THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institutions in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Talent Property Group Limited** (the "**Company**"), you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer, registered institutions in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

新天地产
TALENT PROPERTY

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 00760)

(1) CONNECTED TRANSACTION IN RELATION TO THE PROPOSED FURTHER AMENDMENT OF THE TERMS AND CONDITIONS OF THE 2010 CONVERTIBLE NOTES; (2) CONVERSION OF THE 2010 CONVERTIBLE NOTES; (3) APPLICATION FOR WHITEWASH WAIVER; AND (4) NOTICE OF SGM

Financial Adviser to the Company

大有融資有限公司
MESSIS CAPITAL LIMITED

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

ASTRUM
Astrum Capital Management Limited
阿仕特朗資本管理有限公司

A letter of advice from Astrum Capital Management Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its opinion is set out on pages 20 to 41 of this circular. A notice convening a special general meeting of the Company to be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong on Wednesday, 1 June 2016 at 4:00 p.m. is set out on pages N-1 to N-3 of this circular. If you are unable to attend the meeting in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, the branch share registrar of the Company in Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

* *For identification purposes only*

12 May 2016

CONTENTS

In this circular, the following words and expressions shall, unless the context otherwise requires, have the same meanings when used herein:

"2010 Convertible Notes"	the outstanding zero coupon convertible notes in the aggregate principal amount of HK$2,139.85 million as at the Latest Practicable Date issued by the Company which enables Talent Trend to convert into 6,484,393,939 new Shares, and each a "2010 Convertible Note"
"Acquisition"	the acquisition of the entire issued share capital of Talent Central Limited by Canton Million from Talent Trend under the Agreement
"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"Agreement"	the conditional sale and purchase agreement dated 6 July 2010 entered into between Canton Million and Talent Trend relating to the Acquisition
"Announcement"	the joint announcement of the Company and Talent Trend dated 11 January 2016 in relation to, among other things, (a) entering into the Second Supplemental Deed of Amendment for the Proposed Amendment; (b) conversion of the 2010 Convertible Notes; and (c) application for Whitewash Waiver
"associates"	has the meaning ascribed thereto under the Listing Rules
"Astrum Capital" or "Independent Financial Adviser"	Astrum Capital Management Limited, a corporation licensed by the SFC to carry on Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and Independent Shareholders (a) as to whether the Proposed Amendment under the Second Supplemental Deed of Amendment and Whitewash Waiver is, or is not, fair and reasonable and (b) as to voting
"Board"	the board of Directors
"Business Day"	a day (excluding, Saturdays, Sundays and public holidays) on which commercial banks are open for business in Hong Kong and the Stock Exchange is open for trading
"Canton Million"	Canton Million Investments Limited, a limited liability company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company

"CN Amendment and Conversion"	the amendment and subsequent conversion of the 2010 Convertible Notes, such that Talent Trend may convert the 2010 Convertible Notes into new Shares of the Company resulting in it holding 30% or more in the enlarged issued share capital of the Company (which would involve obtaining a whitewash waiver by Talent Trend to waive the obligation of Talent Trend to make a mandatory general offer in respect of the relevant securities of the Company under the Takeovers Code)
"Company"	Talent Property Group Limited, a company incorporated in Bermuda with limited liability and listed on the Main Board of the Stock Exchange with a stock code of 00760
"Conversion Notice"	the notice to be issued by Talent Trend to the Company for the exercise of the conversion rights under the 2010 Convertible Notes in the aggregate principal amount of HK$2,139.85 million in accordance with the terms and conditions of the 2010 Convertible Notes
"Conversion Shares"	the new 6,484,393,939 Shares to be issued and allotted upon exercise of the conversion rights under the 2010 Convertible Notes as amended by the Deed of Amendment, the Supplemental Deed of Amendment and the Second Supplemental Deed of Amendment, and each a "Conversion Share"
"Deed of Amendment"	the deed of amendment dated 20 October 2015 entered into between the Company and Talent Trend relating to the Original Extension
"Directors"	the directors of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
"Group"	the Company and its subsidiaries
"Independent Board Committee"	the board committee comprising all the independent non-executive Directors to advise the Independent Shareholders (i) as to whether the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver is, or is not, fair and reasonable and (ii) as to voting
"Independent Property Valuer"	B.I. Appraisals Limited

"Independent Shareholders"	Shareholders of the Company other than Talent Trend and parties acting in concert with it and those who are involved in, or interested in the 2010 Convertible Notes, the CN Amendment and Conversion, the Deed of Amendment, the Supplemental Deed of Amendment for the Proposed Extension, the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver
"Latest Practicable Date"	9 May 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Messis Capital"	Messis Capital Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Company
"Original Extension"	the then proposed extension of the conversion period and maturity date to 10 December 2016 for the 2010 Convertible Notes held by Talent Trend in the principal amount of HK$1,929.85 million
"PRC"	the People's Republic of China (for the purpose of this circular, excluding Hong Kong and Macau Special Administrative Region)
"Proposed Amendment"	the proposed amendment to the terms of 2010 Convertible Notes which involves allowing a holder to convert the 2010 Convertible Notes into Conversion Shares, resulting in it holding 30% or more in the issued share capital of the Company
"Proposed Extension"	the proposed amendment to the terms of the 2010 Convertible Notes which involves a one-year extension of both the conversion period and maturity date of the 2010 Convertible Notes (such that the maturity date will become 10 December 2016 from 10 December 2015)
"Put Option"	the option granted by Talent Trend to Canton Million under the Agreement pursuant to which Canton Million has the right to require Talent Trend to buy back the entire interest of Talent Central within six months from completion of the Acquisition

"Relevant Period"	the period commencing 11 July 2015, being the date falling six months before the date of the Announcement, up to and including the Latest Practicable Date
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held and convened for the Independent Shareholders to consider and approve, if thought fit, the Proposed Amendment under the Second Supplemental Deed of Amendment and the application for the Whitewash Waiver
"Second Supplemental Deed of Amendment"	the second supplemental deed of amendment dated 11 January 2016 entered into between the Company and Talent Trend relating to the further amending of the terms and conditions of the 2010 Convertible Notes
"Share(s)"	the ordinary share(s) of HK$0.004 each in the issued share capital of the Company
"Shareholders"	holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Deed of Amendment"	the supplemental deed dated 4 November 2015 entered into between the Company and Talent Trend relating to an addition of 2010 Convertible Notes in the principal amount of HK$210 million to the Original Extension
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs
"Talent Trend"	Talent Trend Holdings Limited, the ultimate beneficial owner of which is Mr. Zhang Gao Bin

"Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of Talent Trend to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by Talent Trend and parties acting in concert with it under Rule 26 of the Takeovers Code which would otherwise arise as a result of the conversion of the 2010 Convertible Notes into Shares pursuant to the terms of the Second Supplemental Deed of Amendment
"Xintian Banshan"	a residential project developed by the Group and located at Tonghe Road, Baiyun District, Guangzhou City, Guangdong Province, the PRC

TALENT PROPERTY GROUP LIMITED
新 天 地 產 集 團 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00760)

Executive Directors:
Mr. You Xiaofei *(Chairman)*
Mr. Luo Zhangguan

Independent non-executive Directors:
Mr. Lo Wai Hung
Mr. Chan Chi Mong, Hopkins
Mr. Mak Yiu Tong

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business in Hong Kong:
Unit A704, 3rd Floor, Tower A
New Mandarin Plaza
No. 14 Science Museum Road
Tsim Sha Tsui East
Hong Kong

Principal place of business in the PRC:
21/F, No. 281 Linhe Dong Road
Guangzhou
PRC

12 May 2016

To: the Independent Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION IN RELATION TO THE PROPOSED FURTHER AMENDMENT OF THE TERMS AND CONDITIONS OF THE 2010 CONVERTIBLE NOTES; (2) CONVERSION OF THE 2010 CONVERTIBLE NOTES; (3) APPLICATION FOR WHITEWASH WAIVER; AND (4) NOTICE OF SGM

* *For identification purposes only*

INTRODUCTION

Reference is made to the announcements of the Company dated 20 October 2015, 4 November 2015, 1 December 2015 and 4 December 2015, and the circular of the Company dated 16 November 2015 in relation to, among other things, entering into the Deed of Amendment and the Supplemental Deed of Amendment for the Proposed Extension. Reference is also made to the Announcement.

As disclosed in the Announcement, Talent Trend, being the holder of the 2010 Convertible Notes in the principal amount of HK$2,139.85 million as at the Latest Practicable Date, and the Company entered into the Second Supplemental Deed of Amendment to further amend certain terms of the 2010 Convertible Notes. Pursuant to the terms of the Second Supplemental Deed of Amendment, Talent Trend has agreed to, within five Business Days subsequent to the satisfaction of: (a) obtaining the approval from the Stock Exchange; (b) obtaining the Whitewash Waiver from the Executive and (c) obtaining Independent Shareholders' approval at the SGM, issue the Conversion Notice to the Company for the conversion of, and to convert, the 2010 Convertible Notes in the aggregate principal amount of HK$2,139.85 million in accordance with the terms of the 2010 Convertible Notes.

Upon the completion of the conversion of the 2010 Convertible Notes, the shareholding in the Company held by Talent Trend and parties acting in concert with it will in aggregate be increased from approximately 6.40% of the total issued share capital of the Company as at the Latest Practicable Date to approximately 65.37% of the total issued share capital of the Company as enlarged by the issue of the Conversion Shares, and hence Talent Trend will become the controlling Shareholder of the Company as defined under the Listing Rules.

An application has been submitted by Talent Trend to the Executive for the granting of the Whitewash Waiver. The Executive has indicated that it is minded to, subject to approval by the Independent Shareholders at the SGM by way of poll, grant the Whitewash Waiver. If the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders, the shareholding in the Company held by Talent Trend and parties acting in concert with it will exceed 50%, Talent Trend and parties acting in concert with it may further increase their shareholding in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

The purpose of this circular is to provide you with, among other things, (a) further information on the Proposed Amendment under the Second Supplemental Deed of Amendment; (b) the application for Whitewash Waiver; and (c) other information as required under the Listing Rules and the Takeovers Code. This circular also contains a letter from Astrum Capital to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver, a letter of advice containing the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver and a notice of the SGM.

SECOND SUPPLEMENTAL DEED OF AMENDMENT

Date

11 January 2016

Parties

(i) the Company; and

(ii) Talent Trend, being the holder of the 2010 Convertible Notes in the principal amount of HK$2,139.85 million as at the Latest Practicable Date.

As at the Latest Practicable Date, Talent Trend is wholly-owned by Mr. Zhang Gao Bin. Talent Trend and parties acting in concert with it hold in aggregate 243,705,000 Shares in the Company, representing approximately 6.40% of the issued share capital of the Company as at the date hereof. Other than disclosed above, there are no other voting rights, rights over shares or any convertible securities, warrants and options of the Company, which Talent Trend and/or parties acting in concert with it hold, own or over which they have control or direction as at the Latest Practicable Date.

Summary of terms

Pursuant to the Second Supplemental Deed of Amendment, the parties have agreed to remove the restriction under clause 5.5 of the terms and conditions of the 2010 Convertible Notes, which states that a holder of the 2010 Convertible Notes may not convert the 2010 Convertible Notes if, as a result of such conversion, would render such holder and parties acting in concert with it being interested in 29.9% or more of the issued share capital of the Company at the time, thereby triggering a mandatory offer obligation under Rule 26 of the Takeovers Code.

Pursuant to the terms of the Second Supplemental Deed of Amendment, Talent Trend has agreed to, within five Business Days subsequent to the satisfaction of: (a) obtaining the approval from the Stock Exchange; (b) obtaining the Whitewash Waiver from the Executive; and (c) obtaining Independent Shareholders' approval at the SGM, issue the Conversion Notice to the Company for the conversion of, and to convert, the 2010 Convertible Notes in the aggregate principal amount of HK$2,139.85 million in accordance with the terms of the 2010 Convertible Notes.

PRINCIPAL TERMS OF THE 2010 CONVERTIBLE NOTES

The principal terms of the 2010 Convertible Notes are set out in the circular of the Company dated 29 October 2010. Apart from the Proposed Extension as set out in the circular of the Company dated 16 November 2015, and the Proposed Amendment under the Second Supplemental Deed of Amendment as set out above, all other terms and conditions of the 2010

Convertible Notes remain intact and unchanged. The principal terms of the 2010 Convertible Notes, as amended by the Proposed Amendment, are as follows:

Issuer	:	the Company
Principal amount	:	HK$2,139.85 million
Maturity date	:	the sixth anniversary of the date of issue of the 2010 Convertible Notes, being 10 December 2016
Interest	:	the 2010 Convertible Notes shall accrue no interest
Conversion price	:	HK$0.33 per new share issued and allotted upon exercise of the conversion rights under the 2010 Convertible Notes, subject to usual anti-dilution adjustments for, among others, (i) consolidation or subdivision of Shares; (ii) capitalisation of profits or reserves of the Company; (iii) capital distributions by the Company; (iv) rights issues of Shares or grant of warrants or options over Shares at a price which is less than 90% of the then market price of the Shares; (v) issues of securities to all Shareholders by way of rights or grant to all Shareholders by way of rights, options, warrants or other rights to subscribe for or purchase any securities; (vi) issue by the Company wholly for cash Shares at a price which is less than 90% of the then market price of the Shares; (vii) issue by the Company (otherwise than as mentioned in paragraphs (iv), (v) or (vi) above) wholly for cash any securities (other than the 2010 Convertible Notes) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares at a price which is less than 90% of the then market price of the Share; and (viii) modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned above so that following such modification the consideration per Share receivable by the Company in respect of such conversion, exchange or subscription is less than 90% of the then market price of the Shares. Each adjustment to the conversion price will be certified either by the auditors of the Company for the time being or by an approved financial adviser
Conversion period	:	the period commencing from the first Business Day after the expiry of the Put Option up to 4:00 p.m. (Hong Kong) time on the extended maturity date

Conversion	:	a holder of the 2010 Convertible Notes shall have the right at any time and from time to time during the conversion period to convert the whole or part of the outstanding principal amount of the 2010 Convertible Note(s) in minimum amount of HK$500,000 or whole multiple thereof into Conversion Shares, save that if the outstanding principal amount of a 2010 Convertible Note is less than HK$500,000 the whole (but not part only) of the outstanding principal amount of such 2010 Convertible Note shall be converted; provided that no 2010 Convertible Notes may be converted, to the extent that the minimum public float requirement of the Company as required under the Listing Rules cannot be satisfied
Transferability	:	freely transferable in minimum amount of HK$500,000 or whole multiple thereof (or such lesser amount as may represent the entire amount outstanding under a 2010 Convertible Note) during the conversion period but may not be transferred to a connected person of the Company without the prior consent of the Company
Early redemption	:	the Company may redeem the outstanding principal amount of the 2010 Convertible Notes or any part thereof in minimum amount of HK$500,000 or whole multiple thereof at any time after the third anniversary from the date of the issue of the 2010 Convertible Notes at 100% of the face amount thereof
Redemption on maturity	:	the Company shall redeem any 2010 Convertible Notes that remains outstanding at 4:00 p.m. (Hong Kong time) on the maturity date at its principal amount, being 10 December 2016
Listing	:	the 2010 Convertible Notes will not be listed on the Stock Exchange or any other stock exchange

CONVERSION PRICE

The conversion price of HK$0.33 per Conversion Share represents:

(a) a premium of approximately 124.5% over the closing price of HK$0.147 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a premium of approximately 44.7% over the closing price of HK$0.228 per Share as quoted on the Stock Exchange on 8 January 2016, being the last Business Day immediately preceding the date of the Announcement; and

(c) a premium of approximately 120% over the average closing price of approximately HK$0.150 per Share as quoted on the Stock Exchange for the five consecutive trading days ended up to and including the Latest Practicable Date.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SECOND SUPPLEMENTAL DEED OF AMENDMENT

Pursuant to the terms of the 2010 Convertible Notes and as amended by the Deed of Amendment, the Supplemental Deed of Amendment and the Shareholders' resolutions on 1 December 2015, the Company shall redeem all outstanding 2010 Convertible Notes at 4:00 p.m. on 10 December 2016, which as at the Latest Practicable Date, totals HK$2,139.85 million.

The current level of cash, cash equivalents and current assets of the Group is not sufficient to meet the capital requirements of the Group for the purposes of satisfying the cash redemption of the 2010 Convertible Notes. The Company has been seeking alternatives to satisfy the funding required for redemption of the outstanding amount of 2010 Convertible Notes but remains unable to do so. The Board is of the view that the properties and projects of the Group are operational in nature and it would be detrimental to the Company and the Shareholders if the Company is required to dispose of these assets under time pressure at a discounted price in order to redeem the 2010 Convertible Notes.

Given the circumstances, the Board considers that the entering into of the Second Supplemental Deed of Amendment and the conversion of the 2010 Convertible Notes would be the best outcome for the Company.

In view of the above, the Directors consider that the terms of the Second Supplemental Deed of Amendment are fair and reasonable and the Proposed Amendment under the Second Supplemental Deed of Amendment and application for Whitewash Waiver are in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming that the 2010 Convertible Notes are converted in full, a total number of 6,484,393,939 Shares will be issued, representing approximately 170.25% of the total issued share capital of the Company as at the Latest Practicable Date, and approximately 63.0% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date, (ii) immediately upon conversion of the 2010 Convertible Notes under the conversion restriction, and (iii) immediately upon the full conversion of the 2010 Convertible Notes, in each case assuming there being no other change in the share capital of the Company, save for the issue of the Conversion Shares upon the relevant conversion of the 2010 Convertible Notes:

Shareholders	As at the Latest Practicable Date		Immediately upon conversion of the 2010 Convertible Notes under the conversion restriction		Immediately upon the full conversion of the 2010 Convertible Notes *(Note 6)*	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*
Talent Trend *(Note 1)*	—	—	1,276,903,055	25.11	6,484,393,939	63.00
Mr. Zhang Gao Bin *(Note 2)*	104,465,000	2.74	104,465,000	2.05	104,465,000	1.02
Mr. Zhang Guo Ming *(Note 3)*	139,240,000	3.66	139,240,000	2.74	139,240,000	1.35
Subtotal of Talent Trend and parties acting in concert with it:	243,705,000	6.40	1,520,608,055	29.90	6,728,098,939	65.37
Winspark Venture Limited* *(Note 4)*	829,509,340	21.78	829,509,340	16.31	829,509,340	8.06
Top Rich Limited* *(Note 5)*	494,766,515	12.99	494,766,515	9.73	494,766,515	4.81
Public Shareholders	2,240,761,760	58.83	2,240,761,760	44.06	2,240,761,760	21.76
Total:	3,808,742,615	100.00	5,085,645,670	100.00	10,293,136,554	100.00

Notes:

1. The entire issued share capital of Talent Trend is directly, beneficially and wholly owned by Mr. Zhang Gao Bin.

2. Mr. Zhang Gao Bin personally holds 104,465,000 shares of the Company, representing approximately 2.74% issued share capital of the Company. This calculation excludes the shares in the Company held by Talent Trend.

3. Mr. Zhang Guo Ming is the father of Mr. Zhang Gao Bin.

4. The entire issued share capital of Winspark Venture Limited is directly, beneficially and wholly owned by Ms. Chan Man Ling.

5. The entire issued share capital of Top Rich Limited is held by Ace Class Global Limited, which is directly, beneficially and wholly owned by Mr. Lee Hon Nam.

6. This is for illustration purpose only as the current terms of the 2010 Convertible Notes has certain restrictions on the conversion of the 2010 Convertible Notes.

7. * indicates Shareholders whose shareholding will be counted towards the public float of the Company upon full conversion of the 2010 Convertible Notes.

Immediately upon full conversion of the 2010 Convertible Notes, the public float of the Company will be approximately 34.63%, which is above the minimum 25% of the total issued share capital of the Company required to be held by the public pursuant to Rule 8.08(1)(a) of the Listing Rules. The Company understands that Talent Trend intends to continue to meet the public float requirements of Rule 8.08 of the Listing Rules.

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not undertaken any equity fund raising activity in the past 12 months immediately preceding the Latest Practicable Date.

FUTURE INTENTIONS OF TALENT TREND REGARDING THE GROUP

It is the intention of Talent Trend that the Group will continue its current business and its employment of the employees of the Group upon completion of the conversion of the 2010 Convertible Notes. Talent Trend has no intention to introduce any major changes in the business of the Group and to make any major changes to employment of employees of the Group or to redeploy the fixed assets of the Group other than those carried out in ordinary course of business of the Company upon completion of the conversion of the 2010 Convertible Notes. There is no current plan for changing the composition of the Board and the senior management of the Company. Upon completion of the conversion of the 2010 Convertible Notes, Talent Trend may review the composition of the Board and the senior management of the Company and make appropriate changes if needed. The Group is actively focused on the construction, sales and marketing of Xintian Banshan, as well as identifying business opportunities in areas other than properties in order to reduce the market risk and to bring fruitful results to the Shareholders. As at the Latest Practicable Date, no target has been identified by the Group and Talent Trend currently does not have any intention to inject new assets or introduce new business to the Company upon completion of conversion.

APPROVAL OF THE LISTING OF, AND PERMISSION TO DEAL IN, THE CONVERSION SHARES

As disclosed in the announcement of the Company dated 4 December 2015, the Listing Committee has on 4 December 2015 granted approval of the listing of, and permission to deal in, the Conversion Shares.

INFORMATION ON THE GROUP

The Company is an investment holding company. Its subsidiaries are principally engaged in property development, investment and management in the PRC.

