



TALENT PROPERTY GROUP LIMITED

新天地產集團有限公司*

(formerly known as TOMORROW INTERNATIONAL HOLDINGS LIMITED)

(Incorporated in Bermuda with limited liability)

(Stock Code: 760)

Interim Report 2011



Hilton Guangzhou Tianhe

*For identification purposes only



Yuhaiwan, **Hainan**

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BUSINESS AND FINANCIAL REVIEW

The principal activity of Talent Property Group Limited (the “Company”) is investment holding. The Company and its subsidiaries (collectively “the Group”) are engaged in the business of real estate development, property investment and hotel operation in the PRC, the design, development, manufacture and sale of electronic products, the trading of listed equity investments and commodities and the provision of loan financing.

Revenue

On 10 December 2010, the acquisition of the subsidiaries engaged in real estate development and property investments businesses (“the Acquisition”) was completed. As a result, the Group’s unaudited consolidated revenue for the six months ended 30 June 2011 (the “Reporting Period”) surged to approximately HK\$326.2 million, representing an increase of approximately 124% as compared with approximately HK\$145.8 million in the six months’ ended 30 June 2010 (the “Corresponding Period”).

Property investment and development

During the Reporting Period, we recorded a revenue of approximately HK\$153.0 million from the sales of over 400 car parking spaces and 2 residential units, from our portfolio of completed properties held for sales in Guangdong province. The selling price was affected by various policies imposed by the PRC government in order to stabilize the price of residential market. Rental income of approximately HK\$14.3 million was generated from our portfolio of investment properties as well as car parking spaces.

Pre-sale of Yuhaiwan (譽海灣) in Hainan province was commenced in first half of this year. Despite the cooling down of market sentiment, we achieved an encouraging result by adopting different marketing strategy. We have entered into provisional sales contracts for over 200 residential units with an average selling price above RMB10,000 per square meter. It is expected that the construction of Yuhaiwan (譽海灣) will be completed in 2012 and will contribute revenue to the Group in the second half of 2012.

Electronic business and equity and commodity investments

During the Reporting Period, these business segments recorded a revenue of approximately HK\$158.9 million compared to HK\$145.8 million in the Corresponding Period. The electronic division has managed to increase the selling price to the customers in 2011 and this contributed to the increase of revenue.

Gross profit

During the Reporting Period, the Group recorded a gross profit of HK\$27.5 million as compared to HK\$24.6 million in the Corresponding Period.

Property investment and development

The property business generated a gross profit of HK\$1.7 million in the Reporting Period. The properties sold during the Reporting Period were consolidated into the financial statements of the Group based on the fair value on the completion date of the Acquisition instead of the historical construction and development cost. In addition, during the period from the completion date of the Acquisition to the date of properties sales, the upside of properties price was not substantial as the residential market was stabilized. As a result, the gross profit generated from such sales was slim.

The Group expected that the tight control on the PRC residential property market will be sustained in the rest of the year. It was considered a good opportunity to sell the properties for cash. This improves the working capital of the Group in pursuing investment opportunities in property development if and when they arise in the future.

MANAGEMENT DISCUSSION AND ANALYSIS



Electronic business and equity and commodity investments

During the Reporting Period, gross profit was increased by approximately HK\$1.2 million to HK\$25.8 million whereas gross profit margin reduced slightly to 16.2% as compared to 16.9% in the Corresponding Period. It was because the cost raise at a more rapid pace than the selling price of our electronic products.

Distribution costs

During the Reporting Period, distribution expenses was amounted to HK\$12.1 million. Of which, approximately HK\$8.5 million and HK\$3.6 million were arising from the property business and electronic business, respectively. Distribution expenses mainly included marketing expenses for Yuhaiwan (譽海灣), agency commission for sales of our existing properties and general distribution expenses of our electronic business.

Administrative and other operating expenses

The Group recorded a substantial increase of administrative expense to approximately HK\$89.0 million in the Reporting Period as compared to HK\$34.7 million in the Corresponding Period. It was because the construction of the hotel, namely Hilton Guangzhou Tianhe (廣州天河新天希爾頓酒店), was substantially completed during the Reporting Period. Hilton Hotel Management (Shanghai) Co., Ltd. ("Hilton"), the management company of the hotel, commenced its large scale recruitment and pre-operation setup. Accordingly, approximately HK\$14.1 million was incurred for the pre-operation expenses including staff costs and quarters, recruitment and various marketing expenses. In addition, an amortization charge of approximately HK\$16.0 million was charged on the land use right of the hotel. Trial run was commenced in August 2011.

The Group also recorded additional administrative expenses of approximately HK\$23.0 million arising from the property business after the Acquisition. This mainly included staff costs, rental and utilities expenses, office supplies and business development expenses.

Loss on disposal of investment properties

In June 2011, the Group sold one of its investment properties, Jingang Garden (金港華園), to independent third parties at a consideration of RMB202 million. The cost of Jingang Garden was RMB184 million which was the fair value on the completion date of the Acquisition. A pre-tax gain of RMB18 million was recorded. Tax attributed to this disposal, including business tax and land appreciation tax, was RMB19.6 million. As a result, a post-tax loss of RMB1.6 million or approximately HK\$1.9 million was recorded. The net proceeds from the disposal further strengthen the working capital of the Group.

