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

(Incorporated in Bermuda with limited liability)

(Stock code: 00760)

2017 ANNUAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

On behalf of the board of directors of Talent Property Group Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (the"Group") for the year ended 31 December 2017.

FINANCIAL RESULTS

2017 is a remarkable financial year of the Company. The consolidated revenue and gross profit for 2017 amounted to approximately RMB727.0 million (2016: RMB506.8 million) and RMB182.3 million (2016: RMB91.0 million), respectively. Increased revenue and gross profit was primarily contributed by the continual sales & delivery of high-rise residential units and villas in zone C of our flagship project, Xintian Banshan. Impairment loss provided thereto in previous years was reversed partly in view of its latest sales record and market condition in 2017. In 2017, there were no more charges of non-cash finance costs and fair value changes relating to the convertible notes after its full conversion in 2016. The Group achieved the first time a profit before tax of RMB188.4 million since the issue of convertible notes in 2010. Tax charge of RMB130.0 million (2016: RMB18.7 million) was recorded primarily for the sales of Xintian Banshan and disposal of commercial units of Tianlun Garden. A post-tax profit attributable to the owners of the Company of RMB63.7 million was recorded (2016: loss of RMB73.7 million).

* *For identification purposes only*

OPERATING REVIEW AND OUTLOOK

Summary

In 2017, the global economy posted positive growth in general. The U.S. economy and stock market continued to show strong growth, which led to the gradual withdrawal of quantitative easing measures and ushered in the cycle of rising interest rates. Meanwhile, the European economy still maintained a trend of recovery. Emerging market economies also remained steady in general. As for China, as two out of the three driving forces of economic growth, investment and consumption maintained steady growth, while exports quickened its rebound as external demand increased. The overall economy saw a stable and healthy development as GDP for the year grew by 6.9% in China compared to that of the previous year.

In 2017, with the trend of regulation steering towards "purchase real estate for living instead of speculation," the real estate industry was still under intensive regulation. Investment and speculative demand in first-tier and major second-tier cities were under effective control. The total transaction volume showed signs of decline. However, because of strong rigid demand and insufficient supply, prices were generally stable. As for third-tier and fourth-tier cities, some witnessed an evident rise in transaction volume and price due to the shifting of property buying interest from first and second-tier cities resulting from the regulation mentioned above. Despite of frequent roll-out of regulatory policies, the total sales area and value of commodity housing in 2017 both set historical new highs. Looking into 2018, the implementing of the policy for the "establishment of a long-term and effective real estate mechanism" will gather pace. As the property market and related financial activities continue to be under strict regulation, the growth of total property sales may flatten out. Nonetheless, with low inventories in some of the first-tier and second-tier cities and the benefits from more advanced stage of urbanisation and the formation of metropolitans, the real estate prices in these premium cities will still see growth while remain relatively stable.

Xintian Banshan

Xintian Banshan, the Group's flagship project, is located in Nanhu Scenery Zone of Baiyun District in Guangzhou. The project was built along the mountain and faces a lake. Accentuating the grandeur of the project is that the site spread across a gradient of 118 meters along the mountain side. Within 20-minutes driving distance from Tianhe district of Guangzhou, the project is set in a tranquil environment in proximity to the downtown. Through ingenious combinations with the mountains and nature, different landscapes with unique sights are presented. The high rise residential apartments at zone D, which formed a semi-crescent shape along the mountain and became the backdrop of this property project and villas at zone C which spread along the outskirt of the mountain in a circular form, were mostly sold.

For the villas at zone B which deployed a centripetal layout, construction of the main building, landscaping and greening works have been completed. Elegant show flat has been open for visits through appointment. The villas at zone E which are scattered on mountain slopes are still under construction and expected to be launched in the market immediately after the villas at zone B are completely sold. Guangzhou is located at the core of the 'the Guangdong-Hong Kong-Macao Bay Area.' Under a package of development plans for industries and transportation, the consolidated strength and wealth creation capabilities of the city are further enhanced. The real estate market for luxury housing will be benefit from the great synergetic growth of the entire cluster of cities in the region.

Sales performance of the remaining units at zone C and zone D in 2017 were satisfying. This is due to the fact that the Group managed to uphold high quality and image, seized opportunities in the market and those arising from national strategies, and made collective efforts out of the sales team and the entire staff. The contracted sales amount and area recorded during the year were approximately RMB316 million (2016: RMB803 million) and 7,800 sqm (2016: 25,600 sqm). Looking into 2018, we will continue to explore the demand of luxury-end customers, and promote the sale and delivery of penthouse special units at zone D, parking spaces and villas at zone B of this project, thus realizing cash recovery.