INFORMATION ON TALENT TREND

Talent Trend is an investment holding company with limited liability incorporated in the British Virgin Islands. Talent Trend is wholly-owned by Mr. Zhang Gao Bin. Mr. Zhang Gao Bin is the president of certain subsidiaries of the Group and is responsible for their general management and human resources. Mr. Zhang obtained his bachelor degree in business administration from University of Greenwich. He has over ten years of experience in property development industry.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. Accordingly, the Proposed Amendment under the Second Supplemental Deed of Amendment shall be subject to the approval of the Stock Exchange and the application for approval of the Proposed Amendment under the Second Supplemental Deed of Amendment has been submitted by the Company to the Stock Exchange.

Mr. Zhang Gao Bin is the president of certain subsidiaries of the Company, and as a result is a "connected person" within the meaning of the Listing Rules. Therefore, Talent Trend which is held as to 100% by Mr. Zhang Gao Bin is an "associate" of Mr. Zhang Gao Bin within the meaning of the Listing Rules. Accordingly, the Proposed Amendment under the Second Supplemental Deed of Amendment constitutes a connected transaction under Chapter 14A of the Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date:

(a) there is no outstanding derivative in respect of the securities in the Company entered into by Talent Trend or any of the parties acting in concert with it;

(b) save for the 2010 Convertible Notes, the Deed of Amendment, the Supplemental Deed of Amendment for the Proposed Extension, the Proposed Amendment under Second Supplemental Deed of Amendment and the CN Amendment and Conversion, there are no arrangements (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or shares of Talent Trend which might be material to the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver;

(c) there is no agreement or arrangement to which Talent Trend is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Proposed Amendment under the Second Supplemental Deed of Amendment, the Whitewash Waiver and the CN Amendment and Conversion;

(d) there are no relevant securities in the Company (as defined in Note 4 to Rule 22 of the Takeovers Code) which Talent Trend or any of the parties acting in concert with it has borrowed or lent; and

(e) Talent Trend and any of the parties acting in concert with it have not received an irrevocable commitment to vote for or against the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver.

APPLICATION FOR WHITEWASH WAIVER

Upon the completion of the conversion of the 2010 Convertible Notes, the shareholding in the Company held by Talent Trend and parties acting in concert with it will in aggregate be increased from approximately 6.40% of the total issued share capital of the Company as at the Latest Practicable Date to approximately 65.37% of the total issued share capital of the Company as enlarged by the issuance of the Conversion Shares, and hence Talent Trend will become the controlling Shareholder of the Company as defined under the Listing Rules. Under Rule 26.1 of the Takeovers Code, Talent Trend would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other relevant securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive.

Talent Trend and parties acting in concert with it did not acquire any voting rights of the Company during the Relevant Period.

An application has been submitted by Talent Trend to the Executive for the granting of the Whitewash Waiver. The Executive has indicated that it is minded to, subject to approval by the Independent Shareholders at the SGM by way of poll, grant the Whitewash Waiver.

SGM

The SGM will be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong on Wednesday, 1 June 2016 at 4:00 p.m. for the purpose of considering, and if thought fit, approving, among other things, the Proposed Amendment under the Second Supplemental Deed of Amendment and the application for the Whitewash Waiver.

The notice convening the SGM is set out on pages N-1 to N-3 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to Computershare Hong Kong Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the accompanying form of proxy will not prevent you from attending and voting at the SGM or any adjournment thereof should you so wish.

Only Shareholders (other than Talent Trend and parties acting in concert with it) and those who do not have a material interest or who are not involved in or interested in the 2010 Convertible Notes, the Deed of Amendment, the Supplemental Deed of Amendment for the Proposed Extension, the Proposed Amendment under the Second Supplemental Deed of Amendment, the CN Amendment and Conversion or the Whitewash Waiver can vote on the aforesaid resolutions at the SGM. Talent Trend is held as to 100% by Mr. Zhang Gao Bin. As at the Latest Practicable Date, Talent Trend and parties acting in concert with it hold in aggregate 243,705,000 Shares in the Company, representing approximately 6.40% of the issued share capital of the Company. Accordingly, Talent Trend and parties acting in concert with it will not vote on any of the resolutions to be proposed at the SGM. As far as the Directors are aware, having made all reasonable enquiries, as at the Latest Practicable Date, Mr. Zhang Gao Bin and his associates controlled or were entitled to exercise control over the voting rights in respect of their respective Shares.

Upon the completion of the conversion of the 2010 Convertible Notes, the shareholding in the Company held by Talent Trend and parties acting in concert with it will in aggregate be increased from approximately 6.40% of the total issued share capital of the Company as at the Latest Practicable Date to approximately 65.37% of the total issued share capital of the Company as enlarged by the issue of the Conversion Shares, and hence Talent Trend will become the controlling Shareholder of the Company as defined under the Listing Rules. Talent Trend may thereafter increase its shareholding without incurring any further obligation under Rule 26 of the Takeovers Code to make a mandatory general offer.

No other Shareholders are required to abstain from voting on the resolutions to be proposed at the SGM. Other than Mr. Luo Zhangguan, an Executive Director of the Company and being a cousin of Mr. Zhang Gao Bin, no other Directors of the Company has a material interest in the 2010 Convertible Notes, the Deed of Amendment, the Supplemental Deed of Amendment for the Proposed Extension, the Proposed Amendment under the Second Supplemental Deed of Amendment, the CN Amendment and Conversion or the Whitewash Waiver. Mr. Luo Zhangguan has abstained from voting on the Board resolutions approving the same and will abstain from voting on the resolutions at the SGM. As at the Latest Practicable Date, Mr. Luo Zhangguan does not hold any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

In compliance with the Listing Rules, the resolution(s) will be voted on by way of poll at the SGM. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

Having considered the above, the Directors (excluding the independent non-executive Directors) consider that the terms and conditions of the Second Supplemental Deed of Amendment are fair and reasonable and the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (excluding the independent non-executive Directors) recommend the Shareholders to vote in favor of the resolution to approve the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver at the SGM.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, consider that the terms and conditions of the Second Supplemental Deed of Amendment are fair and reasonable and the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver are in the interests of the Company and the Independent Shareholders.

Accordingly, the Independent Board Committee recommend the Independent Shareholders to vote in favour of the resolutions approving the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver to be proposed at the SGM. Your attention is drawn to the letter from the Independent Board Committee set out on pages 18 to 19 of this circular which contain their recommendation to the Independent Shareholders and the letter of advice from the Independent Financial Adviser set out on pages 20 to 41 of this circular containing its advice to the Independent Board Committee and the Independent Shareholders on the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Talent Property Group Limited
You Xiaofei
Chairman

Hong Kong, 12 May 2016

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 00760)

Independent Board Committee:
Mr. Lo Wai Hung
Mr. Chan Chi Mong, Hopkins
Mr. Mak Yiu Tong

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

12 May 2016

To the Independent Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION IN RELATION TO THE PROPOSED FURTHER AMENDMENT OF THE TERMS AND CONDITIONS OF THE 2010 CONVERTIBLE NOTES; (2) CONVERSION OF THE 2010 CONVERTIBLE NOTES; (3) APPLICATION FOR WHITEWASH WAIVER; AND (4) NOTICE OF SGM

We refer to the circular of which this letter forms a part. Terms defined in the circular shall have the same meanings when used herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in our opinion, the terms and conditions of the Second Supplemental Deed of Amendment are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and whether the Second Supplemental Deed of Amendment, the Proposed Amendment contemplated thereunder and the Whitewash Waiver are in the ordinary and usual course of business of the Company and in the interests of the Company and the Independent Shareholders. Astrum Capital Management Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver.

* *For identification purposes only*

Having considered the recommendation and advice of the Independent Financial Adviser, we consider that the terms and conditions of the Second Supplemental Deed of Amendment are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Second Supplemental Deed of Amendment, the Proposed Amendment contemplated thereunder and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders, although they are not conducted in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to approve the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver at the SGM.

Yours faithfully,
The Independent Board Committee
Mr. Lo Wai Hung
Mr. Chan Chi Mong, Hopkins
Mr. Mak Yiu Tong

Astrum Capital Management Limited
阿仕特朗資本管理有限公司
Room 2704, 27/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

12 May 2016

To the Independent Board Committee and
the Independent Shareholders of
Talent Property Group Limited

Dear Sirs,

(1) CONNECTED TRANSACTION IN RELATION TO THE PROPOSED FURTHER AMENDMENT OF THE TERMS AND CONDITIONS OF THE 2010 CONVERTIBLE NOTES; (2) CONVERSION OF THE 2010 CONVERTIBLE NOTES; AND (3) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our engagement as the independent financial adviser to (i) make recommendations to the independent board committee (the "**Independent Board Committee**") and the independent shareholders (the "**Independent Shareholders**") of Talent Property Group Limited (the "**Company**") in relation to (i) the proposed amendment to the terms of the 2010 Convertible Notes which involves allowing a holder to convert the 2010 Convertible Notes into the Conversion Shares, resulting in it holding 30% or more in the issued share capital of the Company (the "**Proposed Amendment**"); and (ii) application for a wavier (the "**Whitewash Waiver**") from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Codes on Takeovers and Mergers and Share Buy-backs (the "**Takeovers Code**") in respect of the obligation of Talent Trend Holdings Limited ("**Talent Trend**") to make a mandatory general offer for all the shares of the Company (the "**Shares**") not already owned or agreed to be acquired by Talent Trend and parties acting in concert with it under Rule 26 of the Takeovers Code which would otherwise arise as a result of the conversion of the 2010 Convertible Notes into Shares. Details of the Proposed Amendment and the Whitewash Waiver were disclosed in the announcement of the Company dated 11 January 2016 (the "**Announcement**") and in the letter from the board (the "**Letter from the Board**") set out on pages 6 to 17 of the circular of the Company dated 12 May 2016 (the "**Circular**") to its shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 11 January 2016, Talent Trend, being the holder of the 2010 Convertible Notes in the principal amount of HK$2,139.85 million as at the Latest Practicable Date, and the Company entered into the Second Supplemental Deed of Amendment to further amend certain terms of the 2010 Convertible Notes. Pursuant to the terms of the Second Supplemental Deed of Amendment, Talent Trend has agreed to, within 5 Business Days subsequent to the satisfaction of: (a) obtaining the approval from the Stock Exchange; (b) obtaining the Whitewash Waiver from the Executive; and (c) obtaining the Independent Shareholders' approval at the SGM, issue the Conversion Notice to the Company for the conversion of, and to convert, the 2010 Convertible Notes in the aggregate principal amount of HK$2,139.85 million in accordance with the terms of the 2010 Convertible Notes.

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. Accordingly, the Proposed Amendment under the Second Supplemental Deed of Amendment shall be subject to the approval of the Stock Exchange and the application for approval of the Proposed Amendment under the Second Supplemental Deed of Amendment has been submitted by the Company to the Stock Exchange.

Mr. Zhang Gao Bin is the president of certain subsidiaries of the Company, and as a result, is a "connected person" within the meaning of the Listing Rules. Therefore, Talent Trend, which is held as to 100% by Mr. Zhang Gao Bin, is an "associate" of Mr. Zhang Gao Bin within the meaning of the Listing Rules. Accordingly, the Proposed Amendment under the Second Supplemental Deed of Amendment constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Upon completion of the conversion of the 2010 Convertible Notes, the shareholding in the Company held by Talent Trend and parties acting in concert with it will in aggregate be increased from approximately 6.40% of the total issued share capital of the Company as at the Latest Practicable Date to approximately 65.37% of the total issued share capital of the Company as enlarged by the issuance of the Conversion Shares, and hence Talent Trend will become a controlling Shareholder as defined under the Listing Rules. Under Rule 26.1 of the Takeovers Code, Talent Trend would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other relevant securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive. An application has been submitted by Talent Trend to the Executive for the granting of the Whitewash Waiver. The Executive has indicated that it is minded to, subject to approval by the Independent Shareholders at the SGM by way of poll, grant the Whitewash Waiver. If the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders, the shareholding in the Company held by Talent Trend and parties acting in concert with it will exceed 50%, Talent Trend and parties acting in concert with it may further increase their shareholding in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

The SGM will be held to consider and pass the resolutions to approve, among other things, the Proposed Amendment under the Second Supplemental Deed of Amendment and the application for the Whitewash Waiver. Only Shareholders (other than Talent Trend and parties acting in concert with it) and those who do not have a material interest or who are not involved in or interested in the 2010 Convertible Notes, the Deed of Amendment and the Supplemental Deed of Amendment for the Proposed Extension, the Proposed Amendment under the Second Supplemental Deed of Amendment, the CN Amendment and Conversion or the Whitewash Waiver can vote on the aforesaid resolutions at the SGM. Talent Trend is held as to 100% by Mr. Zhang Gao Bin. As at the Latest Practicable Date, Talent Trend and parties acting in concert with it held in aggregate 243,705,000 Shares in the Company, representing approximately 6.40% of the issued share capital of the Company. Accordingly, Talent Trend and parties acting in concert with it will not vote on any of the resolutions to be proposed at the SGM.

Other than Mr. Luo Zhangguan, an executive Director and being a cousin of Mr. Zhang Gao Bin, no other Directors has a material interest or is involved in or interested in the 2010 Convertible Notes, the Deed of Amendment and the Supplemental Deed of Amendment for the Proposed Extension, the Proposed Amendment under the Second Supplemental Deed of Amendment, the CN Amendment and Conversion or the Whitewash Waiver. Mr. Luo Zhangguan has abstained from voting on the Board resolutions approving the same and will abstain from voting on the resolutions at the SGM. As at the Latest Practicable Date, Mr. Luo Zhangguan did not hold any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

An Independent Board Committee, comprising all the non-executive Directors, namely Mr. Lo Wai Hung, Mr. Chan Chi Mong, Hopkins and Mr. Mak Yiu Tong, has been formed to advise the Independent Shareholders (i) as to whether the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver are, or are not, fair and reasonable; and (ii) as to voting. The Independent Board Committee has approved our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the two years' period prior to the date of the Second Supplemental Deed of Amendment, we were appointed as the independent financial adviser of the Company in respect of the entering into of the Deed of Amendment and the Supplemental Deed of Amendment to provide our independent view to the independent board committee and the independent shareholders of the Company, details of which were set out in the circular of the Company dated 16 November 2015. Apart from normal professional fees for our services to the Company in connection with the previous appointment as mentioned above, as well as this engagement as the Independent Financial Adviser in respect of the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Wavier, no other arrangement exists whereby we will receive any fees and/or benefits from the Company, Talent Trend, Mr. Zhang Gao Bin, or any of their respective substantial shareholders, directors or chief executives (if applicable), or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them that could reasonably be regarded as relevant to our independence. We were not aware of any relationships or interests between us and the Company, Talent Trend, Mr. Zhang Gao Bin, or any of their respective substantial shareholders, directors or chief executives (if applicable), or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we consider that the aforementioned previous appointment would not affect our independence, and that we comply with Rule 2.6 of the Takeovers Code and Rule 13.84 of the Listing Rules and are eligible to give independent advice in respect of the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Wavier to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, *inter alia*, the Announcement, the Circular, the Deed of Amendment, the Supplemental Deed of Amendment, the Second Supplemental Deed of Amendment, the Agreement, the circular of the Company dated 29 October 2010 in relation to the Acquisition (the "**Acquisition Circular**"), the announcements of the Company dated 20 October 2015 and 4 November 2015 (the "**Extension Announcements**") and the circular of the Company dated 16 November 2015 (the "**Extension Circular**") in relation to the entering into of the Deed of Amendment and the Supplemental Deed of Amendment for the Proposed Extension, the annual report of the Company for the financial year ended 31 December 2014 (the "**2014 Annual Report**") and the annual report of the Company for the financial year ended 31 December 2015 (the "**2015 Annual Report**"). We have also reviewed certain information provided by the management of the Company (the "**Management**") relating to the operations, financial condition and prospects of the Group. We have also (i) considered such other information, analysis and market data which we deemed relevant; and (ii) conducted verbal discussions with the Management regarding the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver, the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

All Directors jointly and severally accept full responsibility for the accuracy of information contained in the Circular (other than information relating to Talent Trend and parties acting in concert with it) and, having made all reasonable enquiries, confirm that to the best of their knowledge, opinions expressed in the Circular (other than opinions expressed by Talent Trend and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. The sole director of Talent Trend, namely Mr. Zhang Gao Bin (張高濱), accepts full responsibility for the accuracy of the information contained in the Circular relating to Talent Trend and parties acting in concert with it and, having made all reasonable enquiries, confirms that to the best of his knowledge, opinions expressed in the Circular relating to Talent Trend and parties acting in concert with it have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We consider that we have performed all necessary steps to enable us to reach an informed view regarding the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver, and to justify our reliance on the information provided so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date. Pursuant to Rule 9.1 of the Takeovers Code, the Company is required to notify the Shareholders of any material changes to information contained in the Circular as soon as possible subsequent to the Latest Practicable Date and prior to the SGM. If we become aware of any such material change, we will notify the Shareholders of the potential impact on our opinion and/or recommendation set out in this letter as soon as possible.

This letter is issued to provide information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver. Except for the inclusion in the Circular, this letter should not be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

Unless otherwise specified in this letter, amounts denominated in RMB have been converted to HK$ at a rate of RMB1.000 to HK$1.198.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice with regard to the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver, we have taken into consideration the following factors and reasons:

1. Information on the Group

In the past few years, the Group has undergone certain reorganisation of its businesses and projects with an objective to streamline its operation into more property focus in first-tier cities in the PRC. The Group is now principally engaged in the businesses of (i) real estate development, (ii) property investment and (iii) property management in Guangzhou, the PRC.

The table below summarizes the audited consolidated financial results of the Group for the year ended 31 December 2013, 31 December 2014 and 31 December 2015 ("**FY2013**", "**FY2014**" and "**FY2015**", respectively) as extracted from the 2014 Annual Report and the 2015 Annual Report:

Table 1: Summary of the consolidated financial results of the Group

	FY2013 (audited) *RMB'000*	**FY2014** (audited) *RMB'000*	**FY2015** (audited) *RMB'000*
Revenue from continuing operations	397,413	185,710	365,990
— Sales of properties	376,472	175,403	334,448
— Gross rental income from investment properties *(Note)*	9,194	9,267	27,395
— Rental income from sub-letting of leased assets *(Note)*	10,259	—	—
— Properties management fees	1,488	1,040	4,147
Loss for the year from continuing operations	(267,265)	(258,687)	(115,126)
Profit for the year from discontinued operations	9,597	276,415	—
Profit/(loss) for the year	(257,668)	17,728	(115,126)

	As at 31 December 2013 (audited) *RMB'000*	**As at 31 December 2014** (audited) *RMB'000*	**As at 31 December 2015** (audited) *RMB'000*
Cash and cash equivalents	399,938	247,542	127,430
Current assets	4,158,191	2,432,955	1,973,655
Current (liabilities)	(3,276,972)	(3,278,537)	(2,829,354)
Net current assets/(liabilities)	881,219	(845,582)	(855,699)
Net assets	244,502	221,991	184,663

*Note: As advised by the Company, the Group (as lessee) entered into two leasing agreements with 廣州市荔灣汽車製配廠有限公司 (Guangzhou City Liwan Qi Che Zhi Pei Factory Company Limited) ("**Liwan Qi Pei**") (as lessor) for the lease of the commercial building located at No. 18 Zhan Xi Road of Liwan District in Guangzhou (the "**Property**") for the six months period ended 4 March 2013 and 5 September 2013, respectively. The Group then sub-let the Property to other tenants and earned rental income of approximately RMB10.3 million in FY2013. Subsequently, the Group, through the acquisition of all equity interest in Liwan Qi Pei in November 2013, owned the Property. After completion of the aforementioned acquisition, the rental income derived from leasing the Property to other tenants was booked under "gross rental income from investment properties". The rental income derived from leasing the Property was nil and approximately RMB22.7 million in FY2014 and FY2015, respectively.*

(i) For the year ended 31 December 2014 (i.e. FY2014)

In December 2014, the Group completed the disposal of 100% equity interest of Guangzhou Junyu Hotel Investment Limited (the "**Disposal**"). In accordance with relevant terms as stipulated in the sales and purchase agreements and its supplements, the Group recorded a gain of RMB276.4 million from such discontinued operation in FY2014. Detail of the Disposal was stated in the circular of the Company dated 26 June 2013.

Since 2010, the PRC government has from time to time promulgated a series of rules and regulations (including but not limited to (i) 《國務院關於堅決遏制部分城市房價過快上漲的通知》(the Notice of the State Council on Resolutely Curbing the Soaring of Housing Prices in Some Cities*); (ii) 《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》(the Notice of the General Office of the State Council on Issues Regarding Further Improving Regulation and Control of the Real Estate Market*); and (iii) 《國務院辦公廳關於繼續做好房地產市場調控工作的通知》(the Notice of the General Office of the State Council on Further Improving Regulation and Control of the Real Estate Market*)) in order to curb the continuously growing property prices. Such rules and regulations imposed various tightening measures against the residential property market in the PRC including, among other things, (i) imposing minimum down-payment requirements for the first and second homes; (ii) limiting the number of home purchase within a certain period of time; and (iii) levying tax for sale of houses. As a result of such various tightening measures, the residential property market in Guangzhou was sluggish in 2014. According to the figures published in the official website of the Statistics Bureau of Guangzhou, the number of sales of residential properties in Guangzhou decreased by approximately 34.3% from 198,127 in 2013 to 130,097 in 2014. The aggregate transaction amount for the sales of residential properties in Guangzhou decreased from approximately RMB231.2 billion in 2013 to approximately RMB179.5 billion in 2014, representing an annual decrease of approximately 22.4%. For FY2014, the Group recorded revenue from its continuing operations of approximately RMB185.7 million, representing a year-on-year decrease of approximately 53.3% as compared to approximately RMB397.4 million for FY2013. Such decrease was mainly attributable to (i) the decrease in sale of properties from approximately RMB376.5 million in FY2013 to approximately RMB175.4 million in FY2014, which was in line with the trend of the residential property market in

* *for illustration purpose only*

Guangzhou as mentioned above; and (ii) the absence of rental income derived from leasing the Property to other tenants in FY2014 (FY2013: approximately RMB10.3 million) which was, in turn, due to the temporary suspension of most of the area of the Property from September 2013 to March 2015 for the redevelopment of the Property into a 10-storey complex building, namely Talent Shoes Trading Center (天倫鞋業交易中心). Notwithstanding the decrease in revenue from the Group's continuing operations, the Group recorded profit of approximately RMB17.7 million in FY2014, as compared to loss of approximately RMB257.7 million in FY2013. Such turnaround was mainly due to the recognition of a one-off gain from the Disposal of approximately RMB258.7 million in FY2014.