Share of loss of an associate

The amount represented the Group's share of general and administrative expenses of an associate company engaged in the Linhe Rebuilding Project (林和村重建項目). As at the end of Reporting Period, the project was in early stage of construction.

Fair value changes on investment properties

Values of the Group's investment properties were re-assessed by a professional independent qualified valuer. The valuation surplus arose mainly from commercial units of Tianlun Garden (天倫花園) and Dongmingxuan (東鳴軒).

Fair value changes on derivative financial instrument

According to applicable accounting standards, fair value of the derivate component of the convertible notes of the Group has to be re-measured subsequently with the changes recognized to the income statement. A fair value change of approximately HK\$63.7 million was recorded according to valuation made by a professional independent qualified valuer. Details are stated in note 16 to the condensed consolidated financial statements.



Finance cost

The amount included imputed finance cost of approximately HK\$70.7 million and HK\$8.3 million of convertible notes and promissory notes, respectively, computed in accordance with applicable accounting standards. Regarding interest on other loans, approximately HK\$22.9 million was attributable to the funding to a associate company. Details are stated in note 7 to the condensed consolidated financial statements.

Taxation

Our income tax expenses was approximately HK\$2.4 million for the Reporting Period whereas income tax credit of approximately HK\$0.6 million was recorded for the Corresponding Period.

Loss for the period

As a result of slim gross profit, significant increase of operating expenses and financial effect arising from the convertible notes and promissory notes, loss for the Reporting Period increased to HK\$233.2 million from HK\$4.7 million for the Corresponding Period.

PROSPECTS

Year 2011 has been a milestone for the Group as the business of real estate investment and development has become one of the core business of the Group. The year was extremely eventful for the world's economy, with uncertainties of future economic growth in U.S.A, sovereign debt problems encountered by individual countries in the Euro Zone and the continuous policies control of real estate industry by the PRC government, the future development of global economy as well as the Group will be challenging.

In the short term, the Group's performance has been affected by the issue of convertible notes and promissory notes as well as the fair value of the injected property projects due to the Acquisition, however, such influences will not alter the favorable development of the Group's existing projects, extensive experience and quality of the management team and the Group's ability to grasp the opportunity brought by the rapid growth of China's economy on the real estate industry.

Hilton Guangzhou Tianhe situated at North Tianhe CBD Zone in Guangzhou is the first business hotel in the area developed by the Group according to five-star rating standard and managed by the globally renowned Hilton. Trial run was commenced in mid-August and will generate satisfactory income for the Group and enhance its brand name recognition upon full operation.

Furthermore, Phase II of South Lake Village project with total gross floor area of approximately 100,000 square meters owned by the Group will commence its construction in September. The project is located at South Lake Scenic Area, Baiyun District of Guangzhou where land grant had been ceased by the Guangzhou Government for prospective property development to conserve the natural landscape in the area. Therefore, the value of such project is further enhanced and will contribute significant revenue to the Group in the future.

In addition, by enhancing internal management policy, upgrading and integrating internal information system, tightening control of construction-in-progress, sale of property projects in order to improve the Group's funding and working capital management, the Group will be in a better place for grasping the business development and investment opportunities in future.

MANAGEMENT DISCUSSION AND ANALYSIS



PORTFOLIO OF PROPERTIES

Investment properties

The information of the Group's investment properties as at 30 June 2011 was as follow:

Location	Lease term of land	Purpose	Gross area (sq. m.)
165 commercial units of Dongming Xuan, Nos. 199, 203–231 Zhongshan 4th Road, Yuxiu District, Guangzhou City, Guangdong Province, the PRC ("Dongming Xuan")	Medium	Commercial	18,885
1/F. of Nos. 19–21, 1/F. of Nos. 23–24, Basement 1 and 1/F. to 4/F. of No. 26, 1/F., of No. 27 and 1/F. of No. 29 of Tianlun Garden, Nos. 17–29 Jianshe Si Ma Lu, Yuxiu District, Guangzhou City, Guangdong Province, the PRC ("Tianlun Garden")	Medium	Commercial	15,190
Unit 101 on level 1 and Unit 1203 on Mezzanine Floor of Block H4–H5 of Shangyu Garden, No. 45 Tianhe Road, Yuxiu District, Guangzhou City, Guangdong Province, the PRC ("Shangyu Garden")	Medium	Commercial	2,198
House No. 52, Casa Marina II, No. 1 Lo Ping Road, Tai Po New Territories, Hong Kong	Medium	Residential	231

Note: Medium is defined as the term of land use rights granted remaining unexpired at the end of the financial year is less than 50 years but not less than 10 years.

MANAGEMENT DISCUSSION AND ANALYSIS



Completed properties held for sale

The information of the Group's completed properties as at 30 June 2011 was as follow:

Project and address	Site area (sq.m.)	Total saleable GFA (sq.m.) (Note)	Percentage interest %
Residential units of South Lake Village Phase I, Tonghe Road, Baiyun District, Guangzhou City, Guangdong Province, the PRC	103,732	15,773	100%
Residential units and car parking spaces of Shangyu Garden	28,409	4,985	100%
Residential units and car parking spaces of Jingang Garden, No. 38 Lixiang Road, Huangpu District, Guangzhou City, Guangdong Province, the PRC	38,355	120	100%
Car parking spaces of Dongming Xuan	N/A	N/A	100%
Car parking spaces of Tianlun Garden	N/A	N/A	100%

Note: The total salable GFA as at 30 June 2011 does not include that of the car parking spaces.