Shoe Market

The Group's Talent Shoes Trading Center in Liwan District, Guangzhou was a redevelopment project refurnished into a 10-storey building for integrated commercial and office uses in 2015. In recent years, due to slowdown in foreign trade and tough competition from e-commerce business, tenants with businesses in the traditional wholesale industry in China are facing difficulties in their operation. The Group continued to offer rental discounts for the short and medium term in a bid to retain more tenants and keep a stable occupancy rate by helping them tide over the troubles. Looking forward into 2018, the Group will continue its efforts to boost future rental income of Talent Shoes Trading Center through participation in exhibitions, conducting professional market researches in different regions and procuring completion of refurbishment of certain floors of the building.

Linhe Cun Redevelopment Project

Linhe Cun redevelopment project is located in the central business district of Tianhe District in Guangzhou, which is adjacent to Guangzhou East Railway Station. The Group cooperates with Sun Hung Kai Properties for this project. The grade A commercial office building namely "Guangzhou Commerce Centre" and block 1 to 4 of the luxurious high rise apartments of the project known as "Forest Hills" were almost sold out and accounted for during 2017. During the year, construction for Block 5 to Block 7 was almost completed and selling activities for car parks started. Substantial units in Block 5 and 6 pre-sold are in the process of delivery in 2018, while Block 7 is planned to be sold upon completion, which is expected to generate impressive income.

Logistic Commercial Real Estate Project

With the increase in disposable income of Chinese nationals and the accelerated pace of urbanisation, the flourishing e-commerce market and the market for third-party logistics suppliers continue to expand. The logistics facilities market in China shall have enormous growth potential under favourable government policies.

As early as the end of 2016, we cooperated with the reputable founder of Guangdong Linan Logistics Group to establish a project company in which we hold 51% shareholding in an effort to expand the Group's scope of business into property development for the logistics industry. Guangdong Linan Logistics Group is a conglomerate enterprise. Its core enterprise, Guangdong Linan Logistics Development Co., Ltd., is a leading enterprise primarily engaged in the investment, operation, development and management of logistics informatization, and is also widely endorsed by provincial and municipal people's governments in China. In addition, Guangdong Linan Logistics Group operates a number of websites and mobile applications that provide integrated logistics information and electronic payment mobile services.

We had won the bidding for two land use rights regarding a land parcel in Yangzhou City with an area of 81,000 sqm and a land parcel in Xuzhou City with an area of 102,000 sqm, both located in prime locations. The two projects are to be developed into a logistics park comprising commercial buildings, offices, trade exhibition centre, logistics information exchange centre and e-commerce logistics and warehouses. The first phase of such development is still under construction and development, and we aim to make them available for sale and include them in the pre-sale list by the end of this year. These projects will enrich the land bank and geographical coverage of the Group whilst diversifying the risk arising from tightening housing policies of the Government. We will keep seeking and evaluating any opportunities for new logistics project with great potential.

APPRECIATION

On behalf of our board of directors, I would like to take this opportunity to thank our Shareholders, customers, banks and business partners for their trust and support and all of the staff for their hard work and dedication. The Company will continue to enhance the overall competitiveness of the Group and look for opportunities prudently, so as to ensure sustainable corporate growth and stable improvement in operating results, as well as create value for our Shareholders and the community.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	*4*	**727,015**	506,764
Cost of goods sold and of service		**(544,692)**	(415,868)
Gross profit		**182,323**	90,986
Other revenue	*5*	**6,361**	11,341
Distribution costs		**(14,738)**	(18,872)
Administrative and other operating expenses		**(48,850)**	(48,486)
Loss on disposal of assets classified as held for sale	*12*	**(10,948)**	–
Fair value changes on investment properties		**9,339**	(27,836)
Reversal of impairment loss of properties under development		**82,772**	75,019
Reversal of impairment loss of completed properties held for sale		**–**	5,310
Fair value changes on derivative financial instruments		**–**	(4,913)
Share of profit/(loss) of an associate		**585**	(67,407)
Finance costs	*6*	**(18,434)**	(70,018)
Profit/(loss) before income tax	*7*	**188,410**	(54,966)
Income tax expense	*8*	**(129,995)**	(18,745)
Profit/(loss) for the year		**58,415**	(73,711)
Profit/(loss) attributable to:			
Owners of the Company		**63,667**	(73,711)
Non-controlling interests		**(5,252)**	–
		58,415	(73,711)