As at 31 December 2014, the Group's cash and cash equivalents amounted to approximately RMB247.5 million, representing a decrease of approximately RMB152.4 million or approximately 38.1% as compared to approximately RMB399.9 million as at 31 December 2013. The decrease was principally due to (i) the net cash used in operating activities of approximately RMB216.6 million; and (ii) the repayment of bank loans of approximately RMB395.7 million, which was partially offset by the net cash generated from investing activities of approximately RMB411.1 million. As at 31 December 2014, the Group's current assets and current liabilities amounted to approximately RMB2,433.0 million and approximately RMB3,278.5 million, respectively, resulting in a net current liabilities position of approximately RMB845.6 million as compared to a net current assets position of approximately RMB881.2 million as at 31 December 2013. The change from a net current assets position to a net current liabilities position was mainly due to the reclassification of the 2010 Convertible Notes at fair value of approximately RMB1,721.9 million from non-current liabilities to current liabilities. As stated in the note 2.2 "*Going Concern Basis*" of the consolidated financial statements of the Group for FY2014 as contained in the 2014 Annual Report, such condition indicated the existence of a material uncertainty which might cast significant doubt on the Group's ability to continue as a going concern (the "**Going Concern Issue**"). The Group might be unable to realise its assets at its carrying amounts in the normal course of business and discharge its liabilities. In response to the Going Concern Issue, the Group had discussed with Talent Trend, the major holder of the 2010 Convertible Notes. At that moment, Talent Trend indicated that it would consider various arrangements (including using part of the properties of the Group to set off all or portion of the 2010 Convertible Notes, and/or exercising all or part of the conversion rights attaching to the 2010 Convertible Notes, and/or accepting extension of the maturity date of all or part of the 2010 Convertible Notes) and any other feasible and permissible way to resolve this outstanding issue instead of demanding cash repayment. The Directors considered that agreement with Talent Trend could likely be reached. In addition, the Directors would consider possible equity and/or debt fund raising exercise as and when appropriate to improve the Group's cash flow position. Eventually, on 20 October 2015, the Company and Talent Trend entered into the Deed of Amendment (as supplemented by the Supplemental Deed of Amendment dated 4 November 2015) for the Proposed Extension. On 11 January 2016, Talent Trend and the Company entered into the Second Supplemental Deed of Amendment for the Proposed Amendment. For further details of the Proposed Extension and the Proposed Amendment, please refer to the paragraph headed "2. *Background of the Proposed Amendment under the Second Supplemental Deed of Amendment*" below.

(ii) For the year ended 31 December 2015 (i.e. FY2015)

According to the 2015 Annual Report, overall sentiment in the residential property market in the PRC recovered steadily after several rounds of reduction of the Renminbi (RMB) benchmark interest rates for deposits and loans as well as the reserve requirement ratio by the People's Bank of China, and driven by the easing of strict home purchase restrictions in most cities in China and the introduction of relevant taxation policies. The Group's revenue from the continuing operations increased significantly from approximately RMB185.7 million in FY2014 to approximately RMB366.0 million in FY2015, representing a year-on-year increase of approximately 97.1%. The improvement was principally due to the continual delivery of the newly completed luxury high-rise residential units of Xintian Banshan (新天半山) in Guangzhou since the fourth quarter of 2014. Notwithstanding the increase of revenue, the Group turned from a profit-making position of approximately RMB17.7 million in FY2014 to a loss-making position of approximately RMB115.1 million in FY2015. It was primarily attributable to (i) the absence of a one-off gain of approximately RMB258.7 million from the Disposal in FY2015; and (ii) the decrease of fair value on investment properties of approximately RMB152.7 million in FY2015, whereas the increase in fair value on investment properties of approximately RMB1.7 million in FY2014. The above unfavorable factors were partly offset by the record of a gain on extension of the 2010 Convertible Notes of approximately RMB103.8 million in FY2015.

As at 31 December 2015, the Group's cash and cash equivalents further decreased to approximately RMB127.4 million, representing an annual decrease of approximately 48.5% as compared to approximately RMB247.5 million as at 31 December 2014. The decrease was principally due to (i) the net cash used in operating activities of approximately RMB290.5 million; (ii) the repayment of bank loans of approximately RMB187.5 million; and (iii) purchase of investment property of approximately RMB56.4 million, which was partially offset by the proceeds from bank loans of approximately RMB400.0 million. As at 31 December 2015, the Group's net current liabilities amounted to approximately RMB855.7 million. As stated in the paragraph headed "*Emphasis of Matter*" in the independent auditors' report and note 2.2 "*Going Concern Basis*" of the consolidated financial statements of the Group for FY2015 as contained in the 2015 Annual Report, the Going Concern Issue remained outstanding.

2. Background of the Proposed Amendment under the Second Supplemental Deed of Amendment

On 6 July 2010, Canton Million, a wholly-owned subsidiary of the Company, and Talent Trend entered into the Agreement pursuant to which Talent Trend had conditionally agreed to sell, and Canton Million had conditionally agreed to purchase, the entire issued share capital of Talent Central Limited. Pursuant to the Agreement and as part of the consideration for the Acquisition, the Company issued the 2010 Convertible Notes in the principal amount of HK$3,100 million to Talent Trend on 10 December 2010. The 2010 Convertible Notes do not bear interest and are convertible into the Conversion Shares under the specific mandate granted by the then Shareholders on 19 November 2010 at a conversion price of HK$0.33 per Conversion Share (the "**Initial Conversion Price**") (subject to adjustments). Unless previously redeemed, repurchased, cancelled or converted, any outstanding 2010 Convertible Notes shall be redeemed on the date falling on the fifth anniversary of the date of issue of the 2010 Convertible Notes (i.e. 10 December 2015) (the "**Original Maturity Date**"). For further details of the Agreement, please refer to the Acquisition Circular.

As mentioned in the paragraph headed "*1. Information on the Group*", in FY2014, the reclassification of the 2010 Convertible Notes from non-current liabilities to current liabilities triggered the significant increase in the current liabilities of the Group and led to the Going Concern Issue. Having considered the then financial position and performance of the Group, the Management envisaged that the Group would not be able to redeem the outstanding principal of the 2010 Convertible Notes before the Original Maturity Date. Therefore, the Management commenced a long negotiation with Talent Trend, who was the major holder of the 2010 Convertible Notes and held the 2010 Convertible Notes in the aggregate principal amount of HK$2,139.85 million as at the Latest Practicable Date, on various measures and any other feasible and permissible way (including the Proposed Amendment) to deal with the maturity of the 2010 Convertible Notes instead of demanding cash repayment. Assuming that the 2010 Convertible Notes held by Talent Trend are converted in full, a total number of 6,484,393,939 Shares (representing approximately 170.25% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 63.0% of the issued share capital of the Company as enlarged by the issuance of the 6,484,393,939 Conversion Shares) will be issued. As such, the full conversion of the 2010 Convertible Notes held by Talent Trend would breach the term of the 2010 Convertible Notes that the holder and parties acting in concert with it, taken together, cannot be interested in 29.9% or more of the then issued share capital of the Company or such other percentage that will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code.

The Company had been in discussion with Talent Trend on the possibility and feasibility of the Proposed Amendment such that full conversion of the 2010 Convertible Notes held by Talent Trend would be allowed. However, given the then economic and market conditions as well as time pressure, the Company anticipated that the Proposed Amendment (which involves application for the Whitewash Waiver and obtaining approval from the Stock Exchange and the Independent Shareholders) is unlikely to be completed on or before the Original Maturity Date. In the interest of time, on 20 October 2015, the Company and Talent Trend entered into the Deed of Amendment (as supplemented by the Supplemental Deed of Amendment dated 4 November 2015) pursuant to which the Company and Talent Trend mutually agreed to extend the conversion period and the maturity date of the 2010 Convertible Notes held by Talent Trend for a year to 10 December 2016 (the "**Extended Maturity Date**"). Please refer to the Extension Circular dated 16 November 2015 for further details of the entering into of the Deed of Amendment and the Supplemental Deed of Amendment. The Proposed Extension under the Deed of Amendment and the Supplemental Deed of Amendment was subsequently approved by the then independent shareholders of the Company at the special general meeting of the Company held on 1 December 2015.

The Company and Talent Trend continued their discussion on the possibility and feasibility of the Proposed Amendment and subsequently, on 11 January 2016, Talent Trend and the Company entered into the Second Supplemental Deed of Amendment. Pursuant to the Second Supplemental Deed of Amendment, the parties have agreed to remove the restriction under clause 5.5 of the terms and conditions of the 2010 Convertible Notes, which states that a holder of the 2010 Convertible Notes may not convert the 2010 Convertible Notes if, as a result of such conversion, would render such holder and parties acting in concert with it being interested in 29.9% or more of the issued share capital of the Company at the time, thereby triggering a mandatory offer obligation under Rule 26 of the Takeovers Code. In addition, Talent Trend has agreed to, within 5 Business Days subsequent to the satisfaction of: (a) obtaining the approval from the Stock Exchange; (b) obtaining the Whitewash Waiver from the Executive; and (c) obtaining the Independent Shareholders' approval at the SGM, issue the Conversion Notice to the Company for the conversion of, and to convert, the 2010 Convertible Notes in the aggregate principal amount of HK$2,139.85 million in accordance with the terms of the 2010 Convertible Notes (the "**Full Conversion**").

3. Reasons for and benefits of the Proposed Amendment under the Second Supplemental Deed of Amendment

A. Financial performance and position of the Group

As at the Latest Practicable Date, the outstanding principal amount of the 2010 Convertible Notes amounted to HK$2,139.85 million and such notes were wholly held by Talent Trend. The 2010 Convertible Notes are convertible into Conversion Shares at the Initial Conversion Price of HK$0.33 per Conversion Share. Pursuant to the terms of the 2010 Convertible Notes (as supplemented by the Deed of Amendment and the Supplemental Deed of Amendment), unless previously redeemed, repurchased, cancelled or converted, any outstanding 2010 Convertible Notes shall be redeemed on the Extended Maturity Date (i.e. 10 December 2016).

In order to assess the capability of the Group for redeeming the 2010 Convertible Notes on or before the Extended Maturity Date, we have reviewed, and discussed with the Management, the recent financial performance and position of the Group. We were advised by the Management that due to the various tightening measures against the residential property market in the PRC, the Group experienced difficult operating environment over the past few years. The Group recorded loss of approximately RMB257.7 million, profit of approximately RMB17.7 million and loss of approximately RMB115.1 million in FY2013, FY2014 and FY2015, respectively. Among which, profit recorded in FY2014 of approximately RMB17.7 million was mainly due to the recognition of a one-off gain from the Disposal of approximately RMB258.7 million in FY2014. Without taking into account the effect of the Disposal, the Group would have recorded a loss of approximately RMB241.0 million in FY2014.

According to the 2015 Annual Report, the Group's cash and cash equivalents, current assets and total assets as at 31 December 2015 amounted to approximately RMB127.4 million, approximately RMB1,973.7 million and RMB3,511.3 million, respectively. The outstanding principal amount of the 2010 Convertible Notes of HK$2,139.85 million (equivalent to approximately RMB1,786.2 million) represents approximately 1,402.0% of the cash and cash equivalents of the Group, approximately 90.5% of the current assets of the Group and approximately 50.9% of the total assets of the Group as at 31 December 2015, respectively, implying that the Group has no sufficient liquid capital to satisfy the obligation of redeeming the 2010 Convertible Notes.

In this regard, we have discussed with the Management regarding the possibility of financing the redemption of all or majority portion of the 2010 Convertible Notes through the cashflow from the Group's operating activities. We were advised by the Management that the Group has three major investment properties (namely, Shangyu Garden (上譽花園), Tianlun Garden (天倫花園) and Talent Shoes Trading Center (天倫鞋業交易中心)). Certain portions of these properties are currently subject to various tenancies for a term ranging from 1 to 15 years with an aggregate monthly rent of approximately RMB2.7 million, while the remaining portions are currently vacant. In addition, the Group has another property, namely Xintian Banshan (新天半山), which is currently under construction. The construction of Xintian Banshan (新天半山) is expected to be completed in around mid-2017. Furthermore, certain properties right of Tianlun Garden (天倫花園), Talent Shoes Trading Center (天倫鞋業交易中心) and Xintian Banshan (新天半山) are charged as security for bank loans of RMB400 million. According to the property valuation report of the Group (the "**Property Valuation Report**") as set out in Appendix II to the Circular, the aggregate market value of these four properties, together with other properties held for sale by the Group in the PRC, amounted to approximately RMB2,816.1 million (equivalent to approximately HK$3,373.7 million) as at 29 February 2016, which is higher than the outstanding principal amount of the 2010 Convertible Notes of HK$2,139.85 million. Notwithstanding that, having considered the facts that (i) the 2010 Convertible Notes will be mature within 1 year; (ii) the construction of Xintian Banshan (新天半山) is expected to be completed in around mid-2017; (iii) it is difficult for the Group to sell all or majority part of the Group's properties (including Xintian Banshan (新天半山)) within such a short period of time, so as to secure sufficient fund for the repayment of bank loans of RMB400 million and then the redemption of the 2010 Convertible Notes; and (iv) certain portions of the investment properties are currently leased out and the rental income is minimal as compared to the outstanding principal amount of the 2010 Convertible Notes, we concur with the Management's view that the Group is unlikely able to generate sufficient fund from its operating activities to redeem all or majority portion of the 2010 Convertible Notes on or before the Extended Maturity Date.

In view of the above, the Management anticipated, and we agreed with them, that the Group is facing great difficulties to redeem all or majority portion of the 2010 Convertible Notes on or before the Extended Maturity Date. Taking into consideration that (a) the Group would not have sufficient cash and liquidity to redeem all or majority portion of the 2010 Convertible Notes; and (b) the Full Conversion will (i) alleviate the redemption pressure of the 2010 Convertible Notes on the Group without cash outlay; (ii) enlarge the capital base of the Company; and (iii) moderate the Group's gearing ratio level thereby strengthening the Group's financial position, we are of the view that the Full Conversion is in the interests of the Company and the Independent Shareholders.

Furthermore, as mentioned in the paragraph headed "*1. Information on the Group*" above, due to the reclassification of the 2010 Convertible Notes from non-current liabilities to current liabilities, the Group recorded a net current liabilities of approximately RMB845.6 million as at 31 December 2014, which triggered the Group's Going Concern Issue where the Group might be unable to realise its assets at its carrying amounts in the normal course of business and discharge its liabilities. As at the Latest Practicable Date, the Going Concern Issue remained outstanding. We are of the view that the Full Conversion will moderate the Going Concern Issue by substantially lowering the Group's current liabilities and thus improve the Group's financial position, which will, in turn, place the Group at a better position to negotiate and obtain fund raising arrangements or debt financing for its business development and expansion in future when necessary.

B. Prospect of the Group

As disclosed in the Letter from the Board, it is the intention of Talent Trend that the Group will continue its current business and its employment of the employees of the Group upon completion of the Full Conversion. Talent Trend has no intention to introduce any major changes in the business of the Group and to make any major changes to employment of employees of the Group or to redeploy the fixed assets of the Group other than those carried out in the ordinary course of business of the Company upon completion of the Full Conversion. The Group is actively focused on the construction, sales and marketing of Xintian Banshan (新天半山), as well as identifying business opportunities in areas other than properties in order to reduce the market risk and to bring fruitful results to the Shareholders.

As advised by the Management, the construction of Xintian Banshan (新天半山) is expected to be completed in around mid-2017. As at the Latest Practicable Date, the outstanding construction cost payable by the Group in respect of Xintian Banshan (新天半山) amounted to approximately RMB371 million. In relation to identifying new business opportunities, the Management advised us that as at the Latest Practicable Date, no target has been identified by the Group and Talent Trend currently does not have any intention to inject new assets or introduce new business to the Company upon completion of the Full Conversion. Although the Group had no concrete plan for developing new business as at the Latest Practicable Date, we consider that it is essential for the Group to maintain sufficient liquid capital, so that the Group can seize the opportunity once potential target is identified in future.

As such, we are of the opinion that the Full Conversion is beneficial to the Group on the grounds that the Full Conversion will allow the Group to dispense with the requirement to redeem the 2010 Convertible Notes in the aggregate outstanding principal amount of HK$2,139.85 million without cash outlay and allow the Group to retain its working capital for its business operation and development plan as mentioned above.

C. Other possible fund raising methods

Upon enquiry, the Management advised us that they had considered alternative means of satisfying the cash redemption of the outstanding 2010 Convertible Notes (such as bank borrowings and equity financing) other than the Full Conversion. In relation to bank borrowings, we were advised by the Management that the Group has been from time to time approaching various commercial banks to obtain bank loan to finance its business, and the commercial banks would usually request for assets pledge and guarantee. Given that most of the Group's properties have been pledged to financial institutions for the existing loans, the Management believes that it is unable for the Group to secure sufficient bank borrowing to satisfy the cash redemption of the 2010 Convertible Notes even with the Company agreeing to a high interest rate and stringent borrowing terms with the lending bank. In respect of equity financing (such as placing of Shares, open offer and rights issue), the Company has approached several brokers about the possibility and feasibility of acting as placing agent or underwriter of the Company. However, in view of the considerable fund raising size, the Company could not receive positive feedback from any brokers. Furthermore, the Management is of the view that (i) the success of equity financing is highly dependent on the then market condition and sentiment; and (ii) cost for documentation works, administrative and professional fees for equity financing is relatively high as compared to the Full Conversion. On the contrary, during the course of the discussion with the Group, Talent Trend expressed its willingness to exercise all the conversion rights attaching to the 2010 Convertible Notes.

As advised by the Management, the Company has also considered disposing of certain assets so as to secure sufficient cash for the redemption of the 2010 Convertible Notes or to set off all or portion of the 2010 Convertible Notes. As at 31 December 2015, the Group's current assets amounted to approximately RMB1,973.7 million, the majority of which comprised properties under development of approximately RMB1,466.0 million. The Management is of the view that the properties and projects of the Group are operational in nature and it would be detrimental to the Company and the Shareholders if the Company is required to dispose of these assets under time pressure at a discounted price in order to redeem the 2010 Convertible Notes. Having considered that disposal of the Group's properties and projects would affect the normal operation and development plan of each of the properties and projects and, in turn, affect the future source of revenue and profit of the Group, we concur with the Management's view that securing cash for the redemption of the 2010 Convertible Notes by way of disposing Group's properties and projects is not in the interests of the Company and the Independent Shareholders.

In view of the above, together with the advantages of the Full Conversion, we agree with the Management's view that the Full Conversion is a more desirable and feasible means for the Group to alleviate the cash redemption pressure of the 2010 Convertible Notes.

D. Initial Conversion Price

The 2010 Convertible Notes are convertible into Conversion Shares at the Initial Conversion Price of HK$0.33 per Conversion Share. The Initial Conversion Price represents (i) a premium of approximately 41.6% over the closing price of HK$0.233 per Share as quoted on the Stock Exchange on the date of the Second Supplemental Deed of Amendment; (ii) a premium of approximately 52.1% over the average closing price of HK$0.217 per Share as quoted on the Stock Exchange for the five consecutive trading days prior to and including the date of the Second Supplemental Deed of Amendment; (iii) a premium of approximately 45.4% over the average closing price of approximately HK$0.227 per Share as quoted on the Stock Exchange for the ten consecutive trading days prior to and including the date of the Second Supplemental Deed of Amendment; (iv) a premium of approximately 124.5% over the closing price of HK$0.147 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; (v) a premium of approximately 469.0% over the audited net asset value per Share of approximately RMB0.048 (equivalent to approximately HK$0.058) as at 31 December 2015, which is calculated based on the audited net assets of the Group of approximately RMB184.7 million as at 31 December 2015 and the total number of ordinary Shares in issue of 3,808,742,615 as at 31 December 2015; and (vi) a premium of approximately 189.5% over the Hypothetical NAV (as defined below) per Share of approximately RMB0.095 (equivalent to approximately HK$0.114) as at 29 February 2016 (please refer to the sub-paragraph headed "*(ii) Effect on net assets*" under the paragraph headed "*7. Financial effects on the Group*" below for the calculation of the Hypothetical NAV per Share as at 29 February 2016).

Having considered that (i) the Initial Conversion Price represents a premium of approximately 41.6% over the closing price of HK$0.233 per Share on the date of the Second Supplemental Deed of Amendment, while if the Company conducts equity fundraising exercise (such as open offer, rights issue and/or placing) in the market, the Company would usually offer deep discount to the issue price so as to attract the subscription of the existing Shareholders or investors in light of the Group's current unfavorable financial performance and position; and (ii) the Initial Conversion Price is substantially higher than the audited net asset value per Share of approximately RMB0.048 (equivalent to approximately HK$0.058) as at 31 December 2015 and the Hypothetical NAV per Share of approximately RMB0.095 (equivalent to approximately HK$0.114) as at 29 February 2016, and it is expected that the net asset value per Share will be increased after completion of the Full Conversion, we are of the view that the Initial Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned and the Full Conversion is in the interests of the Company and the Independent Shareholders.