MANAGEMENT DISCUSSION AND ANALYSIS



Properties under development

The information of the Group's properties under development as at 30 June 2011 was as follow:

Project and address	Site area (sq.m.)	Planned GFA (sq.m.)	Percentage interest %	Stage of completion (at the date of interim report)	Expected completion date
South Lake Village Phase II, Tonghe Road, Baiyun District, Guangzhou City, Guangdong Province, the PRC	118,102	98,418	100%	Not yet commence construction	4th quarter 2013
Yuhaiwan Haisheng Road, Xiuying District, Haikou City, Hainan Province, the PRC	48,324	126,386	63.2%	60%	2nd quarter 2012
Linhe Rebuilding Project Tianhe District, Guangzhou City, Guangdong Province, the PRC	57,793	400,000	30%	Early stage of construction	4th quarter 2013
Swan Bay Garden South of Qiongzhou Bridge, Qiongzhou District, Haikou City, Hainan Province, the PRC	199,539	239,447	25%	Not yet commence construction	4th quarter 2013

Hotel

The information of the Group's hotel as at 30 June 2011 was as follow:

Location	Lease term of land	Purpose	Star-rating	Number of rooms
Linhe Xiheng Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC	Medium	Hotel	According to five-star rating standard (under construction)	504

Note: Medium is defined as the term of land use rights granted remaining unexpired at the end of the financial year is less than 50 years but not less than 10 years.



LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 June 2011 were approximately HK\$8,523.1 million (31 December 2010: approximately HK\$8,859.2 million) which were financed by the total equity and total liabilities (including convertible notes and promissory notes) of approximately HK\$2,469.4 million (31 December 2010: approximately HK\$2,468.5 million) and approximately HK\$6,053.7 million (31 December 2010: approximately HK\$6,390.7 million) respectively.

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

The Group borrowings were all denominated in Renminbi. Bank balances and cash were mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi. As at 30 June 2011, 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 to a vendor for the acquisition of Talent Central Limited (details of which were set out in the circular to shareholders dated 29 October 2010). The Group's gearing ratio then computed as total debts over total assets was approximately 71.0% as at 30 June 2011 (31 December 2010: 72.1%). As at 30 June 2011, bank borrowings amounted to RMB984.8 million carried interest rate varied in accordance with the base rate of People's Bank of China. Whereas other borrowings amounted to RMB830.5 million carried fixed interest rate.

EXPOSURE TO FOREIGN EXCHANGE

The revenue of the Group is mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi, and the cost of production and purchase are mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi. Therefore, the Group is not exposed to any other material foreign currency exchange risk.

CHARGES ON ASSETS

As at 30 June 2011, certain assets of the Group with an aggregate amount of approximately HK\$5,168.0 million (31 December 2010: HK\$4,919.4 million), represented by properties under development of approximately HK\$2,518.7 million (31 December 2010: HK\$2,208.8 million), investment properties of approximately HK\$914.7 million (31 December 2010: HK\$1,084.8 million), construction-in-progress of approximately HK\$610.5 million (31 December 2010: HK\$515.2 million) and land use right of approximately HK\$1,124.1 million (31 December 2010: HK\$1,110.6 million), were pledged to secure general banking facilities.

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 30 June 2011, the Group had approximately 1,412 (31 December 2010: 1,564) employees, with about 1,360 in the Mainland China, 2 in Macau and 50 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.

There has been no change to the terms of the share option scheme adopted by the Company on September 2002. No new share options were granted during the current year. No share option was exercised during the year and the outstanding share options granted to the directors and employees as at 30 June 2011 are set out in the paragraph headed "Share Option Scheme" below.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

Details of the capital commitment and contingent liabilities are set out in note 18 and 19 respectively to the condensed consolidated financial statements.

OTHER INFORMATION



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2011, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of part XV of the Securities and Future Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Director	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Yau Tak Wah, Paul	2,000,000	0.07
Ms. Louie Mei Po	11,785,710	0.42

On September 2007, Ms. Louie Mei Po was granted a share option, which she was entitled to 22,470,000 shares at the option price of HK\$0.296 each. The option period is 25 September 2007 to 24 September 2012.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

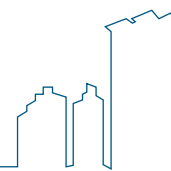
As at 30 June 2011, the following interest of 5% or more in the issued share capital of the Company was recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Note	Number of ordinary shares held	Number of underlying shares interest	Percentage of the company's issued share capital
Winspark Venture Limited	1	996,509,340	—	35.87%
Talent Trend Holdings Limited	2	—	7,621,515,152	274.38%
Top Rich Limited	3	—	1,151,515,151	41.45%

Notes:

- (1) The entire issued share capital of Winspark Venture Limited is directly, beneficially and wholly owned by Mr. Chan Yuen Ming.
- (2) The entire issued share capital of Talent Trend Holdings Limited is directly, beneficially and wholly owned by Mr. Zhang Gao Bin.
- (3) The entire issued share capital of Top Rich Limited is held by Top One Limited, which is directly, beneficially and wholly owned by Mr. Choi Chiu Fai, Stanley.