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Other comprehensive income/(loss) for the year (after reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of financial statements of foreign operations		**1,572**	(125,132)
Other comprehensive income/(loss) for the year		**1,572**	(125,132)
Total comprehensive income/(loss) for the year		**59,987**	(198,843)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**65,239**	(198,843)
Non-controlling interests		**(5,252)**	–
		59,987	(198,843)
		RMB	*RMB*
Earning/(loss) per share	*9*		
Basic		**0.619 cent**	(0.974 cent)
Diluted		**0.619 cent**	(0.974 cent)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**741,000**	725,000
Plant and equipment		**2,903**	2,074
Interests in an associate		**474,096**	510,835
Available-for-sale financial assets		**1,000**	1,000
Deferred tax assets		**45,219**	10,400
		1,264,218	1,249,309
Current assets			
Properties under development		**1,286,634**	1,299,920
Completed properties held for sale		**347,154**	355,407
Trade receivables	*10*	**12,246**	13,077
Prepayments, deposits and other receivables	*11*	**318,651**	119,934
Tax recoverable		**17,709**	7,924
Financial assets at fair value through profit or loss		**–**	140,000
Cash and cash equivalent		**51,098**	241,239
		2,033,492	2,177,501
Assets classified as held for sale	*12*	**–**	210,000
		2,033,492	2,387,501

	Notes	2017 RMB'000	2016 RMB'000
Current liabilities			
Trade payables	*13*	**(132,998)**	(98,431)
Accruals and other payables	*14*	**(488,442)**	(1,015,978)
Provision for tax		**(263,215)**	(161,501)
Borrowings		**(271,854)**	(124,548)
		(1,156,509)	(1,400,458)
Net current assets		**876,983**	987,043
Total assets less current liabilities		**2,141,201**	2,236,352
Non-current liabilities			
Deferred tax liabilities		**(246,628)**	(286,266)
Borrowings		**–**	(120,500)
		(246,628)	(406,766)
Net assets		**1,894,573**	1,829,586
EQUITY			
Share capital		**37,628**	37,628
Reserves		**1,837,006**	1,771,767
Equity attributable to the owners of Company		**1,874,634**	1,809,395
Non-controlling interests		**19,939**	20,191
Total equity		**1,894,573**	1,829,586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These consolidated financial statements also comply with the applicable disclosure of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

In the current year, the Group has applied for the first time the following amendments to HKFRSs that are mandatorily effective for an accounting period that begins on or after 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised losses
Amendment to HKFRSs	Annual Improvements 2014-2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The amendments to HKAS 7 require an entity to make disclosures that aim to enable users of financial statements to evaluate changes in liabilities arising from financing activities. Reconciliations of various types of the Group's financing liabilities are disclosed in the 2017 annual report. Other than such additional disclosures, the application of the amendments has not had any material effect on the consolidated financial statements. The group has applied the transitional provisions set out the amendments and hence did not provide the comparative information for prior period.

The Group has not applied any of the following new Hong Kong Financial Reporting Standards ("HKFRSs"), amendments to HKFRSs and new interpretations ("new and revised HKFRSs") that have been issued but are not yet mandatorily effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[5]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2014-2016 Cycle[4]
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective date not yet determined
4 For those amendments that will become effective for annual periods beginning on or after 1 January 2018
5 Effective for annual periods beginning on or after 1 January 2021

Except for the new HKFRSs mentioned below, the directors of the Company (the "Directors") anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the Group's consolidated financial statements in the foreseeable future.

HKFRS 9 Financial Instruments

HKFRS 9 has introduced new requirements for (a) classification and measurement of financial assets, (b) impairment of financial assets and (c) general hedge accounting.

With regards to the classification and measurement of financial assets, financial assets that are within the scope of HKFRS 9 are subsequently measured at either amortised cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. All other financial assets are measured at fair value at the end of each of the subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt instrument financial assets and equity investments are measured at their fair value at the end of subsequent accounting periods with changes in fair value recognized in profit or loss, except that the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is neither held for trading nor being contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and the cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regards to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. This differs from the accounting treatment under HKAS 39, whereby the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is recognised in profit or loss.

With regards to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to the incurred credit loss model required under HKAS 39. In general, the adoption of the expected credit loss model will require the Group to assess at each reporting date whether there is a significant increase in credit risk of its financial assets since initial recognition and to recognise loss allowance equal to the lifetime or 12-month expected credit losses depending on whether or not there is a significant increase in credit risk.

With regards to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. HKFRS 9 will provide greater flexibility as to the types of transactions eligible for hedge accounting, specifically by broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

HKFRS 9 contains specific transitional provisions for (a) classification and measurement of financial assets; (b) impairment of financial assets; and (c) hedge accounting, which will be adopted by the Group when it applies HKFRS 9 in the year ending 31 December 2018.