E. Conclusion

Notwithstanding that the Full Conversion will inevitably incur dilution effect on the shareholding of the existing Shareholders as discussed in the paragraph headed "*6. Dilution effect on the shareholding in the Company*" below, we are of the opinion that the Full Conversion is in the interests of the Company and the Independent Shareholders after taking into account the facts that:

(i) the 2010 Convertible Notes will be due within one year;

(ii) the Group is facing great difficulties to redeem the 2010 Convertible Notes on or before the Extended Maturity Date;

(iii) the Full Conversion will (a) alleviate the redemption pressure of the 2010 Convertible Notes on the Group without cash outlay and allow the Group to retain working capital for its daily operation and future business development; (b) enlarge the capital base of the Company; and (c) moderate the Group's gearing ratio level;

(iv) the Full Conversion is a more desirable and feasible means for the Group to alleviate the cash redemption pressure of the 2010 Convertible Notes as compared with other possible financing methods; and

(v) the Initial Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

Given the Full Conversion would breach the term of the 2010 Convertible Notes that the holder and parties acting in concert with it, taken together, cannot be interested in 29.9% or more of the then issued share capital of the Company or such other percentage that will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code, we concur with the Management's view that the Proposed Amendment under the Second Supplemental Deed of Amendment will facilitate the execution of the Full Conversion and is, therefore, in the interests of the Company and the Independent Shareholders.

4. Principal terms of the Second Supplemental Deed of Amendment

Pursuant to the Second Supplemental Deed of Amendment, Talent Trend and the Company have agreed to remove the restriction under clause 5.5 of the terms and conditions of the 2010 Convertible Notes, which states that a holder of the 2010 Convertible Notes may not convert the 2010 Convertible Notes if, as a result of such conversion, would render such holder and parties acting in concert with it being interested in 29.9% or more of the issued share capital of the Company at the time, thereby triggering a mandatory offer obligation under Rule 26 of the Takeovers Code. In addition, Talent Trend has agreed to, within 5 Business Days subsequent to the satisfaction of: (a) obtaining the approval from the Stock Exchange; (b) obtaining the Whitewash Waiver from the Executive; and (c) obtaining the Independent Shareholders' approval at the SGM, issue the Conversion Notice to the Company for the conversion of, and to convert, the 2010 Convertible Notes in the aggregate principal amount of HK$2,139.85 million in accordance with the terms of the 2010 Convertible Notes.

As advised by the Management, the terms of the Second Supplemental Deed of Amendment were arrived at after arm's length negotiations between the Company and Talent Trend. Save for the aforementioned amendments, all other terms and conditions of the 2010 Convertible Notes remain intact and unchanged.

Having considered that (i) the principal reason for the Proposed Amendment is to facilitate the execution of the Full Conversion; and (ii) the merits of the Full Conversion as discussed in the paragraph headed "*3. Reasons for and benefits of the Proposed Amendment under the Second Supplemental Deed of Amendment*" above, we are of the view that the terms of the Second Supplemental Deed of Amendment are fair and reasonable and are in the interests of the Company and the Independent Shareholders.

5. Information on Talent Trend

According to the Letter from the Board, Talent Trend is an investment holding company with limited liability incorporated in the British Virgin Islands. As at the Latest Practicable Date, Talent Trend was wholly-owned by Mr. Zhang Gao Bin. Talent Trend and parties acting in concert with it held in aggregate 243,705,000 Shares, representing approximately 6.40% of the issued share capital of the Company as at the Latest Practicable Date. Other than disclosed above, there were no other voting rights, rights over shares or any convertible securities, warrants and options of the Company, which Talent Trend and/or parties acting in concert with it held, owned or over which they had control or direction as at the Latest Practicable Date.

Upon completion of the Full Conversion and assuming that there will be no other change in the share capital of the Company, Talent Trend and parties acting in concert with it will hold in aggregate 6,728,098,939 Shares, representing approximately 65.37% of the issued share capital of the Company as enlarged by the Conversion Shares, and will become the controlling Shareholder.

6. Dilution effect on the shareholding in the Company

According to the Letter from the Board, the following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon conversion of the 2010 Convertible Notes under the conversion restriction; and (iii) immediately upon the Full Conversion, in each case assuming there being no other change in the share capital of the Company, save for the issuance of the Conversion Shares upon the relevant conversion of the 2010 Convertible Notes:

Table 2: Shareholding structure of the Company

	As at the Latest Practicable Date		Immediately upon conversion of the 2010 Convertible Notes under the conversion restriction		Immediately upon the Full Conversion *(Note 6)*	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*
Talent Trend *(Note 1)*	—	—	1,276,903,055	25.11	6,484,393,939	63.00
Mr. Zhang Gao Bin *(Note 2)*	104,465,000	2.74	104,465,000	2.05	104,465,000	1.02
Mr. Zhang Guo Ming *(Note 3)*	139,240,000	3.66	139,240,000	2.74	139,240,000	1.35
Subtotal of Talent Trend and parties acting in concert with it:	***243,705,000***	***6.40***	***1,520,608,055***	***29.90***	***6,728,098,939***	***65.37***
Winspark Venture Limited* *(Note 4)*	829,509,340	21.78	829,509,340	16.31	829,509,340	8.06
Top Rich Limited* *(Note 5)*	494,766,515	12.99	494,766,515	9.73	494,766,515	4.81
Public Shareholders*	2,240,761,760	58.83	2,240,761,760	44.06	2,240,761,760	21.76
Total:	**3,808,742,615**	**100.00**	**5,085,645,670**	**100.00**	**10,293,136,554**	**100.00**

Notes:

1. The entire issued share capital of Talent Trend is directly, beneficially and wholly owned by Mr. Zhang Gao Bin.

2. Mr. Zhang Gao Bin personally holds 104,465,000 Shares, representing approximately 2.74% of the issued share capital of the Company. This calculation excludes the Shares held by Talent Trend.

3. Mr. Zhang Guo Ming is the father of Mr. Zhang Gao Bin.

4. The entire issued share capital of Winspark Venture Limited is directly, beneficially and wholly owned by Ms. Chan Man Ling. Ms. Chan Man Ling is an Independent Shareholder.

5. The entire issued share capital of Top Rich Limited is held by Ace Class Global Limited, which is directly, beneficially and wholly owned by Mr. Lee Hon Nam. Mr. Lee Hon Nam is an Independent Shareholder.

6. This is for illustration purpose only as the current terms of the 2010 Convertible Notes has certain restrictions on the conversion of the 2010 Convertible Notes.

7. * indicates Shareholders whose shareholding will be counted towards the public float of the Company upon the Full Conversion.

As illustrated in the table above, the shareholding of the public Shareholders will be diluted from approximately 58.83% of the issued share capital of the Company as at the Latest Practicable Date to approximately 34.63% of the issued share capital of the Company immediately after the Full Conversion (where each of Winspark Venture Limited and Top Rich Limited, being a substantial Shareholder as at the Latest Practicable Date, will be classified as a public Shareholder after the Full Conversion). Having considered the merits of the Full Conversion as detailed in the paragraph headed "*3. Reasons for and benefits of the Proposed Amendment under the Second Supplemental Deed of Amendment*" above, including but not limited to the Full Conversion will (i) alleviate the redemption pressure of the 2010 Convertible Notes on the Group without cash outlay and allow the Group to retain working capital for its daily operation and future business development; (ii) enlarge the capital base of the Company; and (iii) moderate the Group's gearing ratio level, which will, in turn, place the Group at a better position to negotiate and obtain fund raising arrangements or debt financing for its business development and expansion in future when necessary, we are of the view that such dilution is acceptable and commercially justifiable.

7. Financial effects on the Group

(i) Effect on gearing ratio

As at 31 December 2015, the gearing ratio of the Group (which was calculated based on the Group's total liabilities of approximately RMB3,326.6 million and the Group's total assets of approximately RMB3,511.3 million) was approximately 94.7%. Immediately upon completion of the Full Conversion, the Group's total liabilities will be substantially reduced by the settlement of the 2010 Convertible Notes while the Group's total assets will remain unchanged, resulting in the decrease in the gearing ratio. As such, it is expected that the Full Conversion would have a favorable impact on the gearing ratio of the Group.

(ii) Effect on net assets

According to the 2015 Annual Report, the audited net assets of the Group as at 31 December 2015 amounted to approximately RMB184.7 million and the number of ordinary Shares in issue as at 31 December 2015 was 3,808,742,615. The audited net asset value per Share as at 31 December 2015 was approximately RMB0.048 (equivalent to approximately HK$0.058).

According to the Property Valuation Report as set out in Appendix II to the Circular, the aggregate market value of the Group's properties amounted to approximately RMB2,816.1 million (equivalent to approximately HK$3,373.7 million) as at 29 February 2016. After taking into account the difference between the aforementioned revaluation amount of the Group's properties as at 29 February 2016 and the book values as at 31 December 2015 of approximately RMB178.3 million, and assuming that all other balance sheet items remain unchanged for the two months ended 29 February 2016, the hypothetical unaudited net assets of the Group (the "**Hypothetical NAV**") as at 29 February 2016 would amount to approximately RMB363.0 million and accordingly, the Hypothetical NAV per Share as at 29 February 2016 would be approximately RMB0.095 (equivalent to approximately HK$0.114).

As if the Full Conversion has been completed on 29 February 2016, the unaudited pro forma Hypothetical NAV as at 29 February 2016 would increase to approximately RMB2,026.8 million and accordingly, the unaudited pro forma Hypothetical NAV per Share as at 29 February 2016 would increase to approximately RMB0.197 (equivalent to approximately HK$0.236). The increase in the Hypothetical NAV per Share is attributable to the substantial premium of the Initial Conversion Price of HK$0.33 per Conversion Share over the Hypothetical NAV per Share of approximately HK$0.114 as at 29 February 2016.

On the above basis, it is expected that the Full Conversion would have a considerable favorable impact on the net asset value per Share.

(iii) Effect on working capital

As at 31 December 2015, the Group had cash and cash equivalents of approximately RMB127.4 million. The Full Conversion will allow the Group to dispense with the obligation to redeem the 2010 Convertible Notes in the outstanding principal amount of HK$2,139.85 million without cash layout and thus allow the Group to retain working capital for its daily operation and future business development. By eliminating the possibility of redeeming the outstanding principal amount of the 2010 Convertible Notes, we consider that the Full Conversion would have a positive impact on the working capital of the Group.

8. Whitewash Waiver

Upon completion of the Full Conversion, the shareholding in the Company held by Talent Trend and parties acting in concert with it will, in aggregate, be increased from approximately 6.40% of the total issued share capital of the Company as at the Latest Practicable Date to approximately 65.37% of the total issued share capital of the Company as enlarged by the issuance of the Conversion Shares, and hence Talent Trend will become a controlling Shareholder as defined under the Listing Rules. Under Rule 26.1 of the Takeovers Code, Talent Trend would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other relevant securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive. An application has been submitted by Talent Trend to the Executive for the granting of the Whitewash Waiver, which if granted, will be subject to, among other things, approval by the Independent Shareholders at the SGM by way of poll.

Pursuant to the Second Supplemental Deed of Amendment, the Full Conversion is subject to, among other things, having obtained the Whitewash Waiver from the Executive. As such, if the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Second Supplemental Deed of Amendment will not become unconditional and the Full Conversion will not proceed. Accordingly, the Company will lose all the benefits that are expected to be brought by the Full Conversion as discussed in the paragraph headed "*3. Reasons for and benefits of the Proposed Amendment under the Second Supplemental Deed of Amendment*" above.

In view of the above, we are of the opinion that for the purpose of facilitating the execution of the Full Conversion, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM is in the interests of the Company and the Independent Shareholders.

OPINION

Having taken into account the above principal factors and reasons, we consider that although the entering into of the Second Supplemental Deed of Amendment is not in the ordinary and usual course of business of the Group, the terms of the Second Supplemental Deed of Amendment are on normal commercial terms, and the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Wavier are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders. Accordingly, we recommend the Independent Board Committee to advise, and we ourselves recommend, the Independent Shareholders to vote in favor of the resolutions at the SGM to approve the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Astrum Capital Management Limited
Hidulf Kwan **Rebecca Mak**
Managing Director *Director*

Note: Mr. Hidulf Kwan has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under SFO since 2006 and has over 18 years of experience in corporate finance industry.

Ms. Rebecca Mak has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under SFO since 2012 and has over 12 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information on the Group for each of the three financial years ended 31 December 2013, 2014 and 2015 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.760hk.com):

- annual report of the Company for the year ended 31 December 2013 (the "Annual Report 2013") published on 17 April 2014 (pages 37 to 184);
- annual report of the Company for the year ended 31 December 2014 (the "Annual Report 2014") published on 24 April 2015 (pages 37 to 176); and
- annual report of the Company for the year ended 31 December 2015 (the "Annual Report 2015") published on 20 April 2016 (pages 42 to 168).

The following is a summary of the consolidated financial information of the Group for the three years ended 31 December 2013, 2014 and 2015, as extracted from the annual reports of the Company for the years ended 31 December 2014 and 2015.

Consolidated Statements of Profit or Loss

	For the year ended 31 December		
	2015	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Continuing operations			
Revenue	365,990	185,710	397,413
Gross profit	77,092	19,729	25,576
Loss before tax from continuing operations	(191,435)	(295,315)	(316,198)
Income tax credit	76,309	36,628	48,933
Loss for the year from continuing operations	(115,126)	(258,687)	(267,265)
Discontinued operations			
Profit for the year from discontinued operations	—	276,415	9,597
(Loss)/profit for the year	(115,126)	17,728	(257,668)
(Loss)/profit for the year attributable to:			
owners of the Company	(115,125)	17,728	(237,999)
non-controlling interests	(1)	—	(19,669)
	(115,126)	17,728	(257,668)
(Loss)/earnings per share			
From continuing and discontinued operations			
Basic	(3.475 cents)	0.549 cents	(7.371 cents)
Diluted	(3.475 cents)	0.549 cents	(7.371 cents)
Dividends	—	—	—

Consolidated Statements of Financial Position

	For the year ended 31 December		
	2015	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	3,511,285	3,893,247	5,893,347
Total liabilities	3,326,622	3,671,256	5,648,845
Net assets	184,663	221,911	244,502

The auditor of the Company for the three years ended 31 December 2013, 2014 and 2015 was Cheng & Cheng Limited. There were no qualifications issued by the auditor of the Company for each of the three years ended 31 December 2013, 2014 and 2015 except for the auditor drew attention for the emphasis of matter for the years ended 31 December 2014 and 2015.

For the year ended 31 December 2014

The following is the extract of the independent auditors' report of the Group for the year ended 31 December 2014 as stated in the Annual Report 2014:

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2.2 in the consolidated financial statements which indicates that the Group's current liabilities exceeded its current assets by RMB845,582,000 as at 31 December 2014. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. As explained in note 2.2 to the consolidated financial statements, these consolidated financial statements have been prepared on a going concern basis.

The following is the full text of note 2.2 in the consolidated financial statements of the Group for the year ended 31 December 2014 as stated in the Annual Report 2014:

As at 31 December 2014, the Group had net assets of approximately RMB221,991,000. With the classification of the convertible notes of the Company, with face value of HK$2,331,270,000 (equivalent to carrying amount of approximately RMB1,721,942,000) and maturity date on 10 December 2015, as current liability, the consolidated statement of financial position of the Group shown a net current liabilities of approximately RMB845,582,000. Such condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The Group may be unable to realise its assets at its carrying amounts in the normal course of business and discharge its liabilities.

The Group had discussed with a major holder of the convertible notes. The convertible note holder, Talent Trend, stated that he would consider arrangements including using part of the properties of the Group to set off all or portion of the *convertible notes, and/or exercising all or portion of the conversion rights of the convertible notes, and/or accepting extension of the maturity date of all or portion of the convertible notes and/or any other feasible and permissible way to resolve this outstanding issue instead of demanding cash repayment. The directors consider agreement with this convertible note holder can likely be reached. In addition, the directors will consider possible equity and/or debt fund raising exercise as and when appropriate to improve the Group's cash flow position.*

The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group's ability to generate sufficient cash flow and carrying out of any arrangements acceptable by the convertible notes holders and the Group on or before its maturity date. The directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

During year 2015, the major bond holder entered the Deed of Amendment and Second Supplemental Deed of Amendment with the Company. Under this circumstance, the going concern basis for the year ended 31 December 2015 was different from that of 31 December 2014.

For the year ended 31 December 2015

The following is the extract of the independent auditors' report of the Group for the year ended 31 December 2015 as stated in the Annual Report 2015:

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2.2 in the consolidated financial statements which indicates that Group incurred a net loss of RMB115,126,000 for the year ended 31 December 2015 and, as of that day, the Group's current liabilities exceeded its current assets by RMB855,699,000. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. As explained in note 2.2 to the consolidated financial statements, these consolidated financial statements have been prepared on a going concern basis.

The following is the full text of note 2.2 in the consolidated financial statements of the Group for the year ended 31 December 2015 as stated in the Annual Report 2015:

As at 31 December 2015, the Group had net assets of approximately RMB184,663,000. With the classification of the convertible notes of the Company, with face value of HK$2,139,850,000 (equivalent to carrying amount of approximately RMB1,663,786,000 and maturity date on 10 December 2016, as current liability, the consolidated statement of financial position of the Group shown a net current liabilities of *approximately RMB855,699,000. Such condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The Group may be unable to realise its assets at its carrying amounts in the normal course of business and discharge its liabilities.*

The directors of the Company ("the Directors") have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favorable outcomes of the completion of the conditional conversion of all the outstanding convertible notes in the principal amounts of HK$2,139,850,000 into 6,484,393,939 new ordinary shares and application for whitewash wavier of which details were set out in the Company's announcement dated 11 January 2016 (the "Proposed Plan").

The completion of the conversion of all the outstanding convertible notes in the principal amounts of HK$2,139,850,000 into 6,484,393,939 new ordinary shares is conditional upon:

(a) the passing of the necessary resolution(s) by the independent shareholders who are allowed to vote under the Main Board Listing Rules, The Hong Kong Code on Takeovers and Mergers ("Takeovers Code") and/or other applicable laws and regulations approving separately at the special general meeting (i) the Proposed Amendment under the Second Supplement Deed of Amendments to the issue of conversion notice and (ii) the grant of whitewash wavier by the Executive;

(b) the listing committee of Main Board of The Stock Exchange of Hong Kong Limited having granted the listing of the permission to deal in, the conversion shares;

(c) the granting of whitewash wavier by the Executive; and

(d) the capital reorganization having become effective.

The consolidated financial statements of the Group have been prepared on a going concern basis on the basis that the Proposed Plan will be successfully completed.

In the opinion of the Directors, if the Proposed Plan completed successfully, the Group would be able to generate sufficient funds to meet its future working capital requirements and financial obligations when they fall due. Accordingly, the Directors consider that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Save for the followings, there is no exceptional item because of size, nature or incidence for each of the three years ended 31 December 2013, 2014 and 2015:

(i) As disclosed in the Annual Report 2013, the Group had entered into an agreement with 廣州新意實業發展有限公司 (Guangzhou Xinyi Shiye Development Co. Ltd.) for the disposal of its entire interest in 海南白馬天鵝灣置業有限公司 (Hainan White Horse Swan Bay Garden Properties Limited) ("Swan Bay") on 20 December 2012. The Group completed the disposal of Swan Bay in May 2013. Swan Bay was being disposed for a cash consideration of approximately RMB85.1 million and a gain of approximately RMB11.7 million was recorded;

(ii) As disclosed in the Annual Report 2013, the Group had entered into an agreement with Talent Trend for the disposal of its entire equity interest in 海南宏倫置業有限公司 (Hainan Honglun Properties Limited) ("Hainan Honglun") on 25 January 2013. The Group completed the disposal of Hainan Honglun in December 2013. Hainan Honglun was being disposed by cancelling convertible notes with face value of approximately HK$337 million held by Talent Trend and a gain of approximately RMB141.7 million was recorded;

(iii) As disclosed in the Annual Report 2013, the Group had entered into an agreement with Success Trend Enterprises Limited for the disposal of its entire equity interest in Master Base Limited ("Master Base") on 12 April 2013. On 31 May 2013, the disposal was completed at a consideration of approximately HK$200,000 which is equivalent to approximately RMB156,000 and a gain on disposal of Master Base of approximately RMB23 million was recognized;

(iv) As disclosed in the Annual Report 2013 and 2014, the Group had entered into an agreement with 金盈灃股權投資基金(深圳)股份公司 (Jinyingfeng Equity Investment Fund (Shenzhen) Co., Ltd.*) for the disposal of its entire interest in Guangzhou Junyu Hotel Investments Limited ("Junyu Hotel") on 16 May 2013. On 22 December 2014, the disposal was completed at a consideration of approximately RMB1,165 million and a gain on disposal of Junyu Hotel of approximately RMB259 million was recognized;

(v) As disclosed in the Annual Report 2013, the Group entered into an agreement with Talent Trend for the acquisition of entire equity interests in Neo Bloom Limited on 18 September 2013. The acquisition was completed on 17 November 2013 at a consideration of approximately RMB307 million and a gain of approximately RMB27.5 million was recorded; and

(vi) On 29 October 2014, the Group entered into an agreement with 廣州中新房粵投實業有限公司 (Guangzhou Zhongxinfang Yuetou Enterprise Limited), the purchaser, for the disposal of the 1st to 4th floors of the commercial portion of Tianlun Garden (天倫花園) at a consideration of approximately RMB266.0 million, equivalent to approximately HK$337.5 million. As the disposal has fallen through, the Group has initiated legal action to forfeit the deposits paid by the purchaser and seek for additional compensation through legal means. The Company obtained judgment on the appeal in mid-November 2015. The Court only ruled in favour of forfeiture of the deposit in the amount of RMB20 million paid by the purchaser, but rejected the request against the purchaser for an additional penalty of RMB20 million. As at the Latest Practicable Date, the Group has no intention to appeal. According to the Annual Report 2015, the first to fourth floors of the commercial portion of Tianlun Garden were reclassified as investment properties instead of assets held for sale, at a fair value as at 31 December 2015 of RMB245,700,000 and a sum of RMB20,000,000 (which was disclosed as deposit forfeited on disposal of investment property under other revenue). The Group is identifying any potential buyers to buy the aforementioned properties but no agreement has been reached. For further details, please refer to the announcements of the Company dated 29 October 2014, 3 July 2015, 4 December 2015 and 22 April 2016 and the circular of the Company dated 26 November 2014.