OTHER INFORMATION



SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 37 of the Group's annual financial statements for the year ended 31 December 2010.

No options were granted, lapsed or cancelled during the six months ended 30 June 2011.

The following table shows the movement of the Company's share options during the 6 months' period ended 30 June 2011.

Date of share options granted	Outstanding at the beginning of the period	Granted during the period	Lapsed during the period	Reclassification	Outstanding at the end of the period	Subscription price	Exercisable period
Directors:							
25 September 2007	44,940,000	—	—	(22,470,000)	22,470,000	HK\$0.296	25 September 2007 to 24 September 2012
Employees:							
21 May 2007	49,050,000	—	—	—	49,050,000	HK\$0.30	21 May 2007 to 20 May 2012
25 September 2007	7,410,000	—	—	22,470,000	29,880,000	HK\$0.296	25 September 2007 to 24 September 2012
Sub-total	56,460,000	—	—	22,470,000	78,930,000		
Total	101,400,000	—	—	—	101,400,000		

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 2011.

DIVIDEND

The board does not recommend payment of any interim dividend for the six months ended 30 June 2011.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the connected and related party transactions are set out in note 20 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.

OTHER INFORMATION



CORPORATE GOVERNANCE

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

CG Code Provision A2.1

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

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

CG Code Provision A4.1

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

During the period, two independent non-executive directors of the Company, namely Mr. Ng Wai Hung and Mr. Cheung Chung Leung, Richard, were not appointed for any specific fixed term and one independent non-executive director, Mr. Lo Wai Hing, was appointed for the term of two years from 1 February 2011. In accordance with the bye-laws of the Company, at each annual general meeting of the Company one third of the directors shall retire from office by rotation. The Board considers that sufficient measures will be taken to ensure the corporate governance practices of the Company are not less exacting than those in the CG Code.

CG Code Provision B.1

Under the CG Code, the issuers shall establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties.

Currently, there is no remuneration committee in the Board. Meanwhile, the Board conducts an informal assessment of the individual director's contribution. No director decides his or her own remuneration and their remuneration has been relatively stable in the past years.

REVIEW OF ACCOUNTS

The unaudited condensed consolidated accounts of the Company and its subsidiary companies for the six months ended 30 June 2011 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 2011 have also been reviewed by the Audit Committee of the Company.

By Order of the Board
Yau Tak Wah, Paul
Chairman

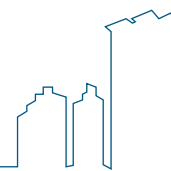
Hong Kong, 30 August 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



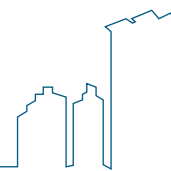
		Six months ended 30 June	
		2011	2010
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
	Notes		
Revenue	5	326,247	145,767
Cost of sales		(298,718)	(121,162)
Gross profit		27,529	24,605
Other revenue and net income	6	2,899	7,998
Distribution costs		(12,074)	(3,138)
Administrative and other operating expenses		(88,952)	(34,716)
Loss on disposal of investment properties		(1,892)	—
Share of loss of an associate		(1,303)	—
Fair value changes on investment properties		18,405	—
Fair value changes on derivative financial instrument	14	(63,651)	—
Finance costs	7	(111,809)	—
Loss before income tax	8	(230,848)	(5,251)
Income tax (expense)/credit	9	(2,354)	564
Loss for the period		(233,202)	(4,687)
Other comprehensive income			
Share of exchange difference of an associate		14,160	—
Surplus on available-for-sale financial assets		—	1,543
Realisation of change in fair value of available-for-sale financial assets		—	(4,358)
Exchange gain on translation of financial statements of foreign operations		100,864	—
Other comprehensive income for the period		115,024	(2,815)
Total comprehensive income for the period		(118,178)	(7,502)
Loss attributable to:			
Owners of the Company		(226,889)	(4,687)
Non-controlling interests		(6,313)	—
		(233,202)	(4,687)
Total comprehensive income attributable to:			
Owners of the Company		(127,425)	(7,502)
Non-controlling interests		9,247	—
		(118,178)	(7,502)
Basic loss per share for loss attributable to the owners of the Company during the period	10	9.958 HK cents	0.209 HK cents
Diluted loss per share for loss attributable to the owners of the Company during the period	10	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION



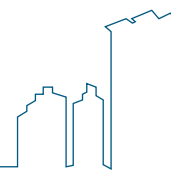
	<i>Notes</i>	As at	
		30 June	31 December
		2011	2010
		HK\$'000	HK\$'000
		(unaudited)	(audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		987,860	1,146,409
Property, plant and equipment		699,463	587,317
Leasehold land and land use rights		1,132,804	1,119,384
Interests in an associate		552,245	539,388
Deferred product development costs		558	751
Available-for-sale financial assets		3,036	3,036
		3,375,966	3,396,285
Current assets			
Leasehold land and land use rights		251	252
Financial assets at fair value through profit or loss		6,352	7,172
Properties under development		3,372,695	3,017,941
Completed properties held for sale		789,619	902,593
Inventories		38,980	48,000
Trade receivables	11	27,294	104,093
Prepayments, deposits and other receivables	12	600,555	589,221
Tax recoverable		14	14
Restricted cash		2,068	16,273
Cash and cash equivalents		309,352	777,378
		5,147,180	5,462,937
Current liabilities			
Trade payables	13	(40,508)	(58,721)
Accruals, deposits received and other payables	14	(773,934)	(1,594,406)
Provision for tax		(140,640)	(124,197)
Current portion of interest-bearing borrowings		(398,383)	(29,577)
Obligations under finance lease		(19)	(41)
		(1,353,484)	(1,806,942)
Net current assets		3,793,696	3,655,995
Total assets less current liabilities		7,169,662	7,052,280

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION



		As at	
		30 June 2011	31 December 2010
	Notes	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current liabilities			
Provision for long service payment		(2,160)	(2,160)
Deferred tax liabilities		(1,140,648)	(1,139,046)
Interest-bearing borrowings		(1,416,945)	(1,325,658)
Convertible notes	16	(1,996,877)	(1,981,639)
Promissory notes	17	(143,549)	(135,272)
		<u>(4,700,179)</u>	<u>(4,583,775)</u>
Net assets		<u>2,469,483</u>	<u>2,468,505</u>
EQUITY			
Share capital	15	11,111	8,991
Reserves		<u>1,857,911</u>	<u>1,868,300</u>
Equity attributable to the Company's owners		<u>1,869,022</u>	<u>1,877,291</u>
Non-controlling interests		<u>600,461</u>	<u>591,214</u>
Total equity		<u>2,469,483</u>	<u>2,468,505</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS



	For the six months ended	
	30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	(205,523)	(5,562)
Net cash generated (used in)/from investing activities	(416,251)	2,694
Net cash generated from/(used in) financing activities	96,338	(23)
Net decrease in cash and cash equivalents	(525,436)	(2,891)
Cash and cash equivalents at beginning of period	777,378	636,435
Effect of foreign exchange rate changes	57,410	—
Cash and cash equivalents at end of period	309,352	633,544
Analysis of cash and cash equivalents		
Bank balances and cash	309,352	633,544

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



For the six months ended 30 June 2011 (unaudited)

	Attributable to owners of the Company												
	Share capital	Share premium	Currency translation reserve	Capital reserve	Contributed surplus	Capital redemption reserve	Property revaluation reserve	Fair value reserve for available-for-sale financial assets	Share-based compensation reserve	Convertible notes reserve	Retained profit	Total	Non-controlling interests
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011	8,991	365,359	(1,556)	801	283,208	77	18,071	35	16,966	602,879	582,460	1,877,291	591,214
Conversion of convertible notes	2,120	151,050	—	—	—	—	—	—	—	(34,014)	—	119,156	—
Total comprehensive income for the period	—	—	99,464	—	—	—	—	—	—	—	(226,889)	(127,425)	9,247
At 30 June 2011	11,111	516,409	97,908	801	283,208	77	18,071	35	16,966	568,865	355,571	1,869,022	600,461

For the six months ended 30 June 2010 (unaudited)

	Attributable to owners of the Company										
	Share capital	Share premium	Currency translation reserve	Capital reserve	Contributed surplus	Capital redemption reserve	Property revaluation reserve	Fair value	Share-based compensation reserve	Retained profit	Total equity
								reserve for available-			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010	8,991	365,359	(1,487)	801	283,208	77	11,639	2,815	16,966	51,393	739,762
Total comprehensive income for the period	—	—	—	—	—	—	—	(2,815)	—	(4,687)	(7,502)
At 30 June 2010	8,991	365,359	(1,487)	801	283,208	77	11,639	—	16,966	46,706	732,260

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2011

1. General Information

Talent Property Group Limited (formerly known as Tomorrow International Holdings 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) property development and investment in the People’s Republic of China (“PRC”); (ii) the design, development, manufacture and sale of electronic products; (iii) the trading of listed equity investments and commodities; (iv) the provision of loan financing; and (v) the hotel operation.

2. Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2011 are unaudited but have been reviewed by the Audit Committee.

The interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s 2010 annual 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 2010 except as stated in note 3 below.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards

The following new standard and amendment to standard are mandatory for the first time for the financial year beginning 1 January 2011.

Amendment to HKAS 34 ‘Interim financial reporting’ is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transaction.

The following interpretations, amendments and revision to existing standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011. These amendments are not expected to have a significant financial impact on the results and financial position of the Group.

HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of rights issues
Amendment to HKFRS 1	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
Amendment to HK(IFRIC)-Int 14	Prepayments of a minimum funding requirement
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2011

In addition, HKICPA also published a number of amendments for the existing standards under its annual improvement project. These amendments, except for amendment to HKAS 34 “Interim financial reporting”, are not expected to have a significant financial impact on the results and financial position of the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective and have not been early adopted. The directors of the Group anticipate that the adoption of these standards, amendments to standards and interpretations would not result in a significant impact on the results and financial position of the Group. The Group will adopt the above new standards, amendments to standards and interpretations when they become effective.

HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets ²
HKFRS 1 (Amendment)	Disclosures — Severe hyperinflation and removal of fixed dates for first-time adopters ¹
HKFRS 7 (Amendment)	Disclosures — Transfers of financial assets ¹
HKFRS 9	Financial instruments ³
HKFRS 10	Consolidated financial statements ³
HKFRS 11	Joint arrangements ³
HKFRS 12	Disclosure of interests in other entities ³
HKFRS 13	Fair value measurements ³

¹ effective for annual periods beginning on or after 1 July 2011

² effective for annual periods beginning on or after 1 January 2012

³ effective for annual periods beginning on or after 1 January 2013

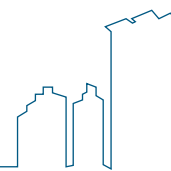
4. Segment Information

The executive directors have identified the Group’s six (2010: six) products and service lines as operating segments as follows.

- (a) Electronic products consists of the manufacturing and sales of electronic products;
- (b) Equity and commodity investments consists of investments in equity securities and precious metals;
- (c) Provision of loan finance consists of loan financing services;
- (d) Properties development consists of the sales and leases of properties which were completed;
- (e) Properties investment consists of the leasing of investment properties;
- (f) Hotel operation consists of the operation of the hotel (which was under development during the period).

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2011

For the six months ended 30 June 2011 (unaudited)

	Electronic products HK\$'000	Equity and commodity investments HK\$'000	Provision of loan finance HK\$'000	Properties development HK\$'000	Properties investment HK\$'000	Hotel operation HK\$'000	Total HK\$'000
Revenue from external customer							
Reportable segment revenue	153,220	5,710	—	153,366	13,951	—	326,247
Reportable segment profit/(loss)	204	(707)	(14)	(18,551)	11,782	(30,074)	(37,360)

For the six months ended 30 June 2010 (unaudited)

	Electronic products HK\$'000	Equity and commodity investments HK\$'000	Provision of loan finance HK\$'000	Properties development HK\$'000	Properties investment HK\$'000	Hotel operation HK\$'000	Total HK\$'000
Revenue from external customer							
Reportable segment revenue	145,767	—	—	—	—	—	145,767
Reportable segment profit/(loss)	451	1,087	(13)	—	—	—	1,525

As at 30 June 2011 (unaudited)

	Electronic products HK\$'000	Equity and commodity investments HK\$'000	Provision of loan finance HK\$'000	Property development HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Unallocated HK\$'000	Total HK\$'000
Reportable segment assets	130,598	6,582	5	4,166,962	991,748	1,755,216	1,472,035	8,523,146
Reportable segment liabilities	(54,560)	(60)	(15)	(739,862)	(28,118)	(460,343)	(4,770,705)	(6,053,663)

As at 31 December 2010 (audited)

	Electronic products HK\$'000	Equity and commodity investments HK\$'000	Provision of loan finance HK\$'000	Property development HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Unallocated HK\$'000	Total HK\$'000
Reportable segment assets	167,308	12,945	—	3,980,407	1,149,265	1,625,827	1,923,470	8,859,222
Reportable segment liabilities	(73,396)	(40)	(10)	(375,533)	(5,699)	—	(5,936,039)	(6,390,717)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2011

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

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Reportable segment revenue and Group revenue	326,247	145,767
Reportable segment (loss)/profit	(37,360)	1,525
Share of loss of an associate	(1,303)	—
Loss on disposal of investment properties	(1,892)	—
Fair value changes on investment properties	18,405	—
Fair value changes on derivative financial instrument	(63,651)	—
Gain on disposal of available-for-sale financial assets	—	4,333
Finance costs	(111,809)	—
Income tax (expense)/credit	(2,354)	564
Unallocated expenses	(35,346)	(13,052)
Unallocated income	2,108	1,943
Loss for the period	(233,202)	(4,687)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2011

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

Revenue from external customers:

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong (domicile) (note (a))	19,767	18,569
North America (note (b))	27,372	20,791
Europe (note (c))	13,959	15,377
Japan	89,848	84,094
Mainland China	169,054	—
Others (note (d))	6,247	6,936
Total	326,247	145,767

Non-current assets:

	As at	
	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Hong Kong (domicile) (note (a))	52,025	36,586
Mainland China	2,768,660	2,817,275
Total	2,820,685	2,853,861

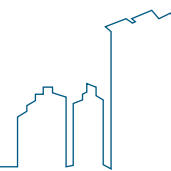
Notes:

- (a) The place of domicile is determined based on the location of central management.
- (b) Principally included the United States of America ("the USA") and Canada.
- (c) Principally included the United Kingdom, France, Germany and the Mainland Europe.
- (d) Principally included Taiwan, Korea and elsewhere in Asia.