The amendments to HKFRS 9 Prepayment Features with Negative Compensation mainly clarify and provide additional guidance as to when a debt instrument financial asset with a prepayment option would satisfy the "solely payment of principal and interest' test.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on the initial application of HKFRS 9:

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provision upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the group may have to recognize the credit losses earlier.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, the Group will recognise revenue when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

HKFRS 15 contains a number of transitional provisions as well as practical expedients to help preparers so through the transition. Please refer to HKFRS 15 for details.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, they do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

With regards to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

With regards to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, HKFRS 16 requires extensive disclosures in the financial statements.

As at 31 December 2017, the Group does not have any non-cancellable operating lease commitments. For future arrangement that will meet the definition of a lease under HKFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term upon the application of HKFRS 16.

The Group currently considers refundable rental deposits received of RMB8,845,000 as obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SEGMENT INFORMATION

The Group is organised into three (2016: three) business units, based on which information is prepared and reported to the Group's chief decision makers, for the purposes of resource allocation and assessment of performance.

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

For the year ended 31 December 2017

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Total** *RMB'000*
Reportable segment revenue				
External revenue	**700,609**	**19,574**	**6,832**	**727,015**
Inter-segment revenue	**324**	**13,657**	**912**	**14,893**
	700,933	**33,231**	**7,744**	**741,908**
Reportable segment profit/(loss)	**226,984**	**(125)**	**(6,816)**	**220,043**
– Business tax and other levies	**(8,850)**	**(2,423)**	**(776)**	**(12,049)**
– Loss on disposal of assets classified as held for sale	**(10,948)**	**–**	**–**	**(10,948)**
– Fair value changes on investment properties	**–**	**9,339**	**–**	**9,339**
– Finance cost	**–**	**(12,707)**	**–**	**(12,707)**
– Legal and professional fee	**(441)**	**–**	**–**	**(441)**
– Distribution cost	**(14,738)**	**–**	**–**	**(14,738)**
– Reversal of impairment loss of properties under development	**82,772**	**–**	**–**	**82,772**
– Sundry income	**972**	**78**	**–**	**1,050**
Reportable segment assets	**1,944,501**	**751,187**	**8,495**	**2,704,183**
Additions to non-current segment assets during the year	**1,407**	**6,661**	**–**	**8,068**
Reportable segment liabilities	**(649,590)**	**(273,100)**	**(5,263)**	**(927,953)**

For the year ended 31 December 2016

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Reportable segment revenue				
External revenue	477,758	23,476	5,530	506,764
Inter-segment revenue	–	–	2,003	2,003
	477,758	23,476	7,533	508,767
Reportable segment loss	134,524	(27,420)	(1,710)	105,394
— Business tax and other levies	(17,278)	(2,826)	(440)	(20,544)
— Compensation paid	(205)	–	–	(205)
— Reversal of impairment loss of completed properties held for sale	5,310	–	–	5,310
— Reversal of impairment loss of properties under development	75,019	–	–	75,019
— Fair value changes on investment properties	–	(27,836)	–	(27,836)
— Finance cost	–	(17,523)	–	(17,523)
— Legal and professional fee	(4,698)	–	–	(4,698)
— Distribution cost	(18,872)	–	–	(18,872)
— Reversal of over-provision of compensation in previous years	2,807	–	–	2,807
— Sundry income	90	510	–	600
Reportable segment assets	1,894,375	945,753	10,895	2,851,023
Additions to non-current segment assets during the year	–	235	–	235
Reportable segment liabilities	(788,120)	(477,420)	(3,101)	(1,268,641)

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

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Total revenue from reportable segments	**741,908**	508,767
Elimination of inter-segment revenue	**(14,893)**	(2,003)
Consolidated revenue	**727,015**	506,764
Profit		
Reportable segment profit	**220,043**	105,394
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from Group's external customers	**220,043**	105,394
Operating lease charges	**(2,508)**	(1,451)
Fair value changes on derivative financial instruments	**–**	(4,913)
Share of profit/(loss) of an associate	**585**	(67,407)
Finance costs	**(5,727)**	(52,495)
Unallocated expenses	**(29,294)**	(42,028)
Unallocated income	**5,311**	7,934
Profit/(loss) before income tax	**188,410**	(54,966)
Income tax expense	**(129,995)**	(18,745)
Profit/(loss) for the year	**58,415**	(73,711)
Reportable segment assets	**2,704,183**	2,851,023
Corporate assets	**593,527**	785,787
Group assets	**3,297,710**	3,636,810
Reportable segment liabilities	**(927,953)**	(1,268,641)
Corporate liabilities	**(475,184)**	(538,583)
Group liabilities	**(1,403,137)**	(1,807,224)

There was no single customer individually contributed over 10% of the Group's total revenue during the year ended 31 December 2017 (2016: Nil).