2. AUDITED FINANCIAL STATEMENTS

The following is the full text of the audited financial statements of the Group for the year ended 31 December 2015 as extracted from the Annual Report 2015:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
(For the year ended 31 December 2015)

	Notes	**2015** *RMB'000*	**2014** *RMB'000*
Continuing operations			
Revenue	*6*	365,990	185,710
Cost of sales		(288,898)	(165,981)
Gross profit		77,092	19,729
Other revenue and net income	*7*	181,791	68,498
Loss on disposal of investment properties		(1,609)	(1,006)
Fair value changes on investment properties		(152,735)	1,652
Impairment loss of completed properties held for sale and properties under development		(116,840)	(125,757)
Fair value changes on derivative financial instruments		(2,937)	(14,234)
Distribution costs		(12,461)	(9,313)
Administrative and other operating expenses		(66,533)	(97,085)
Share of profit/(loss) of an associate		36,966	(4,350)
Finance costs	*8*	(134,169)	(133,449)
Loss before income tax	*9*	(191,435)	(295,315)
Income tax credit	*12*	76,309	36,628
Loss for the year from continuing operations		(115,126)	(258,687)
Discontinued operations			
Profit for the year from discontinued operations	*13*	—	276,415
(Loss)/profit for the year		(115,126)	17,728

	Notes	2015 *RMB'000*	2014 *RMB'000*
Other comprehensive loss for the year (after reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Unrealised gain on available-for-sale financial assets		—	186
Reclassification adjustment of fair value reserve on disposal of available-for-sale financial assets		535	—
Exchange loss on translation of financial statements of foreign operations		(81,020)	(13,116)
Other comprehensive loss for the year		(80,485)	(12,930)
Total comprehensive (loss)/income for the year		(195,611)	4,798
(Loss)/profit attributable to:			
Owners of the Company		(115,125)	17,728
Non-controlling interests		(1)	—
		(115,126)	17,728
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(195,610)	4,798
Non-controlling interests		(1)	—
		(195,611)	4,798
		RMB	*RMB*
(Loss)/earnings per share	*14*		
From continuing and discontinued operations			
Basic		(3.475 cents)	0.549 cents
Diluted		(3.475 cents)	0.549 cents
From continuing operations			
Basic		(3.475 cents)	(8.012 cents)
Diluted		(3.475 cents)	(8.012 cents)
From discontinued operations			
Basic		N/A	8.561 cents
Diluted		N/A	8.561 cents

Consolidated Statement of Financial Position
(As at 31 December 2015)

	Notes	2015 RMB'000	2014 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	962,601	805,592
Plant and equipment	16	1,565	2,346
Interests in an associate	18	572,464	533,268
Available-for-sale financial assets	19	1,000	1,965
Loan receivables from an associate	20	—	117,121
		1,537,630	1,460,292
Current assets			
Properties under development	21	1,466,005	1,509,488
Completed properties held for sale	22	209,160	267,882
Trade receivables	23	36,401	1,137
Prepayments, deposits and other receivables	24	124,724	140,882
Tax recoverable		9,935	24
Cash and cash equivalents	25	127,430	247,542
		1,973,655	2,166,955
Assets classified as held for sale	26	—	266,000
		1,973,655	2,432,955
Current liabilities			
Trade payables	27	(83,509)	(28,481)
Accruals and other payables	28	(534,224)	(820,836)
Provision for tax		(232,481)	(328,798)
Borrowings	29	(315,354)	(378,480)
Convertible notes	32	(1,663,786)	(1,721,942)
		(2,829,354)	(3,278,537)
Net current liabilities		(855,699)	(845,582)
Total assets less current liabilities		681,931	614,710

	Notes	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Deferred tax liabilities	30	(323,268)	(392,719)
Borrowings	29	(174,000)	—
		(497,268)	(392,719)
Net assets		184,663	221,991
EQUITY			
Share capital	33	14,384	12,452
Reserves	34	150,088	189,347
Equity attributable to the owners of Company		164,472	201,799
Non-controlling interests		20,191	20,192
Total equity		184,663	221,991

Consolidated Statement of Cash Flows
(For the year ended 31 December 2015)

	Notes	2015 RMB'000	2014 RMB'000
(Loss)/profit before income tax			
From continuing operations		(191,435)	(295,315)
From discontinued operations		—	535,759
		(191,435)	240,444
Adjustments for:			
Interest income on financial assets carried at amortised costs		(740)	(902)
Loss on disposal of investment properties		1,609	1,006
Fair value changes on investment properties		152,735	(1,652)
Fair value changes on derivative financial instruments		2,937	14,234
Gain on disposal of available-for-sale financial assets		(229)	—
Gain on disposal of subsidiaries		—	(518,055)
Management fee income from an associate		(923)	(639)
Compensation paid		5,000	—
Interest income on loan to an associate	7	(6,180)	(8,949)
Impairment loss of completed properties held for sale and properties under development		116,840	125,757
Share of (profit)/loss of an associate		(36,966)	4,350
Finance costs	8 & 13	134,169	167,892
Gain on extension of convertible notes	7	(103,844)	—
Depreciation on property, plant and equipment			
— Owned assets	9 & 13	1,107	3,534
Gain on disposal of property, plant and equipment		—	(9)
Loss on written off of property, plant and equipment	9 & 13	85	1,198
Provision for impairment of trade receivables recognised	9	—	286
Gains on cancellation of convertible notes		—	(27,341)
Written off of payables		—	(2,770)
Reversal of impairment losses of completed properties held for sale		—	(8,016)
Reversal of over-provision of compensation paid in previous years		(10,988)	(10,855)

	Notes	2015 RMB'000	2014 RMB'000
Operating cash flow before working capital changes		63,177	(20,487)
Decrease in inventories		—	(24)
Increase in properties under development and completed properties held for sale		(14,635)	(134,706)
Increase in trade receivables		(35,264)	(783)
Decrease in prepayments, deposits and other receivables		38,945	39,327
Increase in trade payables		55,028	31,429
Decrease in accruals and other payables		(298,428)	(96,854)
Cash generated used in operations		(191,177)	(182,098)
Land appreciation tax paid		(6,038)	(7,012)
Income tax paid		(93,333)	(27,455)
Net cash generated used in operating activities		(290,548)	(216,565)
Cash flows from investing activities			
Purchase of property, plant and equipment		(377)	(1,036)
Purchase of investment property		(56,435)	(62,248)
Proceeds from disposal of property, plant and equipment		—	12
Proceeds from disposal of investment properties		11,657	30,194
Proceeds from disposal of subsidiaries		—	423,780
Proceeds from disposal of available-for-sale financial assets		1,729	—
Deposits received for disposal of investment properties		—	20,000
Purchase of available-for-sale financial assets		—	(500)
Interest received		739	902
Net cash (used in)/generated from investing activities		(42,687)	411,104

	Notes	2015 RMB'000	2014 RMB'000
Cash flows from financing activities			
Proceeds from bank loan		400,000	—
Proceeds from other unsecured loan		4,197	—
Repayment of bank loans		(187,500)	(395,722)
Repayment of other unsecured loan		(8,044)	(37,458)
Decrease in restricted cash		—	98,000
Finance costs		—	(36,746)
Proceeds from non-controlling interest		—	200
Net cash from/(used in) financing activities		208,653	(371,726)
Net decrease in cash and cash equivalents		(124,582)	(177,187)
Cash and cash equivalents at 1 January		247,542	423,813
Effect of foreign exchange rate changes		4,470	916
Cash and cash equivalents at 31 December		127,430	247,542
Analysis of cash and cash equivalents			
Bank balances and cash	*25*	127,430	247,542

Consolidated Statement of Changes in Equity

(For the year ended 31 December 2015)

	Attributable to owners of the Company											
	Share capital	Share premium*	Currency translation reserve*	Capital reserve*	Contributed surplus*	Capital redemption reserve*	Fair value reserve for available-for-sale financial assets*	Convertible notes reserve*	Accumulated loss*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	12,452	610,850	(35,774)	861	301,799	82	(788)	395,182	(1,082,865)	201,799	20,192	221,991
Loss for the year	—	—	—	—	—	—	—	—	(115,125)	(115,125)	(1)	(115,126)
Other comprehensive loss for the year:												
Reclassification adjustment of fair value reserve on disposal of available-for-sale financial assets	—	—	—	—	—	—	535	—	—	535	—	535
Exchange loss on translation of financial statement of foreign operations	—	—	(81,020)	—	—	—	—	—	—	(81,020)	—	(81,020)
Total comprehensive loss for the year	—	—	(81,020)	—	—	—	535	—	(115,125)	(195,610)	(1)	(195,611)
Issuance of shares upon conversion of convertible note *(Note 32)*	1,932	187,348	—	—	—	—	—	(30,997)	—	158,283	—	158,283
As at 31 December 2015	14,384	798,198	(116,794)	861	301,799	82	(253)	364,185	(1,197,990)	164,472	20,191	184,663

* These reserve accounts comprise the consolidated reserves of approximately RMB150,088,000 (2014: approximately RMB189,347,000) in the consolidated statement of financial position.

	Attributable to owners of the Company											
	Share capital	**Share premium***	**Currency translation reserve***	**Capital reserve***	**Contributed surplus***	**Capital redemption reserve***	**Fair value reserve for available-for-sale financial assets***	**Convertible notes reserve***	**Accumulated loss***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	12,452	610,850	(22,658)	861	301,799	82	(974)	463,828	(1,141,730)	224,510	19,992	244,502
Profit for the year	—	—	—	—	—	—	—	—	17,728	17,728	—	17,728
Other comprehensive loss for the year:												
Unrealised gain on available-for-sale financial assets	—	—	—	—	—	—	186	—	—	186	—	186
Exchange loss on translation of financial statement of foreign operations	—	—	(13,116)	—	—	—	—	—	—	(13,116)	—	(13,116)
Total comprehensive income for the year	—	—	(13,116)	—	—	—	186	—	17,728	4,798	—	4,798
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	200	200
Cancellation of convertible notes	—	—	—	—	—	—	—	(68,646)	41,137	(27,509)	—	(27,509)
As at 31 December 2014	12,452	610,850	(35,774)	861	301,799	82	(788)	395,182	(1,082,865)	201,799	20,192	221,991

Notes to the Consolidated Financial Statements

(For the year ended 31 December 2015)

1. GENERAL INFORMATION

Talent Property Group Limited (the "Company") is a limited liability company incorporated in Bermuda and domiciled in Hong Kong. The addresses of its registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of the principal subsidiaries are including (i) real estate development, (ii) property investment and (iii) property management.

Whereas, the Group had entered into an agreement on 16 May 2013 for the disposal of its hotel operation segment and the disposal was completed on 22 December 2014. Before the completion of the disposal, the Group was engaged in the hotel operation.

The consolidated financial statements for the year ended 31 December 2015 were approved for issue by the board of directors on 31 March 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements on pages 42 to 168 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. 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.

In addition, the Group has adopted the amendments to the Listing Rules relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the consolidated financial statements is on the presentation and disclosure of certain information in the consolidated financial statements.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared under the historical cost basis except for investment properties, financial instruments classified as available-for-sale and early redemption option embedded in convertible notes which are stated as fair value as explained in the accounting policies set out below. The measurement bases are fully described in the accounting policies below.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2.25).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses, and the disclosure of contingent liabilities, at the end of reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2.2 Going Concern Basis

As at 31 December 2015, the Group had net assets of approximately RMB184,663,000. With the classification of the convertible notes of the Company, with face value of HK$2,139,850,000 (equivalent to carrying amount of approximately RMB1,663,786,000 and maturity date on 10 December 2016, as current liability, the consolidated statement of financial position of the Group shown a net current liabilities of approximately RMB855,699,000. Such condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The Group may be unable to realise its assets at its carrying amounts in the normal course of business and discharge its liabilities.

The directors of the Company ("the Directors") have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favorable outcomes of the completion of the conditional conversion of all the outstanding convertible notes in the principal amounts of HK$2,139,850,000 into 6,484,393,939 new ordinary shares and application for whitewash wavier of which details were set out in the Company's announcement dated 11 January 2016 (the "Proposed Plan").

The completion of the conversion of all the outstanding convertible notes in the principal amounts of HK$2,139,850,000 into 6,484,393,939 new ordinary shares is conditional upon:

(a) the passing of the necessary resolution(s) by the independent shareholders who are allowed to vote under the Main Board Listing Rules, The Hong Kong Code on Takeovers and Mergers ("Takeovers Code") and/or other applicable laws and regulations approving separately at the special general meeting (i) the Proposed Amendment under the Second Supplement Deed of Amendments to the issue of conversion notice and (ii) the grant of whitewash wavier by the Securities and Future Commission of Hong Kong ("SFC");

(b) the listing committee of Main Board of The Stock Exchange of Hong Kong Limited having granted the listing of the permission to deal in, the conversion shares;

(c) the granting of whitewash wavier by SFC; and

(d) the capital reorganization having become effective.

The consolidated financial statements of the Group have been prepared on a going concern basis on the basis that the Proposed Plan will be successfully completed.

In the opinion of the Directors, if the Proposed Plan completed successfully, the Group would be able to generate sufficient funds to meet its future working capital requirements and financial obligations when they fall due. Accordingly, the Directors consider that it is appropriate to prepare these consolidated financial statements on a going concern basis.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries and associate (see notes 2.4 and 2.5 below) made up to 31 December.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the company, and in respect of which the group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the company. Non-controlling interests in the results of the group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 2.19 depending on the nature of the liability.

Changes in the group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial instruments: Recognition and measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

2.4 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

In consolidated financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying the acquisition method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.5 Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale or included in a disposal group. Under the equity method, the investment is initially recorded at cost and adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment.

The Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the class of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

For investments in associates recognised using the equity method, the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount and recognised in profit or loss. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2.6 Business combination

The acquisition of businesses is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

2.7 Foreign currency translation

The consolidated financial statements are presented in thousands of units of Renminbi (RMB'000), which is different from the functional currency of the Company, Hong Kong Dollars (HK$). As the Renminbi ("RMB") denominated transactions and balance became a more significant component to the consolidated financial statements, the management considers that it is more appropriate to use RMB as the presentation currency for the Group's.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in the profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Renminbi. Assets and liabilities have been translated into Renminbi at the closing rates at the reporting date. Income and expenses have been converted into Renminbi at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the currency translation reserve in equity.

When a foreign operation is sold, such cumulative amount of the exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

2.8 Revenue recognition

Revenue comprises the fair value for the sale of goods and net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties are ready for delivery to the purchasers pursuant to the sale agreement and collectability of related receivables is reasonably assured. To the extent that the Group has to perform further work on the properties already delivered to the purchasers, the relevant expenses shall be recognised simultaneously. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities as receipt in advance from customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income of property leasing under operating leases is recognised on a straight-line basis over the lease terms.

Hotel revenue from room rentals, food and beverage sales and other ancillary services is recognised when the services are rendered.

Service income is recognised when services are rendered.

Property management service income is recognised on a pro-rata basis over the life of the agreement corresponding to notional delivery of the service.

2.9 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation on other assets, is provided to write off the cost or revalued amounts less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	5–50%
Furniture, fixtures and office equipments	10–33.33%
Motor vehicles	20%

The asset's residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2.10 Impairment of non-financial assets

Plant and equipment and interests in associate and subsidiaries are subject to impairment testing.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

As assessment is made at the end of each reporting periods as to whether there is any indication that previously recognised impairment loss may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.11 Investment properties

Property that is held for long-term rental yields and/or for capital appreciation, and that is not occupied by the Group, is classified as investment property. Property that is currently being constructed or developed for future use as investment property is classified as investment property.

Investment property comprises land held under operating leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met (see note 2.12).

Investment property is measured initially at its cost, including related transaction costs.

Subsequent to initial recognition, investment property is measured at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

If an item of inventories becomes an investment property because its use has been changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in profit or loss.

2.12 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges as the lessor

Assets leased out under operating leases are included in investment properties in the consolidated statement of financial position. Rental receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms.

2.13 Inventories

(i) Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Cost comprises both the prepaid lease payments for the land and development cost of the property. Development cost of properties comprises construction costs, capitalised borrowing costs and other direct development cost according to the Group's accounting policy and directly attributable cost incurred during the development period. On completion, the properties under development are transferred to completed properties held for sale. Properties under development are classified as current assets unless those will not be realised in one normal operating cycle.

(ii) Completed properties held for sale

Completed properties remaining unsold at the end of each reporting period are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses to make the sale.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

2.15 Financial assets

The Group's accounting policies for financial assets other than interests in subsidiaries and associate are set out below. Financial assets are classified into the following categories:

— loans and receivables

— available-for-sale financial assets

— early redemption option embedded in convertible notes

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the fair value reserve for available-of-sale financial assets in equity, except for impairment losses and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

(iii) Early redemption option embedded in convertible notes

The derivative component of the convertible notes is recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Impairment of financial assets

At each reporting date, financial assets other than early redemption option embedded in convertible notes are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measureable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount shall be reclassified from equity to profit and loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in profit or loss. The subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Financial assets other than early redemption option embedded in convertible notes and trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses in respect of unquoted equity securities carried at cost are not reversed in a subsequent period.

2.16 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of a deferred tax asset is reviewed at each end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    (i) the same taxable entity; or

    (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.17 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.18 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the ‘‘MPF Scheme’’) under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries. Contributions are recognised as an expense as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries which operate in the People’s Republic of China (the ‘‘PRC’’) are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under the plans is limited to the fixed percentage contributions payable. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2.19 Financial liabilities

The Group's financial liabilities include trade payables, accruals and other payables, borrowings and convertible notes.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with Group's accounting policy for borrowing cost (see note 2.24).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability components of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the convertible notes reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed at maturity, the convertible notes reserve is released directly to retained profits.

Other financial liabilities

Trade payables and accruals and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost.

2.20 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

2.21 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within accruals and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

2.22 Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.23 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major products and service lines.

The executive directors have identified the Group's three (2014: four) products and service lines as operating segments as follows:

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

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

(c) Hotel operation consists of the operating the hotel, which is considered as the discontinued operation as detailed in note 13 to the consolidated financial statements; and

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

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arms length prices.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that part of operating lease charges, fair value changes on derivative financial instruments, share of profit/(loss) of an associate, part of finance costs and corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment. In addition, the segment assets include all assets with the exception of interests in an associate, available-for-sale financial assets and other corporate assets. Segment liabilities include all liabilities with the exception of convertible notes, deferred tax liabilities and other corporate liabilities.

Segment assets are all operating assets that are employed by a segment in its operating activities and that either directly attributable to the segment or can be allocated to the segment on a reasonable basis. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities are all operating liabilities that are employed by a segment in its operating activities and that either directly attributable to the segment or can be allocated to the segment on a reasonable basis. In addition, corporate liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

2.24 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.25 Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposal of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then on initial classification as held for sale and until disposal, the non-current assets, or the disposal group, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) Discontinued operations

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of profit or loss and other comprehensive income, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3. 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 issued by the HKICPA:

Amendments to HKAS 19	Defined benefits plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

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

Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 14	Regulatory Deferred Accounts[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKFRSs	Annual Improvements 2012–2014 cycle[1]
Amendments to HKAS 27	Equity method in Separate Financial Statements[1]
Amendments to HKAS16 and HKAS41	Agriculture: Bearer Plants[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sales or Contributions of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 No mandatory effective date yet determined

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Preparation of consolidated financial statements on going concern basis

At 31 December 2015, the Group's current liabilities exceeded its current assets by RMB855,699,000. Such condition indicates the existence of a significant uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. However, as disclosed in note 2.2 of the consolidated financial statements, the directors of the Company consider that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Income taxes and deferred taxation

Some subsidiaries of the Group operate in the PRC and are subject to income tax in the PRC. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(ii) PRC land appreciation taxes

Some subsidiaries of the Group are subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and those subsidiaries have not finalised all of their land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

(iii) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the amount of RMB284,601,000 (2014: RMB319,592,000) of the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the "sale" presumption set out in the amendments to HKAS 12 is not rebutted. For investment properties situated in PRC with the fair value of RMB284,601,000 (2014: RMB306,900,000), the Group has recognised deferred taxes on changes in fair value as those properties are subject to land appreciation taxes and enterprise income taxes upon disposal as appropriate.

For other investment properties amounting to RMB678,000,000 (2014: RMB752,000,000), they are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. For these investment properties, the presumption is rebutted. The Group has recognised deferred taxes on changes in fair value as those properties are subjected to enterprise income taxes.

(iv) Depreciation, useful lives and residual values of plant and equipment

The Group's management exercises its judgement in estimating the useful lives and residual values of the depreciable plant and equipment other than CIP. The estimated useful lives and residual values reflect the management's estimate of the periods the Group intends to derive future economic benefits from the use of these assets.

The Group depreciates its plant and equipment other than CIP in accordance with the accounting policies stated in note 2.9. The carrying amount of plant and equipment is disclosed in note 16.

