191) employees, with about 193 in the Mainland China and 3 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.

CAPITAL COMMITMENT AND FINANCIAL GUARANTEE

Details of the capital commitment and financial guarantee are set out in notes 17 and 18 respectively to the condensed consolidated financial statements.

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 2017.

DIVIDEND

The board does not recommend payment of any interim dividend for the six months ended 30 June 2017.

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.

REVIEW OF ACCOUNTS

The unaudited condensed consolidated accounts of the Company and its subsidiary companies for the six months ended 30 June 2017 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 2017 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
Zhang Gao Bin
Chairman

Hong Kong, 31 August 2017

As at the date hereof, the Board comprises Mr. Zhang Gao Bin 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.