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

Revenue from external customers:

	2017	2016
	RMB'000	*RMB'000*
Mainland China	**727,015**	506,764

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

	2017	2016
	RMB'000	*RMB'000*
Hong Kong (domicile) *(note (a))*	**20**	116
Mainland China	**1,263,198**	1,248,193
	1,263,218	1,248,309

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

4. REVENUE

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

	2017	2016
	RMB'000	*RMB'000*
Sales of properties	**700,609**	477,758
Gross rental income from investment properties	**19,574**	23,476
Properties management fees	**6,832**	5,530
Total	**727,015**	506,764

5. OTHER REVENUE

	2017	2016
	RMB'000	*RMB'000*
Other revenue		
Interest income on financial assets carried at amortised costs	**3,013**	1,177
Interest income on loan to an associate	**589**	5,040
Management fee income from an associate	**187**	1,430
Reversal of over-provision of compensation paid in previous years	**–**	2,807
Others	**2,572**	887
	6,361	11,341

6. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on bank loan borrowing, gross	**12,707**	32,010
Less: amount capitalised to properties under development *(note (a))*	**–**	14,487
Interest on bank loan borrowing, net	**12,707**	17,523
Interest on other loans wholly repayable within five years	**5,727**	6,590
Interest on convertible notes	**–**	45,905
	18,434	70,018

Notes:

(a) At 31 December 2017, no borrowing cost have been capitalised. At 31 December 2016, the borrowing cost have been capitalised of a range from 5.24% to 9.02% per annum.

7. PROFIT/(LOSS) BEFORE INCOME TAX

	2017	2016
	RMB'000	*RMB'000*
Profit/(loss) before income tax is arrived at after charging/(crediting):		
Cost of properties sold	**522,301**	385,303
Cost of service for property management	**7,305**	6,800
Cost of rental income from investment properties	**3,037**	3,221
Business tax and other levies *(note (b))*	**12,049**	20,544
Depreciation on plant and equipment *(note (a))*	**576**	541
Operating lease charges in respect of land and buildings	**2,508**	1,451
Auditors' remuneration		
– audit services	**780**	772
– non-audit services		
– Interim review	**347**	339
– Others	**130**	–
Reversal of impairment loss of properties under development	**(82,772)**	(75,019)
Reversal of impairment loss of completed properties held for sale	**–**	(5,310)
Loss on written off of plant and equipment	**–**	579
Rental income from investment properties less direct outgoings *(note (c))*	**(19,574)**	(23,470)

Notes:

(a) Depreciation expenses

Depreciation expenses of approximately RMB576,000 (2016: approximately RMB541,000) have been included in administrative expenses respectively.

(b) Business tax and other levies

The Group was subject to business taxes of 5% and other levies on their revenues in the PRC from sales of properties and car park units, rental income from investment properties and car park units and property management income before 30 April 2016. Effective from 1 May 2016, the proceeds arising from these revenues are subject to value added taxes and other levies. Value added tax are deducted from the revenues.

(c) Rental income from investment properties

There are no direct outgoings incurred for investment properties for the years ended 31 December 2017 and 2016.

8. INCOME TAX EXPENSE

	2017 *RMB'000*	2016 *RMB'000*
Current tax		
The PRC — Corporate Income Tax		
— Tax for the year	**127,835**	24,895
— (Over)/under provision in respect of prior years	**(1,120)**	277
	126,715	25,172
The PRC — Land appreciation tax		
— Current year	**77,719**	46,950
— Over provision in respect of prior years	**–**	(5,957)
	77,719	40,993
Deferred tax		
— Current year	**(84,313)**	(33,177)
— Under/(over) provision in respect of prior years	**9,874**	(14,243)
	(74,439)	(47,420)
Total income tax expense	**129,995**	18,745

Reconciliation between tax expenses and accounting profit/(loss) at applicable tax rates:

	2017 *RMB'000*	2016 *RMB'000*
Profit/(loss) before taxation	**188,410**	(54,966)
Income tax at the PRC income tax rate of 25%	**47,102**	(13,741)
Tax effect of different taxation rates in other tax jurisdictions	**424**	502
Under/(over) provision in prior years	**8,754**	(19,923)
Tax effect of non-taxable revenue	**(422)**	(3,893)
Tax effect of non-deductible expenses	**6,199**	22,155
Tax effect of temporary differences not provided	**–**	(933)
Tax effect of prior year's unrecognised tax losses utilised this year	**–**	(4,494)
Tax effect of unused tax losses not recognised	**1,721**	1,318
Tax effect of share of (profit)/loss of an associate	**(146)**	16,852
PRC land appreciation tax	**77,719**	46,950
Effect of PRC land appreciation tax	**(21,473)**	(5,963)
Land appreciation tax on fair value changes on investment properties	**8,172**	(23,096)
Others	**1,945**	3,011
Income tax expense	**129,995**	18,745

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year.