(v) Estimates for net realisable value of properties under development and completed properties held for sale

As at 31 December 2015, the carrying amounts of properties under development and completed properties held for sale are approximately RMB1,466,005,000 (2014: approximately RMB1,509,488,000) and approximately RMB209,160,000 (2014: approximately RMB267,882,000), respectively. The Group assesses the carrying amounts of properties under development and properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses.

(vi) Estimated impairment on receivables

The Group's management assesses the collectability of receivables. This estimate is based on the past collection, credit history and ageing analysis of the Group's receivables, as well as the current economy and market condition. Impairment on receivables is made based on the estimation of the future cash flow expected to arise and the original effective interest rate in order to calculate the present value. The Group's management determines impairment of its receivables on a regular basis and reassesses the impairment of receivables at the reporting date.

(vii) Impairment of interests in subsidiaries

The Group's management follows the guidance of HKAS 36 Impairment of assets, in determining whether interests in subsidiaries are impaired requires the assumption made regarding the financial health of near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Based on the Group's assessment there is no requirement to provide for any allowance for impairment in value of interests in subsidiaries. The Company's carrying amount of interests in subsidiaries at 31 December 2015 was RMB6 (2014: RMB6).

(viii) Impairment of interests in associate

The Group's management follows the guidance of HKAS 36 Impairment of assets, in determining whether interests in associate are impaired requires the assumption made regarding the financial health of near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Based on the Group's assessment there is no requirement to provide for any allowance for impairment in value of interests in associate. The Group's carrying amount of interests in associate at 31 December 2015 was approximately RMB572,464,000 (2014: approximately RMB533,268,000).

(ix) Estimation of fair value of investment properties

Investment properties are revalued at the end of each reporting period based on the appraised market value provided by independent professional qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of each reporting period are used.

(x) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. Apportionment of these costs will be recognised in the profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

When the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

(xi) Extension of convertible notes not extinguishment

The extended maturity date is considered not to be a substantial modification of terms of the convertible notes as the discounted present value of the cash flows of the convertible notes with extended maturity date is less than 10% different from the discounted present value of the cash flows of the outstanding convertible notes prior to the extension of maturity date. As such, the amount of future cash flow of the extended convertible notes as at 10 December 2015 is discounted by the original effective interest rate amount to approximately HK$2,010,782,000 (equivalent to RMB1,674,256,000). The difference between the carrying amount of extended convertible notes and the amount of discounted future cash flow of the extended convertible notes of approximately HK$129,068,000 (equivalent to RMB103,844,000) has been recognised in other net income (Note 7).

5. SEGMENT INFORMATION

The Group is organised into three (2014: four) 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 2015

	Continuing operations			
	Property development	**Property investment**	**Property management**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue				
External revenue	334,448	27,395	4,147	365,990
Inter-segment revenue	—	—	2,677	2,677
	334,448	27,395	6,824	368,667
Reportable segment loss	(89,281)	(120,994)	(957)	(211,232)
— Business tax and other levies	(23,815)	(3,765)	(378)	(27,958)
— Compensation paid	(6,375)	—	—	(6,375)
— Impairment losses of completed properties held for sale and properties under development	(116,840)	—	—	(116,840)
— Fair vale changes on investment properties	—	(152,735)	—	(152,735)
— Loss on disposal of investment properties	—	(1,609)	—	(1,609)
— Finance cost	—	(8,045)	—	(8,045)
— Legal and professional fee	(20,890)	—	—	(20,890)
— Distribution cost	(12,461)	—	—	(12,461)
— Reversal of over-provision of compensation in previous years	10,988	—	—	10,988
— Sundry income	10	20,682	—	20,692

As at 31 December 2015

	Continuing operations			
	Property development	Property investment	Property management	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment assets	1,794,542	987,468	3,911	2,785,921
Additions to non-current segment assets during the year	113	56,435	—	56,548
Reportable segment liabilities	(589,398)	(427,015)	(3,780)	(1,020,193)

For the year ended 31 December 2014

	Continuing operations				Discontinued operations	
	Property development	Property investment	Property management	Sub-total	Hotel operation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue						
External revenue	175,403	8,999	1,308	185,710	190,214	375,924
Inter-segment revenue	—	—	—	—	482	482
	175,403	8,999	1,308	185,710	190,696	376,406
Reportable segment (loss)/profit	(97,675)	9,758	(4,380)	(92,297)	17,358	(74,939)
— Reversal of impairment losses of completed properties held for sale	8,016	—	—	8,016	—	8,016
— Business tax and other levies	(8,878)	(1,538)	(73)	(10,489)	(10,802)	(21,291)
— Depreciation on property, plant and equipment	(190)	—	—	(190)	—	(190)
— Distribution costs	(9,292)	—	(21)	(9,313)	—	(9,313)
— Compensation paid	(3,470)	(1,378)	—	(4,848)	—	(4,848)
— Impairment losses of completed properties held for sale and properties under development	(125,757)	—	—	(125,757)	—	(125,757)
— Fair vale changes on investment properties	—	1,652	—	1,652	—	1,652
— Loss on disposal of investment properties	—	(1,006)	—	(1,006)	—	(1,006)
— Written off of payables	—	2,770	—	2,770	—	2,770
— Reversal of over-provision of compensation in previous years	10,855	—	—	10,855	—	10,855
— Sundry income	5,875	—	—	5,875	—	5,875
— Finance costs	—	—	—	—	(34,443)	(34,443)

As at 31 December 2014

	Continuing operations			
	Property development	**Property investment**	**Property management**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment assets	1,947,105	1,076,046	6,390	3,029,541
Additions to non-current segment assets during the year	15	62,248	—	62,263
Reportable segment liabilities	(527,783)	(329,080)	(2,135)	(858,998)

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

	2015	**2014**
	RMB'000	*RMB'000*
Revenue		
Total revenue from reportable segments	368,667	185,710
Elimination of inter-segment revenue	(2,677)	—
Consolidated revenue	365,990	185,710
Loss		
Reportable segment loss	(211,232)	(92,297)
Elimination of inter-segment profits	—	—
Reportable segment loss derive from Group's external customers	(211,232)	(92,297)
Operating lease charges	(1,625)	(2,990)
Fair value changes on derivative financial instruments	(2,937)	(14,234)
Share of profit/(loss) of an associate	36,966	(4,350)
Discontinued operations	—	276,415
Finance costs	(126,124)	(133,449)
Unallocated expenses	(36,594)	(86,266)
Unallocated income	150,111	38,271
Loss before income tax	(191,435)	(18,900)
Income tax credit	76,309	36,628
(Loss)/profit for the year	(115,126)	17,728
Reportable segment assets	2,785,921	3,029,541
Corporate assets	725,364	863,706
Group assets	3,511,285	3,893,247
Reportable segment liabilities	(1,020,193)	(858,998)
Corporate liabilities	(2,306,429)	(2,812,258)
Group liabilities	(3,326,622)	(3,671,256)

There was no single customer individually contributed over 10% of the Group's total revenue during the year ended 31 December 2015 (2014: 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:

	2015	2014
	RMB'000	*RMB'000*
Continued operations		
Hong Kong (domicile) *(note (a))*	121	285
Mainland China	365,869	185,425
	365,990	185,710
Discontinued operations		
Mainland China	—	190,214
Total	365,990	375,924

Non-current assets:

	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Hong Kong (domicile) *(note (a))*	600	12,691
Mainland China	1,536,030	1,328,515
	1,536,630	1,341,206

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 respectively.

6. REVENUE

The Group's principal activities are disclosed in note 1 to these consolidated financial statements. Turnover of the Group is the revenue from these activities. Revenue from the Group's principal activities recognised during the year is as follows:

	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Sales of properties	334,448	175,403
Gross rental income from investment properties	27,395	9,267
Properties management fees	4,147	1,040
Total	365,990	185,710

7. OTHER REVENUE AND NET INCOME

	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Other revenue		
Interest income on financial assets carried at amortised costs	740	3,209
Interest income on loan to an associate	6,180	6,642
Compensation from tenants	682	893
Deposit forfeited on disposal of investment property	20,000	—
Written off of payable	—	2,770
Management fee income from an associate	923	639
Service income	37,100	—
Gain on disposal of plant and equipment	—	9
Reversal of impairment loss of completed properties held for sale	—	8,016
Reversal of over-provision of compensation paid in previous years	10,988	10,855
Gains on cancellation of convertible notes	—	27,341
Others	1,105	7,283
	77,718	67,657
Other net income		
Exchange gain, net	—	841
Gain on extension of convertible notes	103,844	—
Gain on disposal of available-for-sale financial assets	229	—
	104,073	841
Total	181,791	68,498

8. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Interest on bank loan borrowing, gross	16,998	23,763
Less: amount capitalised to properties under development *(note (b))*	8,953	17,313
amount capitalised to investment property *(note (a))*	—	4,147
Interest on bank loan borrowing, net	8,045	2,303
Interest on other loans wholly repayable within five years	11,174	22,138
Interest on convertible notes	114,950	109,008
	134,169	133,449

Notes:

(a) The borrowing costs have been capitalised of a range from 3.98% to 7.68% per annum for the year ended 31 December 2014.

(b) The borrowing costs have been capitalised of a range from 6.32% to 7.73% (2014: 7.21% to 7.53%) per annum.

9. LOSS BEFORE INCOME TAX

	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Loss before income tax is arrived at after charging/(crediting):		
Cost of properties sold	253,297	150,432
Cost of properties management	4,726	5,061
Business tax and other levies *(note (b))*	27,958	10,488
Depreciation on plant and equipment *(note (a))*	1,107	3,534
Operating lease charges in respect of land and buildings	1,625	3,044
Auditors' remuneration		
— audit services	724	793
— other services	302	246
Provision for impairment of trade receivables recognised	—	286
Loss on written off of plant and equipment	85	166
Rental income from investment properties less direct outgoings *(note (c))*	(27,395)	(8,999)

Notes:

(a) Depreciation expenses

Depreciation expenses of approximately RMB1,107,000 (2014: approximately RMB3,534,000) have been included in administrative expenses respectively.

(b) Business tax and other levies

The Group with business operation in the PRC is subject to business taxes on their revenue at the following rates:

Category	**Rate**
Sales of properties and car park units	5%
Rental income from investment properties and car park units	5%
Property management income	5%

(c) Rental income from investment properties

There are no direct outgoings incurred for investment properties for the years ended 31 December 2015 and 2014.

10. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2015	2014
	RMB'000	*RMB'000*
Wages and salaries	14,722	45,057
Pension costs — defined contribution plans	1,033	5,006
	15,755	50,063

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

11.1 Directors' emoluments

Executive directors and independent non-executive directors:

2015

	Directors' fees *RMB'000*	Salaries, allowances & benefits in kind *RMB'000*	Discretionary bonus *RMB'000*	Contribution to defined contribution plan *RMB'000*	Total *RMB'000*
Executive directors					
Mr. Ng Pui Keung *(Note (b))*	—	740	—	6	746
Mr. You Xiaofei	—	1,081	78	52	1,211
Mr. Luo Zhang Guan *(Note (a))*	—	195	—	24	219
Independent non-executive directors					
Mr. Lo Wai Hung	212	—	—	—	212
Ms. Pang Yuen Shan, Christina *(Note (c))*	180	—	—	—	180
Mr. Chan Chi Mong, Hopkins	166	—	—	—	166
Mr. Mak Yiu Tong *(Note (c))*	14	—	—	—	14
	572	2,016	78	82	2,748

Notes:

(a) With effect from 24 April 2015, Mr. Luo Zhang Guan has been appointed as an executive director.

(b) With effect from 1 June 2015, Mr. Ng Pui Keung retired as an executive director.

(c) With effect from 4 December 2015, Ms. Pang Yuen Shan, Christina has resigned as an independent non-executive director; Mr. Mak Yiu Tong has been appointed as an independent non-executive director.

Executive directors and independent non-executive directors:

2014

	Directors' fees	Salaries, allowances & benefits in kind	Discretionary bonus	Contribution to defined contribution plan	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Ng Pui Keung	—	1,363	106	13	1,482
Mr. You Xiaofei	—	973	61	43	1,077
Independent non-executive directors					
Mr. Lo Wai Hung	200	—	—	—	200
Ms. Pang Yuen Shan, Christina	181	—	—	—	181
Mr. Chan Chi Mong, Hopkins	152	—	—	—	152
	533	2,336	167	56	3,092

During the year ended 31 December 2015 and 31 December 2014, no emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office.

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2014: Nil).

11.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2014: two) directors whose emoluments are reflected in the analysis presented in note 11.1. The emoluments payable to the remaining three (2014: three) individuals during the year are as follows:

	2015	2014
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	2,976	2,883
Retirement scheme contributions	94	69
	3,070	2,952

The emoluments fell within the following bands:

	Number of individuals 2015	2014
Emolument bands		
RMB1,500,001–RMB2,000,000	1	1
RMB1,000,001–RMB1,500,000	1	1
RMB500,001–RMB1,000,000	—	—
RMB0–RMB500,000	1	1

12. INCOME TAX CREDIT

	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Current tax		
The PRC — Corporate Income Tax		
— Tax for the year	7,874	—
— Under provision in respect of prior years	—	1,277
	7,874	1,277
The PRC — Land appreciation tax		
— Current year	28,224	14,788
— Over provision in respect of prior years	(42,945)	—
	(14,721)	14,788
Deferred tax		
— Current year	(68,845)	(52,916)
— (Over)/under provision in respect of prior years	(617)	223
	(69,462)	(52,693)
Total income tax credit	(76,309)	(36,628)

Reconciliation between tax credit and accounting loss at applicable tax rates:

	2015	2014
	RMB'000	*RMB'000*
Loss before taxation	(191,435)	(295,315)
Income tax at Hong Kong profits tax rate of 16.5%	(31,587)	(48,726)
Tax effect of different taxation rates in other tax jurisdictions	(13,648)	(15,508)
(Over)/under provision in prior years	(43,562)	1,500
Tax effect of non-taxable revenue	(3,337)	(5,222)
Tax effect of non-deductible expenses	10,823	36,284
Tax effect of temporary differences not provided	1,137	925
Tax effect of prior year's unrecognised tax losses utilised this year	(4,476)	(21,274)
Tax effect of unused tax losses not recognised	3,847	708
Tax effect of share of (profit)/loss of an associate	(9,242)	1,088
PRC land appreciation tax	28,224	14,788
Effect of PRC land appreciation tax	(4,063)	(4,513)
Land appreciation tax on fair value changes on investment properties	(11,974)	3,262
Others	1,549	60
Income tax credit	(76,309)	(36,628)

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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% (2014: 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% (2014: 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 2015, the Group has not accrued any withholding income tax for the earnings of its PRC subsidiaries (2014: nil), because the Group does not have a plan to distribute earnings from its PRC subsidiaries generated in the period from 1 January 2008 to 31 December 2015 in the foreseeable future.

13. DISCONTINUED OPERATIONS

Junyu Hotel

On 16 May 2013, the Group had entered into an agreement for the disposal of its entire interest in Guangzhou Junyu Hotel Investments Limited ("Junyu Hotel"). On 22 December 2014, the disposal was completed and Junyu Hotel cease to be a subsidiary of the Company and the business of hotel operation which is solely carried out by Junyu Hotel, has become discontinued operations of the Group.

The gain for the year from discontinued operations is analysed as follows:

	2015	**2014**
	RMB'000	*RMB'000*
Profit of Junyu Hotel for the year	—	17,704
Gain on disposal of Junyu Hotel *(note 35)*	—	258,711
Profit for the year from discontinued operations	—	276,415

The results of Junyu Hotel presented as discontinued operations included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014, were as follows:

	Junyu Hotel
	RMB'000
Revenue	
— Hotel operation income	190,214
Cost of income	(132,873)
Gross profit	57,341
Other revenue and net income	1,222
Administrative and other operating expenses	(6,416)
Finance costs	
— Interest on bank loan borrowing	(34,443)
Profit before income tax	17,704
Income tax expense	—
Profit for the year	17,704

Profit before income tax for the year ended 31 December 2014 from discontinued operations included the following:

	Junyu Hotel
	RMB'000
Profit before income tax is arrived at after charging/(crediting):	
Rental income from sub-letting of leased assets	(1,070)
Cost of hotel operation	121,951
Business tax and other levies	10,862
Operating lease charges in respect of land and buildings	1,064
Loss on written off of property, plant and equipment	1,032
Staff cost	
— Wages and salaries	31,094
— Pension costs — defined contribution plans	3,530

Cash flows from discontinued operations for the year ended 31 December 2014 were as follows:

	Junyu Hotel
	RMB'000
Net cash generated from operating activities	12,618
Net cash used in investing activities	(883)
Net cash used in financing activities	(77,705)
Net decrease in cash and cash equivalent	(65,970)

14. LOSS/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of (loss)/earnings per share for continuing and discontinued operations is based on the loss attributable to the owners of the Company of approximately RMB115,125,000 (2014: profit of approximately RMB17,728,000) and on the weighted average of 3,313,398,324 (2014: 3,228,682,010) ordinary shares in issue during the year.

The calculation of loss per share for continuing operations is based on the loss attributable to the owners of the Company of approximately RMB115,125,000 (2014: loss of approximately RMB258,687,000) and on the weighted average of 3,313,398,324 (2014: 3,228,682,010) ordinary shares in issue during the year.

The calculation of earnings per share for discontinued operations is based on the profit attributable to the owners of the Company of Nil (2014: profit of approximately RMB276,415,000) and the weighted average of 3,313,398,324 (2014: 3,228,682,010) ordinary shares in issue during the year.

Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for continuing and/or discontinued operations for the years ended 31 December 2015 and 2014 is not presented because the impact of the conversion of convertible notes is anti-dilutive.

15. INVESTMENT PROPERTIES

	2015	2014
	RMB'000	*RMB'000*
At 1 January	805,592	1,038,780
Exchange realignment	631	112
Additions	56,435	62,248
Disposals	(13,322)	(31,200)
(Loss)/gain from fair value adjustment	(152,735)	1,652
Reclassified as held for sale	—	(266,000)
Reclassified from held for sale *(note 26)*	266,000	—
At 31 December	962,601	805,592

The analysis of the net carrying amount of investment properties according to lease periods as at 31 December were as follows:

	2015	2014
	RMB'000	*RMB'000*
In Hong Kong, held on:		
Lease of between 10 to 50 years	—	12,691
Outside Hong Kong, held on:		
Lease of between 10 to 50 years	962,601	792,901
	962,601	805,592

The fair values of the investment properties of the Group as at 31 December 2015 were assessed by B.I. Appraisals Limited, an independent qualified valuer. B.I. Appraisals Limited are members of the Hong Kong Institute of Surveyors. For financial reporting purpose, discussions and review of valuation processes and results are held among the Group's chief financial officer, senior officers of relevant operation departments and the independent professional valuer. The results are being directly reported back to the executive directors of the Company.

The valuation for completed investment properties was arrived at by considering the capitalised income derived from the existing tenancies and the reversionary potential of the properties or, where appropriate by reference to market evidence of transaction prices for similar properties in the similar locations and conditions.

The valuation for investment properties under construction was arrived at by making reference to comparable transactions available in the relevant market. The construction cost incurred, estimated construction cost to complete the development, discount rate and estimated developer's profit at the date of valuation are also taken into account.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 37.

As at 31 December 2015, investment properties of approximately RMB923,700,000 were pledged to banks to secure general banking facilities granted to the Group to the extent of RMB199,500,000. As at 31 December 2014, none of investment properties were pledged to banks to secure general banking facilities granted to the Group.

The following table presents the Group's investment properties measured at fair value in the consolidated statements of financial position in accordance with the fair value hierarchy. The hierarchy groups the investment properties into three levels based on the relative reliability of significant inputs used in measuring the fair value of the investment properties. The fair value hierarchy has the following levels:

— Level 1: quoted prices (unadjusted) in active markets for identical assets;

— Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and

— Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

The Group's investment properties stated at fair value in the consolidated statements of financial position at each reporting date is grouped into the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment properties located in Guangzhou, the PRC	—	—	962,601	962,601
At 31 December 2015	—	—	962,601	962,601

During the year ended 31 December 2015, there was transfer of approximately RMB245,700,000 from Level 1 to Level 3 because the disposal of investment properties agreement that the Group signed in 2014 has been terminated. The fair value of investment properties is revalued as at 31 December 2015 and carried out by an independent firm of surveyors, B.I. Appraisals Limited. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment property located in Hong Kong	—	—	12,691	12,691
Investment properties located in Guangzhou, the PRC	—	—	792,901	792,901
Investment properties located in Guangzhou, the PRC classified held for sale	266,000	—	—	266,000
At 31 December 2014	266,000	—	805,592	1,071,592

During the year ended 31 December 2014, there was transfer of approximately RMB266,000,000 from Level 3 to Level 1 because the Group had entered into an agreement for the disposal of investment properties (see note 26). The fair value of investment properties held for sale is determined by reference to that agreement. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range	Relationship of unobservable inputs to fair value
Completed investment property in Hong Kong	Market approach — investment method	Market rent	Nil (2014: HK$22–HK$24) per square feet	The higher the market rent, the higher the value
		Reversionary yield	Nil (2014: 2.7%–3.0%)	The higher the reversionary yield, the lower the value
Completed investment properties in Guangzhou, the PRC	Market approach — investment method	Market rent	RMB42–RMB175 (2014: RMB40–RMB230) per square meter	The higher the market rent, the higher the value
		Reversionary yield	5.5%–7.0% (2014: 4.8%–6.1%)	The higher the reversionary yield, the lower the value
	Combination of investment method and residual method	Estimated costs to completion	RMB34.7 million (2014: RMB21.2 million)	The higher the outstanding costs of development, the lower the value
		Market rent	RMB80–RMB136 (2014: RMB50–RMB136) per square meter for office and RMB95–RMB4,160 (2015: RMB128–RMB3,600) per square meter for retails	The higher the market rent, the higher the value
		Estimated developer's profit*	20% (2014: 20%)	The higher the allowance, the lower the value
		Reversionary yield	3.8%–10.4% (2014: 2.1%–6.5%) for office and 5.6%–11.6% (2014: 5.6%–11.6%) for retails	The higher the reversionary yield, the lower the value

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2015 *RMB'000*	2014 *RMB'000*
Investment properties located in Hong Kong and Guangzhou, the PRC:		
At 1 January	805,592	1,038,780
Exchange realignment	631	112
Addition	56,435	62,248
(Loss)/gain from fair value adjustment	(152,735)	1,652
Disposals	(13,322)	(31,200)
Reclassified as held for sale	—	(266,000)
Reclassified from held for sale	266,000	—
At 31 December	962,601	805,592

Fair value adjustment of investment properties is recognised in the line item "fair value changes on investment properties" on the face of the consolidated statement of profit or loss and other comprehensive income.