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011



5. Revenue

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

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales of electronic products	153,220	145,767
Trading of precious metal	5,710	—
Sales of properties	152,975	—
Gross rental income from investment properties	13,951	—
Gross rental income from car parking spaces	391	—
Total	326,247	145,767

6. Other Revenue and Net Income

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other revenue		
Interest income on financial assets carried at amortised costs	1,708	1,579
Products development income	295	669
Compensation from vendors	121	119
Gross rental income from plant and equipment	62	—
Others	576	43
	2,762	2,410
Other net income		
Exchange gain/(loss), net	137	(54)
Gain on disposal of available-for-sale financial assets	—	4,333
Realised gain on financial assets at fair value through profit or loss	—	234
Unrealized gain on financial assets at fair value through profit or loss	—	517
Unrealized gain on inventory at fair value	—	558
	137	5,588
	2,899	7,998

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2011

7. Finance Costs

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank loan borrowing, gross	30,648	—
Less: amount capitalized to properties under development and the hotel property	(20,733)	—
Interest on bank loan borrowing, net	9,915	—
Interest on other loans wholly repayable within five year	22,874	—
Interest on convertible notes	70,743	—
Interest on promissory notes	8,277	—
	111,809	—

8. Loss before Income Tax

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before income tax is arrived at after charging:		
Cost of inventories sold	133,147	121,162
Cost of properties sold	161,017	—
Depreciation on property, plant and equipment	7,864	4,709
Amortisation of leasehold land and land use rights	15,985	—
Research and development costs (including amortisation charge on capitalised deferred product development costs)	413	486
Unrealised loss on financial assets at fair value through profit or loss	820	—
Provision for slow moving inventories	1,500	1,900
Net loss on disposal of property, plant and equipment	554	19

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2011

9. Income Tax Expense/(Credit)

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
Hong Kong		
— Tax for the period	58	89
— Over provision in respect of prior years	—	(653)
	<u>58</u>	<u>(564)</u>
The PRC — Corporate Income Tax		
— Tax for the period	<u>1,202</u>	<u>—</u>
Deferred tax		
— Tax for the period	<u>1,094</u>	<u>—</u>
Total income tax expenses/(credit)	<u>2,354</u>	<u>(564)</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

The National People's Congress of the PRC approved the Corporate Income Tax Law of the PRC (the "New Tax Law") on 16 March 2007. With effective from 1 January 2008, the tax rate applicable to the enterprises established in the PRC will be unified at 25% with certain preferential provisions. Except for one of the Group's subsidiaries, Gaojin Electronics (Shenzhen) Co., Ltd is entitled to preferential tax treatments granted by the relevant tax authorities in the PRC and is subject to a lower income tax rate of 20%, until the unified tax rate of 25% gradually transitioned in 2012.

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 2011, the Group has not accrued any withholding income tax for the earnings of its PRC subsidiaries, because the Group does not have a plan to distribute earnings from its PRC subsidiaries generated in the period from 1 January 2008 to 30 June 2011 in the foreseeable future.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2011

10. Loss per Share

Basic loss per share

The calculation of loss per share is based on the loss attributable to the owners of the Company of approximately HK\$226,889,000 (2010: loss of approximately HK\$4,687,000) and on the weighted average of 2,278,510,739 (2010: 2,247,682,010) ordinary shares in issue during the period.

Diluted loss per share

Diluted loss per share for the period ended 30 June 2010 and 2011 is not presented because the impact of the exercise of the share options and the conversion of convertible notes is anti-dilutive.

11. Trade Receivables

	As at	
	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Trade receivables	27,612	104,411
Less: Provision for impairment of trade receivables recognised	(318)	(318)
Trade receivables — net	27,294	104,093

The majority of the Group's sales are on credit or documents against payment. According to the credit rating of different trade customers, the Group allows a range of credit periods ranging from 30 days to 90 days to them.

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

	As at	
	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
0 to 90 days	24,052	41,109
91 to 180 days	888	6,925
181 to 365 days	42	20,895
Over 365 days	2,312	35,164
	27,294	104,093

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2011

12. Prepayments, Deposit and Other Receivables

	As at	
	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Deposits	3,084	2,451
Prepayments	4,795	941
Other receivables (note (a))	592,676	585,829
	600,555	589,221

Note:

- (a) The amount of other receivable included HK\$456,760,000 or equivalent to RMB380,000,000 (31 December 2010: HK\$444,980,000 or equivalent to RMB380,000,000) which is indemnified by Talent Trend Holdings Limited according to the sales and purchase agreement for the sale of Talent Central Limited to the Group.

13. Trade Payables

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

	As at	
	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
0 to 90 days	27,914	42,321
91 to 180 days	1,040	1,541
Over 365 days	11,554	14,859
	40,508	58,721

14. Accruals, Deposits received and Other Payables

	As at	
	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Deposits received	830	1,509
Receipts in advance from customers	191,698	24,214
Accruals	275,662	277,003
Other payables (note (a))	305,744	1,291,680
	773,934	1,594,406

Note:

- (a) As at 30 June 2011, the amount of other payables included other tax payables for the approximate amount of HK\$221,204,000. As at 31 December 2010, the amount of other payables included other tax payables for the approximate amount of HK\$227,462,000, the cash payables to Talent Trend Holdings Limited for the acquisition of Talent Central Limited for the amount of HK\$40,000,000 and the amounts due to an associate for the approximate amount of HK\$312,509,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2011

15. Share Capital

	As at			
	30 June 2011		31 December 2010	
	Number	HK\$'000	Number	HK\$'000
	of shares	(unaudited)	of shares	(audited)

Authorised:

Ordinary shares of HK\$0.004 each

125,000,000,000

500,000

125,000,000,000

500,000

	For the six months ended 30 June			
	2011		2010	
	Number	HK\$'000	Number	HK\$'000
	of shares		of shares	

Issued and fully paid:

Ordinary shares of HK\$0.004 each

At 1 January

2,247,682,010

8,991

2,247,682,010

8,991

Issue upon conversion of convertible notes
(Note)

530,000,000

2,120

—

—

At 30 June

2,777,682,010

11,111

2,247,682,010

8,991

Note:

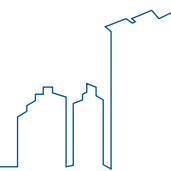
On 16 June 2011, a convertible note holder has exercised conversion right to convert part of the principal amount into 120,000,000 ordinary shares of the Company at the exercise price of HK\$0.33 per share.

On 20 June 2011, convertible note holders have exercised conversion right to convert part of the principal amount into 310,000,000 ordinary shares of the Company at the exercise price of HK\$0.33 per share.

On 22 June 2011, a convertible note holder has exercised conversion right to convert part of the principal amount into 100,000,000 ordinary shares of the Company at the exercise price of HK\$0.33 per share.

The details of the convertible notes which are set out in note 16 to the condensed financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2011

16. Convertible Notes

On 10 December 2010, the Company issued convertible notes with a principal amount of HK\$3,100 million as part of the consideration to acquire Talent Central Limited. The convertible notes were denominated in Hong Kong Dollars, unsecured, transferrable and interest-free. The convertible notes entitled the holders thereof to convert the convertible notes, in whole or in part, into ordinary shares of the Company at a conversion price of HK\$0.33 per share, at any time after the expiry of the put option to and including 10 December 2015 (the "Maturity Date"). The Company has option to redeem the outstanding principal amount of the convertible notes at any time after the third anniversary from the date of the issue of the convertible notes at 100% of the face amount thereof.

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2011

	As at	
	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Liability component	2,198,813	2,259,301
Derivative component	(201,936)	(277,662)
	1,996,877	1,981,639
Liability component		
At beginning of the year	2,259,301	—
Fair value of convertible notes issued	—	2,249,011
Converted into Company's shares	(131,231)	—
Imputed finance cost	70,743	10,290
At end of the year	2,198,813	2,259,301
Derivative component		
At beginning of the year	(277,662)	—
Fair value of convertible notes issued	—	(277,662)
Converted into Company's shares	12,075	—
Fair value change	63,651	—
At end of the year	(201,936)	(277,662)
Carrying amount	1,996,877	1,981,639

At 30 June 2011, convertible notes with principal amounts of HK\$2,925,100,000 remained outstanding.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2011

17. Promissory Notes

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

	HK\$'000
Principal sum on date of issue	160,000
Fair value adjustment at the issuance date	(25,647)
At initial recognition	134,353
Imputed finance cost	919
Non-current liability component at 31 December 2010 (audited)	135,272
Imputed finance cost	8,277
Non-current liability component at 30 June 2011 (unaudited)	143,549

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

18. Capital Commitments

	As at	
	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Capital commitments (contracted but not provided for):		
Construction of properties under development	690,620	247,961
Capital commitments (authorised but not contracted for):		
Construction of properties under development	1,189,487	1,879,150
	1,880,107	2,127,111

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2011

19. Pledge of Assets and Contingent Liabilities

	As at	
	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Guarantee given in respect of banking facilities for:		
— Third parties (note (a))	96,160	151,059
— Mortgage facilities for certain purchasers of the Group's property units (note (b))	15,157	20,024
	111,317	171,083

Notes:

- (a) As at 30 June 2011, the Group's investment properties with fair value of approximately HK\$31,262,000 (31 December 2010: HK\$240,465,000) was pledged to banks to secure general banking facilities granted to third parties to the extent of HK\$12,020,000 (31 December 2010: HK\$69,089,000). Besides the above investment properties, the Group had also provided corporate guarantees by its subsidiaries to secure general banking facilities granted to third parties to the extent of HK\$84,140,000 (31 December 2010: HK\$81,970,000).

Under the guarantees, the Group would be liable to pay the bank if the bank is unable to recover the amount granted.

At the reporting date, no provision for the Group's obligation under the guarantee contract has been made as the directors consider that it is not probable that the amount granted will be in default.

- (b) It represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Of the amounts as at 30 June 2011 of HK\$15,157,000 (31 December 2010: HK\$20,024,000), was to be discharged upon earlier of (i) issuance of the real estate ownership certificate which are generally be available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loan by the purchasers of properties.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2011

20. Related Party Transactions

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

(a) Compensation of key management personnel:

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

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term benefits	3,949	2,612
Post-employment benefits	127	116
	<u>4,076</u>	<u>2,728</u>

(b) Balance with related party:

	As at	
	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(audited)

Balances due from/(to) a related party

— included in prepayment, deposits and other receivables and accruals and other payables

Associate:

廣州新天房地產發展有限公司

Guangzhou Xintian Properties Development Limited

<u>18,358</u>	<u>(312,509)</u>
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Balances due from/(to) a related party are unsecured, interest-free and settled according to the contract terms.