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 year, based on the existing legislation, interpretations and practices in respect thereof.

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% (2016: 30% to 60%) on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all properties development expenditures.

Furthermore, in accordance with the Detailed Implementation Regulations for implementation of the new Corporate Income Tax Law issued on 6 December 2007, a 10% withholding tax shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. Dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding tax. As at 31 December 2017, the earnings of the Group's PRC companies are approximately RMB767,571,000 (2016: approximately RMB763,080,000). As at 31 December 2017, the Group has not accrued any withholding income tax for the earnings of its PRC subsidiaries (2016: nil), because the Group has control over these subsidiaries and management does not have an immediate plan to distribute earnings from its PRC subsidiaries in the foreseeable future.

9. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of earnings/(loss) per share is based on the profit attributable to the owners of the Company of approximately RMB63,667,000 (2016: loss of approximately RMB73,711,000) and on the weighted average of 10,293,136,554 (2016: 7,564,730,361) ordinary shares in issue during the year.

Diluted earnings/(loss) per share

There was no difference between basic and diluted earnings per share as the Company did not have any dilutive potential shares outstanding during the year ended 31 December 2017.

Diluted loss per share for the years ended 31 December 2016 is not presented because the impact of the conversion of convertible notes is anti-dilutive.

10. TRADE RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**13,746**	15,230
Less: Provision for impairment of trade receivables recognised	**(1,500)**	(2,153)
Trade receivables – net	**12,246**	13,077

The directors of the Company 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.

As at 31 December 2017 and 31 December 2016, trade receivables are mainly arose from rental income from investment properties and sales of properties. Proceeds are to be received in accordance with the terms of related tenancy agreements and sales and purchases agreements.

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

	2017	2016
	RMB'000	*RMB'000*
At the beginning of the year	**2,153**	2,153
Uncollectible amounts written off	**(653)**	–
At the end of the year	**1,500**	2,153

At each reporting date, the Group reviews trade receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2017, the Group's trade receivables of approximately RMB1,500,000 (2016: 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 terms of related tenancy agreements and sales and purchases agreements, the ageing analysis of the trade receivables net of impairment is as follows:

	2017	2016
	RMB'000	*RMB'000*
0 to 90 days	**7,233**	11,647
91 to 180 days	**66**	12
181 to 365 days	**4,947**	1,418
	12,246	13,077

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

	2017	2016
	RMB'000	*RMB'000*
Neither past due	**7,051**	9,566
Within 30 days past due	**130**	1,978
31 to 60 days past due	**28**	95
61 to 90 days past due	**24**	8
Over 90 days past due	**5,013**	1,430
	12,246	13,077

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

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

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

As at 31 December 2017, all of the Group's trade receivables are denominated in RMB (2016: RMB), no interest is charged on trade receivables.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Deposits	**1,184**	4,210
Prepayments *(note (a))*	**289,161**	28,948
Other receivables *(note (b))*	**28,306**	86,776
	318,651	119,934

Note:

(a) On 19 December 2017, the Group entered into an agreement with Xuzhou City Land Resources Bureau for the acquisition of land use rights located in Xuzhou City of the Jiangsu Province through an indirect non-wholly owned subsidiary Xuzhou Shiyou Logistics Development Co., Ltd. ("Xuzhou Shiyou") for development of properties for sale. As at 31 December 2017, the amount of prepayments included an amount of RMB266,800,000 which was paid to Xuzhou City Land Resources Bureau. The right of the land was transferred to Xuzhou Shiyou on 12 February 2018. Detail of this acquisition were set out in the circular dated on 14 February 2018.

(b) As at 31 December 2016, the amount of other receivables included an amount of approximately RMB53,700,000 which was interest receivable from an associate. This amount was unsecured, interest free and repayable on demand. During the year, this amount was fully set off with amounts due to an associate of other payables.

12. 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. The value added tax of approximately RMB10,948,000 was settled during the year and resulted in a loss on disposal of assets classified held for sale recorded for the year. Details of this disposal were set out in the announcement dated on 1 August 2016. During the year ended 31 December 2017, the disposal was completed and details of the completion were set out in the announcement dated on 19 May 2017.