* Estimated developer's profit represents allowance on risk associated with completing the project and investor's return expressed in terms of a percentage.

16. PLANT AND EQUIPMENT

	Leasehold improvements *RMB'000*	Furniture, fixture and office equipments *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost				
At 1 January 2014	7,486	1,852	2,588	11,926
Exchange realignment	2	1	24	27
Additions	—	153	—	153
Written off	(166)	—	—	(166)
Disposals	—	(7)	—	(7)
At 31 December 2014 and 1 January 2015	7,322	1,999	2,612	11,933
Exchange realignment	3	6	137	146
Additions	37	113	227	377
Written off	(195)	(44)	—	(239)
At 31 December 2015	7,167	2,074	2,976	12,217
Deduct: accumulated depreciation and impairment loss				
At 1 January 2014	5,026	802	217	6,045
Exchange realignment	—	1	11	12
Depreciation	2,181	470	883	3,534
Eliminated on disposal	—	(4)	—	(4)
At 31 December 2014 and 1 January 2015	7,207	1,269	1,111	9,587
Exchange realignment	2	6	104	112
Depreciation	26	282	799	1,107
Eliminated on written off	(110)	(44)	—	(154)
At 31 December 2015	7,125	1,513	2,014	10,652
Net book amount				
At 31 December 2015	42	561	962	1,565
At 31 December 2014	115	730	1,501	2,346

17. INTERESTS IN SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2015 were as follows:

Name	Place/country of incorporation/ registration	Issued and fully paid share/ paid-in capital	Group's effective interest	Proportion of ownership interest		Principal activities and places of operations
				Held by the Company	Held by a Subsidiary	
Canton Million Investments Limited *(iii)*	British Virgin Islands ("BVI")	US$1	100%	100%	—	Investment holding in Hong Kong
Grandwill International Investment Limited	Hong Kong	HK$1	100%	—	100%	Inactive
Guangzhou City Liwan Qi Che Pei Factory Company Limited *(ii) & (iv)*	The PRC	RMB10,000,000	100%	—	100%	Property investment in the PRC
Guangzhou Fanzhan Trading Limited *(i), (iii) & (iv)*	The PRC	RMB2,158,425	100%	—	100%	Inactive
Guangzhou Fengmao Real Estate Development Limited *(ii), (iii) & (iv)*	The PRC	RMB10,000,000	100%	—	100%	Investment holding in the PRC
Guangzhou Gaotian Investment Limited *(ii) & (iv)*	The PRC	RMB20,000,000	100%	—	100%	Property development and property investment in the PRC
Guangzhou Huangpu Caming Real Estate Development Limited *(i), (iii) & (iv)*	The PRC	US$13,000,000	100%	—	100%	Property development in the PRC
Guangzhou Kinyang Real Estate Development Co., Ltd. *(i) & (iv)*	The PRC	RMB112,000,000	100%	—	100%	Property development and property investment in the PRC
Guangzhou Talent Shoes Market Management Limited *(ii) & (iv)*	The PRC	RMB2,000,000	90%	—	90%	Property management in the PRC
Guangzhou Xianzhuang Properties Development Limited *(ii) & (iv)*	The PRC	RMB33,000,000	100%	—	100%	Property development in the PRC
Guangzhou Xinzhuo Properties Management Limited *(ii), (iii) & (iv)*	The PRC	RMB3,000,000	100%	—	100%	Property management in the PRC
Guangzhou Yijie Cleaning Company Limited *(i) & (iv)*	The PRC	RMB1,000,000	100%	—	100%	Investment holding in the PRC and provision of cleaning services
Guangzhou Yongxiang Investment Limited *(ii) & (iv)*	The PRC	RMB11,000,000	100%	—	100%	Investment holding in the PRC

Name	Place/country of incorporation/ registration	Issued and fully paid share/ paid-in capital	Group's effective interest	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a Subsidiary	Principal activities and places of operations
Haikou Yicheng Industries Limited *(i), (iii) & (iv)*	The PRC	RMB10,000,000	100%	—	100%	Investment holding in the PRC
Mark World Properties Limited	Hong Kong	HK$1	100%	—	100%	Investment holding in the PRC
Neo Bloom Limited *(iii)*	BVI	US$1	100%	—	100%	Investment holding in Hong Kong
Talent Property Group Limited *(ii), (iii) & (iv)*	The PRC	RMB50,000,000	100%	—	100%	Investment holding in the PRC
Profit Venture Investment Limited	Hong Kong	HK$10,000	100%	—	100%	Investment holding in the PRC
Smart Key Global Limited *(iii)*	BVI	US$1	100%	—	100%	Inactive
Sure Win Inc. Limited	Hong Kong	HK$100	100%	—	100%	Property Investment in Hong Kong and investment holding in the PRC
Talent Central Limited *(iii)*	BVI	US$101	100%	—	100%	Investment holding in Hong Kong
Talent Property Limited	Hong Kong	HK$10,000	100%	—	100%	Inactive
Talent Prosper Corporation *(iii)*	BVI	US$2	100%	—	100%	Investment holding in Hong Kong
Yunnan Xin Tian Culture Travel Development Limited *(ii), (iii) & (iv)*	The PRC	RMB50,000,000	60%	—	60%	Inactive

Notes:

(i) The above companies are registered as a wholly foreign owned enterprises under the PRC law.

(ii) The above companies are registered as limited companies under the PRC law.

(iii) The statutory financial statements of these subsidiaries are not audited by Cheng & Cheng Limited reflect total net assets at approximately RMB1,176,590,000 and no turnover constituting the related consolidated totals.

(iv) The names of certain companies referred in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available.

The following table lists out the information relating to Yunnan Xin Tian Culture Travel Development Limited, the subsidiary of the Group which has material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

Yunnan Xin Tian Culture Travel Development Limited

	2015	**2014**
	RMB'000	*RMB'000*
NCI percentage	40%	40%
Current assets	50,053	50,052
Non-current assets	—	—
Current liabilities	(76)	(73)
Non-current liabilities	—	—
Net assets	49,977	49,979
Carrying amount of NCI	19,991	19,992
Revenue	1	—
Loss for the year	(2)	—
Total comprehensive income	(1)	—
Loss allocated to NCI	(1)	—
Dividend paid to NCI	—	—
Cash flows from operating activities	—	—
Cash flows from investing activities	—	—
Cash flows from financing activities	—	—

18. INTERESTS IN AN ASSOCIATE

	2015	**2014**
	RMB'000	*RMB'000*
Share of net assets	587,359	550,393
Less: unrealised profit in associate	(14,895)	(17,125)
	572,464	533,268

The following list contains the particulars of the associate which is unlisted corporate entity whose quoted market price is not available:

			Proportion of ownership interest			
Name	**Country of registration**	**Paid-in capital**	**Group's effective interest**	**Held by the Company**	**Held by a Subsidiary**	**Principal activities and places of operations**
Guangzhou Xintian Properties Development Limited *(i), (ii) & (iii)*	The PRC	RMB710,503,607	30%	—	30%	Property development in the PRC *(iv)*

Notes:

(i) The English name of above company referred in these consolidated financial statements represent management's best effort in translation of the Chinese names of this company as no English names have been registered or available.

(ii) The statutory financial statement of above associate is not audited by Cheng & Cheng Limited.

(iii) The above company is registered as limited company under the PRC law.

(iv) Guangzhou Xintian Properties Development Limited operates ("Guangzhou Xintian") in the PRC and is a strategic partner for the Group in developing the property development where Guangzhou Xintian has expertise and financial support from its holding company.

The above associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements are disclosed below:

	Guangzhou Xintian Properties Development Limited	
	2015	**2014**
	RMB'000	*RMB'000*
Gross amounts of the associate		
Current assets	3,711,326	5,276,810
Non-current assets	1,471	2,485
Current liabilities	(1,313,833)	(2,803,202)
Non-current liabilities	(453,861)	(654,210)
Equity	1,945,103	1,821,883
Revenue	1,782,961	1,052,477
Profit/(loss) for the year	123,221	(14,501)
Other comprehensive income	—	—
Total comprehensive income/(loss)	123,221	(14,501)
Dividend received from the associate	—	—
Reconcile to the Group's interests in the associate		
Gross amounts of net assets of the associate	1,945,103	1,821,883
Group's effective interest	30%	30%
Group's share of net assets of the associate	583,531	546,565
Goodwill	3,828	3,828
Less: unrealised profit in associate	(14,895)	(17,125)
Carrying amount in the consolidated financial statements	572,464	533,268

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015	**2014**
	RMB'000	*RMB'000*
Unlisted equity securities outside Hong Kong, at market value *(note (a))*	—	965
Unlisted equity securities outside Hong Kong, at cost *(note (b))*	1,000	1,000
Total	1,000	1,965

Notes:

(a) Unlisted equity securities are stated at fair value. The fair value of the investment in unlisted equity securities outside Hong Kong have been determined directly by reference to their quoted bid prices at the reporting date.

(b) The unlisted equity securities represented investment in a private company registered in the PRC. The amount is stated at cost less impairment as the investment does not have a quoted market price and range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably. The Group did not intend to dispose of the securities in the foreseeable future.

All available-for-sale financial assets are denominated in RMB.

The fair value of the Group's investments in unlisted equity securities classified as available-for-sale financial assets has been measured as described in note 41(g).

20. LOAN RECEIVABLES FROM AN ASSOCIATE

	2015	**2014**
	RMB'000	*RMB'000*
Amount due from an associate *(Note (a))*	—	117,121

Note:

(a) As at 31 December 2014, the amount due from an associate was unsecured, charged at 5% per annum and repayable in 2 years.

21. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2015	**2014**
	RMB'000	*RMB'000*
Properties under development for sale	1,466,005	1,509,488

All properties under development are located in the PRC. Land use rights are held on leases over 50 years.

All properties under development expected to be completed within the one operating cycle.

As at 31 December 2015, the properties under development of approximately RMB544,980,000 (2014: approximately value RMB532,300,000) were pledged as collateral for the Group's bank borrowings granted to the Group to the extent of RMB200,000,000 (2014: RMB187,000,000).

Amounts of properties under development for sale expected to be recovered after one more than one year is RMB1,466,005,000 (2014: RMB1,509,488,000). None of the other properties are expected to be recovered within one year.

22. COMPLETED PROPERTIES HELD FOR SALE

	2015	**2014**
	RMB'000	*RMB'000*
Completed properties held for sale, at cost	209,160	267,882

The completed properties held for sale are located in the PRC. Land use rights are held on leases over 50 years.

As at 31 December 2015, the completed properties held for sale of approximately RMB78,020,000 (2014: RMB116,148,000) were pledged as collateral for the Group's bank borrowings granted to the Group to the extent of RMB200,000,000 (2014: RMB187,000,000).

Amounts of completed properties held for sale expected to be recovered within one year is RMB209,160,000 (2014: RMB267,882,000). None of the other properties are expected to be recovered after one more than one year.

23. TRADE RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	38,554	3,290
Less: Provision for impairment of trade receivables recognised	(2,153)	(2,153)
Trade receivables — net	36,401	1,137

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

As at 31 December 2015 and 31 December 2014, 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:

	2015	2014
	RMB'000	*RMB'000*
At the beginning of the year	2,153	1,867
Provision for impairment of trade receivables recognised	—	286
At the end of the year	2,153	2,153

At each reporting date, the Group reviews trade receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2015, the Group's trade receivables of approximately RMB2,153,000 (2014: approximately RMB2,153,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and the management assessed that the receivables were not expected to be recovered.

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

	2015	2014
	RMB'000	*RMB'000*
0 to 90 days	36,116	541
91 to 180 days	180	53
181 to 365 days	39	81
Over 365 days	66	462
	36,401	1,137

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

	2015	**2014**
	RMB'000	*RMB'000*
Neither past due	35,378	—
Within 30 days past due	417	371
31 to 60 days past due	112	79
61 to 90 days past due	209	91
Over 90 days past due	285	596
	36,401	1,137

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 believe 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 2015, all of the Group's trade receivables are denominated in RMB (2014: RMB), no interest is charged on trade receivables.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	**2014**
	RMB'000	*RMB'000*
Deposits	3,787	5,403
Prepayments	1,235	1,970
Other receivables *(note (a))*	119,702	133,509
	124,724	140,882

Note:

(a) As at 31 December 2015, the amount of other receivables included the approximate amount of RMB 53,700,000 (2014: RMB49,199,000) which was interest receivable from an associate.

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2015	**2014**
	RMB'000	*RMB'000*
Cash at bank and in hand	127,430	247,542

Included in bank and cash balances of the Group approximately RMB122,827,000 (2014: approximately RMB246,465,000) was denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

26. ASSETS CLASSIFIED AS HELD FOR SALE

Guangzhou Kinyang

On 29 October 2014, the Group had 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.) ("Guangzhou Kinyang") with the carrying amount of RMB266,000,000. The disposal was terminated and details of this termination were set out in the announcements dated on 3 July 2015 and 4 December 2015. As at 31 December 2015, the property was classified as investment properties with the carrying amount of RMB245,700,000 (2014: RMB266,000,000).

27. TRADE PAYABLES

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

	2015	**2014**
	RMB'000	*RMB'000*
0 to 90 days	83,509	28,481
91 to 180 days	—	—
Over 365 days	—	—
	83,509	28,481

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

28. ACCRUALS AND OTHER PAYABLES

	2015	**2014**
	RMB'000	*RMB'000*
Deposits received	7,816	7,740
Receipts in advance from customers	182,079	260,473
Accruals	60,197	98,725
Other payables *(notes (a)&(b))*	284,132	453,898
	534,224	820,836

Notes:

(a) As at 31 December 2015, the amount of other payables included the approximate amount of RMB225,287,000 (2014: RMB391,994,000) which was the amounts due to an associate. This amount was unsecured, interest-free and no repayment term except for the approximate amount of RMB60,000,000 (2014: RMB60,000,000) was charged at 4% per annum and repayable on demand.

(b) As at 31 December 2015, the approximate amount of RMB17,032,000 (2014: RMB16,530,000) which was the amounts due to Mr. Zhang, the convertible notes' holder was unsecured, interest-free and no repayment term.

29. BORROWINGS

	2015	2014
	RMB'000	*RMB'000*
Borrowings included in non-current liabilities:		
Bank borrowings — secured *(Note (a))*	399,500	187,000
Other borrowings — unsecured *(Note (b))*	89,854	191,480
	489,354	378,480
Less: current portion of long-term borrowings — secured *(Note (a))*	(225,500)	(187,000)
current portion of other borrowings — unsecured *(Note (b))*	(89,854)	(191,480)
	(315,354)	(378,480)
	174,000	—

The maturity of the borrowings included in non-current liabilities is as follows:

	2015	2014
	RMB'000	*RMB'000*
Between 1 and 2 years	53,000	—
Between 2 and 5 years	121,000	—
	174,000	—

Notes:

(a) The Group has variable-rate bank borrowings which carry interest ranged from the People's Bank of China 3–15 year loan base rate. Interest is repriced annually.

As at 31 December 2015, the effective interest rate (which are also equal to contractual interest rates) on the Group's bank loans are range from 8.5% to 9.02% and secured by investment properties and certain properties under development and completed properties held for sale.

As at 31 December 2014, the effective interest rates (which are also equal to contractual interest rates) on the Group's bank loans are 7.38% and secured by certain properties under development and completed properties held for sale.

The fair value of the Group's current bank borrowings approximates their carrying amounts at each of the reporting dates for the reason that the impact of discounting is not significant or the bank borrowings carry floating rate interests.

The fair values of the Group's non-current bank borrowings approximate their carrying amounts at each of the reporting dates as all the non-current bank borrowings carry floating rate interests.

As at 31 December 2015 and 2014, the Group's bank loans were all denominated in RMB.

(b) As at 31 December 2015, the effective interest rates on Group's other unsecured borrowings are 5% (2014: 5%) and repayable on demand.

As at 31 December 2015 and 2014, the fair value of the Group's current unsecured borrowings approximates their carrying amounts at each of the reporting dates for the reason that the impact of discounting is not significant.

As at 31 December 2015 and 2014, the Group's unsecured borrowings were all denominated in RMB.

30. DEFERRED TAX

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable tax rates prevailing in the countries in which the Group operates.

The Group has total tax losses arising in Hong Kong and the PRC of approximately RMB88,042,000 (2014: approximately RMB109,130,000), subject to the agreement of relevant tax authorities, that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses which arose in subsidiaries with unpredictability of future profit streams.

Deferred tax liabilities in respect of the temporary differences associated with the undistributed earnings of subsidiaries have not been provided as the Group is in a position to control the timing of reversal of these differences and it is probable that such differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts of deferred tax liabilities of the Group is as follows:

	2015	**2014**
	RMB'000	*RMB'000*
Deferred income tax liabilities to be settled after more than 12 months	323,268	392,719

The net movements on the deferred taxation are as follows:

	Accelerated tax depreciation	**Revaluation of properties**	**Fair value adjustments arising from acquisition of subsidiaries**	**LAT**	**Tax losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	21,345	154,699	205,790	67,722	(4,146)	445,410
Exchange realignment	2	—	—	—	—	2
Deferred tax charged/ (credited) to the income statement during the year	2,226	(1,472)	(43,468)	3,292	(13,271)	(52,693)
As at 31 December 2014 and at 1 January 2015	23,573	153,227	162,322	71,014	(17,417)	392,719
Exchange realignment	11	—	—	—	—	11
Deferred tax charged/ (credited) to the income statement during the year	6,247	(45,300)	(45,083)	(1,824)	16,498	(69,462)
As at 31 December 2015	29,831	107,927	117,239	69,190	(919)	323,268

31. SHARE OPTION SCHEME

On 20 May 2013, the Company adopted a new share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including executive, non-executive or independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder of the Company's subsidiaries. The Scheme will remain in force for a period of 10 years from 20 May 2013 unless otherwise cancelled or amended.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options in cash. Share options granted to a director, chief executive or substantial shareholder of the company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the company or to any of their associates, in excess of 0.1% of the shares of the company in issue at any time or with an aggregate value (based on the price of the company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. An option may be exercised under the Scheme at any time during a period not exceeding 10 years after the date when the option is granted and expiring on the last date of such period.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of an ordinary share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

As at 31 December 2015 and 31 December 2014, there is no option granted and outstanding under the Scheme.

32. CONVERTIBLE NOTES

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

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

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

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

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

The Company cancelled convertible notes with a face value of approximately HK$337,000,000 (equivalent to RMB264,687,000) and HK$108,000,000 (equivalent to RMB84,986,000) on 15 January and 24 January 2014 respectively, by settling total receivables of approximately RMB303,513,000, which has been allocated to the liability of RMB236,577,000 and RMB75,937,000 respectively and the equity component of RMB51,986,000 and RMB16,660,000 respectively by using the same method as that on initial recognition. The difference between the consideration and transaction costs allocated to the liability component and its carrying value of RMB19,911,000 and RMB7,430,000 is recognised in other revenue (Note 7) respectively. The amount of consideration and transaction costs allocated to equity component is recognised in equity.

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

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

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

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

The extended maturity date is considered not to be a substantial modification of terms of the convertible notes as the discounted present value of the cash flows of the convertible notes with extended maturity date is less than 10% different from the discounted present value of the cash flows of the outstanding convertible notes prior to the extension of maturity date. As such, the amount of future cash flow of the extended convertible notes as at 10 December 2015 is discounted by the original effective interest rate amount to approximately HK$2,010,782,000 (equivalent to RMB1,674,256,000). The difference between the carrying amount of extended convertible notes and the amount of discounted future cash flow of the extended convertible notes of approximately HK$129,068,000 (equivalent to RMB103,844,000) has been recognised in other net income (Note 7).

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

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

The application for whitewash wavier for conversion of all the outstanding convertible notes in the principal amounts of HK$2,139,850,000 has been lodged. It depends on the permission of the Securities and Future Commission of Hong Kong and the listing committee of Main Board of The Stock Exchange of Hong Kong Limited, and the passing of the necessary resolution(s) by the independent shareholders who are allowed to vote under the Main Board Listing Rules, of which details were set out in the Company's announcements dated 11 January 2016, 1 February 2016, 26 February 2016 and 31 March 2016.

	2015	**2014**
	RMB'000	*RMB'000*
Liability component	1,680,243	1,740,704
Derivative component	(16,457)	(18,762)
	1,663,786	1,721,942
Liability component		
At beginning of the year	1,740,704	1,927,071
Exchange realignment	86,915	17,139
Effect on extension of convertible notes	(103,844)	—
Cancellation of convertible notes	—	(312,514)
Conversion during the year	(158,482)	—
Imputed finance cost	114,950	109,008
At end of the year	1,680,243	1,740,704
Derivative component		
At beginning of the year	(18,762)	(38,948)
Exchange realignment	(830)	(346)
Cancellation of convertible notes	—	6,298
Conversion during the year	198	—
Fair value change	2,937	14,234
At end of the year	(16,457)	(18,762)
Carrying amount	1,663,786	1,721,942

At 31 December 2015, convertible notes with principal amounts of HK$2,139,850,000 (2014: HK$2,331,270,000) remained outstanding.