13. TRADE PAYABLES

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

	2017	2016
	RMB'000	*RMB'000*
0 to 90 days	**132,641**	98,431
91 to 180 days	**357**	–
	132,998	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.

14. ACCRUALS AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Deposits received *(note (a))*	**8,845**	135,024
Receipts in advance from customers in relation to rental income and property sold	**231,739**	532,408
Accruals	**30,652**	15,107
Other payables *(notes (b)(c)&(d))*	**217,206**	333,439
	488,442	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 (note 12).

(b) As at 31 December 2017, the amount of other payables included an amount of approximately RMB180,088,000 (2016: RMB272,628,000) which was an amounts due to an associate. This amount was unsecured, interest-free and no repayment term except for the approximate amount of RMB60,000,000 (2016: RMB60,000,000) was charged at 4% per annum and repayable on demand.

(c) As at 31 December 2017, the approximate amount of RMB17,091,000 (2016: RMB27,105,000) which was the amount due to Mr. Zhang Gao Bin ("Mr. Zhang"), an executive director of the Company was unsecured, interest-free and with no repayment term.

(d) As at 31 December 2017, the approximate amount of RMB3,639,000 (2016: RMB2,291,000) which was the amount due to a related Company, Guangzhou Tianlun Property Management Limited Company control by closely family member of an executive director. This amount was unsecured, Interest-free and no repayment term.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 and 2016.

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Overview

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

In 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

For the year ended 31 December 2017, the Group recorded a revenue and gross profit of RMB727.0 million and RMB182.3 million, respectively, as compared to revenue of RMB506.8 million and gross profit of RMB91.0 million for the year ended 31 December 2016.

In 2017, a revenue of RMB674.2 million (2016: RMB461.2 million) was recorded from the continual delivery of the completed luxury villas and high-rise residential units of Xintian Banshan (新天半山) with gross floor area of approximately 20,600 square meters ("sqm") (2016: 15,400 sqm). Whereas, revenue from selling of other properties held for sales was RMB26.4 million (2016: RMB16.6 million).

During the year, rental income and properties management fee income totaling RMB19.8 million (2016: RMB19.7 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 RMB6.6 million (2016: RMB9.3 million) was recorded.

After taking into account the costs from Previous Acquisition, subsequent development cost, the net provision for impairment loss in previous years as well as higher unit price of properties delivered, a gross profit and overall gross profit margin of RMB182.3 million and 25.1% (2016: a gross profit of RMB91.0 million and gross profit margin of 18.0%), respectively, were recorded.

Distribution Costs

Distribution costs of RMB14.7 million were recorded as compared to RMB18.9 million in 2016. Since the high-rise residential units of Xintian Banshan available for sales in the year were substantially sold, fewer marketing resources were utilized.

Administrative and Other Operating Expenses

Increased spending on newly startup logistic projects and project related compensation were off-set by cost saving in headquarter. Administrative expense was almost the same as last year.

Loss on Disposal of Investment Properties

The disposal of commercial units of Tianlun Garden (天倫花園) was completed during the year. 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 surplus amounting RMB9.3 million (2016: RMB9.8 million) was recorded which is mainly attributed to our Talent Shoes Trading Center. The Group changed its tenant mix as well as modification of internal partition in order to optimize future income stream. In 2016, a revaluation deficit of RMB37.6 million was recorded for the disposed commercial units of Tianlun Garden.

Concerning our residential project, Xintian Banshan, garden and landscape engineering, refined decoration of the grand-sized luxurious villas in zone B and E are ongoing. While, the decoration of show flats of zone B was completed and opened for visit. 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 further reversal of previously provided impairment loss of RMB82.8 million (2016: RMB80.3 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

A fair value deficit of RMB4.9 million was recorded for the outstanding convertible notes issued for the Previous Acquisition in 2016. It was fully converted into ordinary shares of the Company last year.

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 in previous years. In 2017, the associate delivered remaining residential and commercial units and commenced the selling of car parking spaces. After taking into account the costs from Previous Acquisition, which is re-calculated to reflect the remaining underlying assets available for sale, the Group recorded a share of profit of RMB0.6 million (2016: share of loss of RMB67.4 million).

Finance Cost

Finance cost of RMB18.4 million was recorded in the year (2016: RMB70.0 million). Finance costs arising from bank and other borrowings reduced to RMB18.4 million (2016: RMB38.6 million (before capitalization to properties under development)) as a result of repayment of outstanding bank borrowings in 2016. Imputed finance cost of RMB45.9 million was recorded from the convertible notes before its full conversion in 2016.

Income Tax Expense

PRC corporate income tax and land appreciation tax of RMB126.7 million (2016: RMB25.2 million) and RMB77.7 million (2016: RMB41.0 million) were recorded in the year. It was primarily the result of increased recognition of revenue of Xintian Banshan as well as the disposal of commercial units of Tianlun Garden. Deferred tax credit amounted RMB74.4 million (2016: RMB47.4 million) was recorded setting-off the above tax charges partly.

Profit/(loss) of the year Attributable to Owners of the Company

As a result of the above, a profit attributable to owners of the Company of RMB63.7 million was recorded for the year (2016: loss of RMB73.7 million).

PROSPECT

Looking forward to 2018, the economy and political environment of China is expected to remain relatively stable and that is favourable to commercial activities. The Group will promote the sales of luxury villas of zone B of Xintian Banshan. At the same time, the Group would closely monitor and execute the development plan of the logistic parks in Yangzhou and Xuzhou aiming for pre-sale by the end of 2018. The Directors believe that with the enlarged capital base, low gearing ratio, cash back from the sales of luxury villas of Xintian Banshan and smooth progress of the development of the logistics commercial projects, the Group is capable of grasping any attractive opportunities for further business expansion.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 December 2017 were approximately RMB3,297.7 million (31 December 2016: approximately RMB3,636.8 million) which were financed by the total equity and total liabilities of approximately RMB1,894.6 million (31 December 2016: approximately RMB1,829.6 million) and approximately RMB1,403.1 million (31 December 2016: approximately RMB1,807.2 million) respectively.

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

The Group borrowings were all denominated in Renminbi. Bank balances and cash were mainly denominated in Renminbi. As at 31 December 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 million and HK$160 million respectively were issued as part of the consideration for the Previous Acquisition. On 3 June 2016, all outstanding convertible notes were converted into ordinary shares of the Company. The Group's gearing ratio then computed as total debts over total assets was approximately 42.5% as at 31 December 2017 (31 December 2016: 49.7%). As at 31 December 2017, bank borrowings and other borrowings amounted to RMB170.0 million and RMB101.9 million (2016: RMB184.5 million and RMB60.5 million respectively) carried fixed interest rate.

EXPOSURE TO FOREIGN EXCHANGE

The revenue and the cost of goods sold and of service 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$1.15332: RMB1 and HK$1.19996: RMB1, respectively, were applied on consolidation of the financial statements for the year ended 31 December 2017.

CHARGES ON ASSETS

As at 31 December 2017, an investment property of the Group amounted approximately RMB702 million (31 December 2016: RMB688 million) was pledged to secure general banking facilities.

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 31 December 2017, the Group had approximately 254 (31 December 2016: 191) employees, with about 251 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 current year.

CORPORATE GOVERNANCE

The Board has been committed to maintaining the high level of corporate governance within the Group in order to enhance the transparency in disclosure of material information. The Board considers such commitment is essential for internal management, financial management and protection of shareholders' interests and believes that maintaining a high standard of corporate governance benefits all shareholders, investors, and its business as a whole. The Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2017, except for the following deviations.

CG Code Provision A.2.1

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors (the "Audit Committee") and reports to the board of directors. A written terms of reference had been established. The committee members performed their duties therein which includes duties set out in the code provision C.3.3 (a) to (n) of the Corporate Governance Code. The Audit Committee held three meetings in 2017 and reviewed the Group's annual results for 2016 and interim results for 2017; reviewed the audit plans and findings of the external auditor; made recommendation to the Board on the re-appointment of the external auditor and its remuneration; and reviewed the risk management and internal control systems and financial matters pursuant to its terms of reference. The Audit Committee meets the external auditors at least once a year to discuss any areas of concerns during the audits without the presence of the management. The annual results for the year ended 2017 of the Company have been reviewed by the Audit Committee.

For the year ended 31 December 2017, the fees paid/payable to the auditor of the Company in respect of the audit services and non audit services in 2017 were amounted to approximately RMB0.8 million and RMB0.5 million respectively.

SCOPE OF WORK OF MESSRS. CHENG & CHENG LIMITED

The figures in respect of the Group's consolidated statement of financial position as of 31 December 2017, and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year then ended as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. CHENG & CHENG LIMITED, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. CHENG & CHENG LIMITED in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. CHENG & CHENG LIMITED on the preliminary announcement.

ANNUAL GENERAL MEETING

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

PUBLICATION OF THE ANNUAL RESULTS AND 2017 ANNUAL REPORT ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.760hk.com) and the 2017 annual report of the Company containing all the information required by the Listing Rules will also be published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
Zhang Gao Bin
Chairman and Executive Director

Hong Kong, PRC
29 March 2018

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.