33. SHARE CAPITAL

	2015		**2014**	
	Number of shares	*HK$'000*	*Number of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.004 each				
At 1 January and at 31 December	125,000,000,000	500,000	125,000,000,000	500,000

	2015			2014		
	Number of shares	*HK$'000*	*Equivalent to RMB'000*	*Number of shares*	*HK$'000*	*Equivalent to RMB'000*
Issued and fully paid:						
Ordinary shares of HK$0.004 each						
At 1 January	3,228,682,010	12,915	12,452	3,228,682,010	12,915	12,452
Convertible notes exercised	580,060,605	2,320	1,932	—	—	—
At 31 December	3,808,742,615	15,235	14,384	3,228,682,010	12,915	12,452

34. RESERVES

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

(i) Share premium and capital redemption reserve

The application of share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda (as amended).

(ii) Contributed surplus

The contributed surplus of the Group represents the surplus arising from the Group's capital reorganisation in respect of its capital reduction, share subdivision and share consolidation in 2003.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus; if:

— the company is, or would after the payment be, unable to pay its liabilities as they become due; or

— the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(iii) Capital reserve

Reserve are transferred from retained earnings for compensation if loss and any accident incurred in the future. The capital reserve arose due to the acquisition of PRC subsidiaries in previous year and re-organisation of Hong Kong subsidiaries in previous years.

(iv) Currency translation reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2.7.

(v) Convertible notes reserve

On 10 December 2010, the Company issued five years zero-coupon Hong Kong Dollar convertible notes, due on 10 December 2015 for a principal amount of HK$3,100,000,000 which was part of the consideration for the acquisition of Talent Central Limited. The convertible notes are convertible, at the option of noteholders into ordinary shares of HK$0.004 each of the Company at an initial conversion price of HK$0.33 per share, at any time after the expiry of the Put Option up to and including 10 December 2015.

On 4 December 2015, the Company entered into a deed of amendment with Talent Trend, to extend the maturity date of the convertible notes. The extension is for a period of one year and the conversion period will accordingly be extended from 10 December 2015 to 10 December 2016 for a principal amount of HK$2,139,850,000. Apart from the extension of the maturity date and the conversion period, all terms of the convertible notes remain unchanged from the original terms.

The convertible notes contain two components, liability and equity element. The liability component is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The equity element is presented in equity as "Convertible notes reserve".

(vi) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of each reporting period and is dealt with in accordance with the accounting policy set out in note 2.15(ii).

35. DISPOSAL OF SUBSIDIARIES

Junyu Hotel

On 22 December 2014, the Group disposed Junyu Hotel, its wholly owned subsidiary, at a consideration of RMB1,164,665,000. A gain on disposal of Junyu Hotel of approximately RMB258,711,000 was recognised in the consolidated statement of profit or loss and other comprehensive income. Summary of the effect of the disposal of Junyu Hotel is as follows:

Net assets disposed of:

	RMB'000
Property, plant and equipment	471,529
Leasehold land and land use rights	877,639
Inventories	1,324
Trade receivables	5,412
Prepayment, deposits and other receivables	234,663
Cash and cash equivalents	33,305
Trade payables	(5,866)
Accruals, deposits received and other payables	(42,200)
Bank loans	(501,103)
Deferred tax liabilities	(197,380)
	877,323
Gain on disposal of discontinued operations *(note 13)*	258,711
Total consideration, satisfied by cash	1,164,665
Payables taken up by the buyer	230,713
Related income tax expenses	(259,344)
Total net consideration	1,136,034

36. CAPITAL COMMITMENTS

	2015	2014
	RMB'000	*RMB'000*
Capital commitments (contracted but not provided for):		
Capital injection into a subsidiary	8,342	8,342
Capital injection into an associate	26,249	26,249
Construction costs of properties under development and investment properties	226,000	321,974
	260,591	356,565
Capital commitments (authorised but not contracted for):		
Construction costs of properties under development	169,613	268,423
	430,204	624,988

37. OPERATING LEASE COMMITMENTS

As Lessee

As at 31 December 2015, the total future minimum lease payments under non-cancellable operating leases in respect of land and building are payable by the Group as follows:

	2015	2014
	RMB'000	*RMB'000*
Within one year	216	495
In the second to fifth years	135	—
	351	495

The Group leases a number of properties under operating leases. The leases run for an initial period of one year to two years (2014: one to three years), with an option to renew the lease and renegotiated the terms at the expiry date as mutually agreed between the Group and respective landlords. None of the leases include contingent rental.

As Lessor

At 31 December 2015, the total future minimum lease receivable under non-cancellable operating leases in respect of land and building are receivable by the Group as follows:

	2015	2014
	RMB'000	*RMB'000*
Within one year	1,571	2,295
In the second to fifth years	3,647	3,778
Later than five years	1,155	1,365
	6,373	7,438

38. BANKING FACILITIES

As at 31 December 2015, the banking facilities including bank loans are secured by the Group's investment properties and property under development and completed properties held for sale with the approximate value of RMB923,700,000 and 623,000,000 respectively. The total banking facilities amounted to RMB399,500,000 of which RMB399,500,000 were utilised at the end of the reporting period.

As at 31 December 2014, the banking facilities including bank loans are secured by the Group's properties under development and completed properties held for sale with the approximate value of RMB648,492,000. The total banking facilities amounted to RMB187,000,000 of which RMB187,000,000 were utilised at the end of the reporting period.

There are no banking facilities granted to subsidiaries which are secured by the corporate guarantee of the Company as at 31 December 2015 and 2014.

39. FINANCIAL GUARANTEES

	2015	**2014**
	RMB'000	*RMB'000*
Guarantee in respect of mortgage facilities for certain purchasers of the Group's property units *(note (a))*	56,570	12,920

Notes:

(a) The Group has in cooperation with certain financial institutions arranged mortgage loan facility for its purchasers of property and provided guarantees to secure obligations of such purchasers for repayments. As at 31 December 2015, the outstanding guarantees amounted to RMB56,570,000 (2014: RMB12,920,000). Such guarantees will be discharged upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year after the purchasers take possession of the relevant property; and (ii) the satisfaction of relevant mortgage loan by purchasers.

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

40. 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 in note 11.1.

(b) Balance with related party:

	2015	2014
	RMB'000	*RMB'000*
Balances due from/(to) a related party		
— included in loan receivables		
Associate:		
Guangzhou Xintian Properties Development Limited *(note (a)&(d))*	—	117,121
— included in prepayment, deposits and other receivables		
Associate:		
Guangzhou Xintian Properties Development Limited *(note (b)&(d))*	53,700	49,199
— included in accruals and other payables		
Associate:		
Guangzhou Xintian Properties Development Limited *(note (c))*	(225,287)	(391,994)

(c) Transaction with related party:

	2015	2014
	RMB'000	*RMB'000*
Interest income on loan to a related party		
Associate:		
Guangzhou Xintian Properties Development Limited *(note (a)&(b))*	6,180	6,642
Interest paid on current account to a related company		
Associate:		
Guangzhou Xintian Properties Development Limited *(note(c))*	(2,806)	(1,045)
Management fee income from a related party		
Associate:		
Guangzhou Xintian Properties Development Limited *(note (e))*	923	639

Notes:

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

(b) Balances due from an associate are unsecured, interest free and repayable in the year ended 31 December 2015 and 31 December 2014.

(c) Balances due to an associate are unsecured, interest free and no repayment terms in the year ended 31 December 2015 and 31 December 2014 except for the approximate amount of RMB60,000,000 (2014: RMB60,000,000) was charged at 4% per annum and repayable on demand.

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

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

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk.

The Group does not have written risk management policies and guidelines. Generally, the Group employs a conservative strategy regarding its risk management. Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors periodically. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels. As the Group's exposure to market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk are kept at a minimum level, the Group has not used any derivative or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed are discussed below.

As at the reporting date, the Group's financial instruments mainly consisted of available-for-sale financial assets, cash and cash equivalents, trade receivables, deposits and other receivables, loan receivables, trade payables, accruals and other payables, borrowings and convertible notes.

(a) Categories of financial assets and liabilities

The carrying amounts presented in the Group's statements of consolidated financial position relate to the following categories of financial assets and financial liabilities:

	2015	**2014**
Financial assets	*RMB'000*	*RMB'000*
Available-for-sale financial assets	1,000	1,965
Early redemption option embedded in convertible notes	16,457	18,762
Loans and receivables		
— Loan receivables	—	117,121
— Trade receivables	36,401	1,137
— Deposits and other receivables *(note 24)*	123,489	138,912
— Cash and cash equivalents	127,430	247,542
	303,777	523,474
	304,777	525,439

	2015	**2014**
Financial liabilities	*RMB'000*	*RMB'000*
Financial liabilities measured at amortised cost		
— Trade payables	(83,509)	(28,481)
— Accruals and other payables	(534,224)	(820,836)
— Borrowings	(489,354)	(378,480)
— Convertible notes	(1,680,243)	(1,740,704)
	(2,787,330)	(2,968,501)

(b) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency.

The functional currency of the Company and its major subsidiaries in Hong Kong is HK$ in which most of the transactions are denominated. The functional currency of those subsidiaries operating in PRC is RMB in which most of its transactions are denominated. Certain bank balances of the Group are denominated in HK$ and RMB respectively. As at the reporting date, foreign currencies were translated into RMB at the closing rate.

The management considers future commercial transactions, monetary assets and liabilities are denominated in the functional currency of each entity of the Group. Therefore, the foreign currency risk is immaterial.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

(c) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The carrying amounts of trade receivables, deposits and other receivables and cash and cash equivalent included in the face of the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

For the sale of and rents receivables from properties, the Group has policies in place to ensure that sales and leases are made to customers with an appropriate financial strength and appropriate percentage of down payments and rental deposits. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade and other receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

The Group maintains its cash and cash equivalents with reputable banks in Hong Kong and the PRC, therefore the directors consider that the credit risk for such is minimal.

The credit and investment policies to manage credit risk have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

(d) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from interest bearing bank deposits, bank borrowings, loan receivables, unsecured loan and convertible notes. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. In addition, loan receivables, unsecured loan and convertible notes at fixed rates expose the Group to fair value interest rate risk.

The Group has interest-bearing assets and liabilities in relation to cash at bank and borrowings. Details of which are disclosed in note 29. The Group currently does not have any interest rate hedging policy and will consider enter into interest rate hedging should the need arise. The Group ensures that it borrows at competitive interest rates under favourable terms and conditions.

As 31 December 2015, the Group's interest-bearing borrowings bore interest at fixed rate. Management considers the exposure to the changes in market interest rate should not be materially enough to cause adverse financial effect on the Group's position.

At 31 December 2014, if interest rates had been 100 basis points higher/lower, with all other variables held constant, post-tax loss and accumulated loss would have been approximately RMB1,403,000 higher/lower respectively, as a result of increase/decrease in net interest expense (including interest expenses net of interest income) on borrowings and bank deposit at variable rates.

The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

(e) Other price risk

All of the Group's unlisted equity classified as available-for-sale financial assets are recognised at cost, the management consider that the effect to the change in fair value of available-for-sale financial assets on the change in market prices is minimal.

The policies to manage other price risk have been followed by the Group since prior years and are consider to be effective.

(f) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Group is exposed to liquidity risk in respect of settlement of trade payables, accruals and other payables, borrowings and convertible notes, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group manages its liquidity needs on a consolidated basis by carefully monitoring the cash inflows and outflows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 30 day projection. Long term liquidity needs for a 180-day and 365-day lookout period are identified monthly.

The Group's liquidity is mainly dependent upon the cash received from its tenants of investment properties and customers of trading goods and property held for sale, and funds financing for property under construction. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

The liquidity policies have been followed by the Group since prior years and are considered to be effective in managing liquidity risks.

The following tables detail the remaining contractual maturities at the reporting date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay:

	As at 31 December 2015					
	Carrying amount *RMB'000*	**Total contractual undiscounted cash flow** *RMB'000*	**Within one year or on demand** *RMB'000*	**Between one year and two years** *RMB'000*	**Between two years and five years** *RMB'000*	**More than five years** *RMB'000*
Trade payables	83,509	83,509	(83,509)	—	—	—
Accruals and other payables (principal amount plus interest)	534,224	536,624	(536,624)	—	—	—
Borrowings (principal amount plus interest)	489,354	555,721	(355,382)	(68,492)	(131,847)	—
Convertible notes	1,663,786	1,781,724	(1,781,724)	—	—	—
	2,770,873	2,957,578	(2,757,239)	(68,492)	(131,847)	—

	As at 31 December 2014					
	Carrying amount *RMB'000*	**Total contractual undiscounted cash flow** *RMB'000*	**Within one year or on demand** *RMB'000*	**Between one year and two years** *RMB'000*	**Between two years and five years** *RMB'000*	**More than five years** *RMB'000*
Trade payables	28,481	28,481	(28,481)	—	—	—
Accruals and other payables (principal amount plus interest)	820,836	823,236	(823,236)	—	—	—
Borrowings (principal amount plus interest)	378,480	401,855	(401,855)	—	—	—
Convertible notes	1,721,942	1,849,187	(1,849,187)	—	—	—
	2,949,739	3,102,759	(3,102,759)	—	—	—

The basis of preparing these consolidated financial statements under the going concern assumption have been disclosed in note 2.2.

(g) Fair value measurement recognised in the consolidated statement of financial position

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

— Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

— Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Derivative financial instruments under convertible notes	—	—	16,457	16,457

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Available-for-sale financial assets	965	—	—	965
Derivative financial instruments under convertible notes	—	—	18,762	18,762
	965	—	18,762	19,727

During the year ended 31 December 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	Derivative financial instruments under convertible notes
	RMB'000
At 1 January 2014	38,948
Exchange realignment	346
Cancellation of convertible note	(6,298)
Fair value change	(14,234)
At 31 December 2014	18,762
Exchange realignment	830
Conversion of convertible notes	(198)
Fair value change	(2,937)
At 31 December 2015	16,457

Fair value changes on derivative financial instruments under convertible notes are included in consolidated statement of profit or loss and other comprehensive income.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

The available-for-sale financial assets at fair value are denominated in RMB. Fair values have been determined by reference to their quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

The derivative financial instruments under convertible notes are denominated in HK$. Fair values have been determined by reference to the valuation made by an independent qualified valuer by using the Black-Scholes Option Pricing Model that includes some assumption that are not supportable by observable market prices or rates. The significant unobservable input used in the fair value measurement is the expected volatility at 2.23% (2014: 2.67%). The fair value measurement is positively correlated to the expected volatility. As at 31 December 2015, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 1% (2014: 1%) would have decreased/increased the Group's loss by RMB6,666,000 (31 December 2014: RMB7,153,000).

42. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group, prevailing and projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group regards total equity attributable to the owners of the Company presented on the face of the consolidated statement of financial position as capital, for capital management purpose. The amount of capital as at 31 December 2015 amounted to approximately RMB164,472,000 (2014: approximately RMB201,799,000), which the management considers as optimal having considered the projected capital expenditures and the forecast strategic investment opportunities.

The Group is not subject to externally imposed capital requirements.

43. ULTIMATE HOLDING COMPANY

The directors consider Winspark Venture Limited, which is incorporated in the BVI, to be the ultimate holding company.

44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2015	2014
	RMB'000	*RMB'000*
ASSETS AND LIABILITIES		
Non-current assets		
Plant and equipment	38	1
Interests in subsidiaries	—	—
	38	1
Current assets		
Amounts due from subsidiaries	2,006,447	1,915,773
Prepayments, deposits and other receivables	492	439
Tax recoverable	12	11
Cash and cash equivalents	1,198	208
	2,008,149	1,916,431
Current liabilities		
Accruals and other payables	(5,021)	(3,983)
Amounts due to subsidiaries	(82,042)	(81,603)
Convertible notes	(1,663,786)	(1,721,942)
	(1,750,849)	(1,807,528)
Net current assets	257,300	108,903
Total assets less current liabilities	257,338	108,904
EQUITY		
Share capital	14,384	12,452
Reserves *(Note (a))*	242,954	96,452
Total equity	257,338	108,904

You Xiaofei
Director

Luo Zhuangguan
Director

Note:

(a) Reserve movement of the Company

	Share premium *RMB'000*	Currency translation reserve *RMB'000*	Contributed surplus *RMB'000*	Capital redemption reserve *RMB'000*	Convertible notes reserve *RMB'000*	Accumulated loss *RMB'000*	Total *RMB'000*
At 1 January 2015	610,850	(216,584)	393,107	82	395,182	(1,086,185)	96,452
Loss for the year	—	—	—	—	—	(14,012)	(14,012)
Other comprehensive income for the year:	—	4,163	—	—	—	—	4,163
Exchange gain on translation of the Company's financial statement	—	—	—	—	—	(14,012)	(14,012)
Total comprehensive loss for the year	—	4,163	—	—	—	(14,012)	(9,849)
Conversion of convertible notes	187,348	—	—	—	(30,997)	—	156,351
As at 31 December 2015	798,198	(212,421)	393,107	82	364,185	(1,100,197)	242,954
At 1 January 2014	610,850	(218,621)	393,107	82	463,828	(1,028,697)	220,549
Loss for the year	—	—	—	—	—	(98,625)	(98,625)
Other comprehensive income for the year: Exchange gain on translation of the Company's financial statement	—	2,037	—	—	—	—	2,037
Total comprehensive loss for the year	—	2,037	—	—	—	(98,625)	(96,588)
Cancellation of convertible notes	—	—	—	—	(68,646)	41,137	(27,509)
As at 31 December 2014	610,850	(216,584)	393,107	82	395,182	(1,086,185)	96,452

At 31 December 2015 and 2014, the Company had no balance of distribution reserves available for distribution to the owners.

3. STATEMENT OF INDEBTEDNESS

As at the close of business on 29 February 2016, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had secured bank loans of approximately RMB399.5 million, which were secured by the Group's properties under development, completed properties held for sale and investment properties, other unsecured borrowings and relevant accrued interest expenses of approximately RMB146.56 million, amount due to an associate of approximately RMB225.25 million and convertible notes with principal amount of approximately HK$2,139.85 million.

Pledged of Assets

At the close of business on 29 February 2016, the Group had pledged the following amount of assets to secure the bank borrowings of the Group:

	RMB'000
Properties under development and completed properties held for sale	614,000
Investment properties	917,000

Contingent Liabilities

As at 29 February 2016, the Group provided guarantees to the extent of approximately RMB70.96 million to banks in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the Group. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding at the close of business on 29 February 2016.

4. MATERIAL CHANGE

The Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2015, being the date to which the last published audited financial statements of the Company were made up, and up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Looking ahead, China's economy in 2016 is expected to remain stable, and steady growth in personal income and the on-going urbanization may bring some support for the real estate market and property prices. Though the property sector will still be regarded as an important driving force for promoting economic growth, the local governments of Shenzhen and Shanghai have announced stricter housing purchase restrictions in late March this year amidst widespread concern over the surges in property prices in these cities, for the purpose of promoting stable and healthy development of the market and preventing the next housing bubble. Thanks to a relatively rational property market in Guangzhou, housing prices and transaction volumes in the city remain stable, and there is still room for improvement in sales of property in the downtown area and high-end property. The Group will proactively seize this opportunity to further promote the sales of Xintian Banshan. On the other hand, the Board has entered into the Second Supplemental Deed of Amendment on 11 January 2016, subject to the approval, the full conversion of the convertible notes into ordinary shares of the Company can optimize the capital structure of the Group. The Board believes that the above-mentioned moves would greatly enhance the overall value of the Group.

The following is the text of a letter, summary of values and valuation certificate prepared for the purpose of incorporation in this circular received from B.I. Appraisals Limited in connection with the market value of all the properties held by the Group as at 29 February 2016.

B.I.
To Know Your Strength Better

B.I. Appraisals Limited
保柏國際評估有限公司
Registered Professional Surveyors, Valuers & Property Consultants

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Nos. 109-111 Gloucester Road, Wan Chai, Hong Kong
Tel: (852) 21277762 Fax: (852) 21379876
Email: info@biappraisals.com
Website: www.biappraisals.com

12 May 2016

The Board of Directors
Talent Property Group Limited
Unit A704, 3rd Floor, Tower A,
New Mandarin Plaza
No. 14 Science Museum Road
Tsim Sha Tsui East
Hong Kong

Dear Sirs,

Re: Portfolio of properties held by Talent Property Group Limited and/or its subsidiaries

In accordance with the instructions from Talent Property Group Limited (hereinafter referred to as the ''Company'') for us to value all the properties (details are more particularly stated in the Summary of Values attached herewith, hereinafter referred to as the ''Properties'') held by the Company and/or its subsidiaries (hereinafter referred to as the ''Group''), which are located in Guangzhou City, Guangdong Province, the People's Republic of China (''PRC''), we confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of each of the Properties as at 29 February 2016 (hereinafter referred to as the ''Date of Valuation'').

It is our understanding that this valuation document is to be used by the Company for disclosure purpose in relation to, among others, the Company's application for whitewash waiver (hereinafter referred to as the ''Whitewash Waiver''). We further understand that our report is to be incorporated in a circular to be issued by the Company in relation to the Whitewash Waiver.

This letter, forming part of our valuation report, states the instructions, identifies the properties being valued, explains the basis and methodology of our valuations, and lists out the assumptions and the title investigation we have made in the course of our valuations, as well as the limiting conditions.

BASIS OF VALUATION

Our valuation of each of the Properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the Properties on the basis that each of them is considered individually. We have not allowed for any discount for the Properties to be sold to a single party nor taken into account any effect on the values if the Properties are to be offered for sale at the same time as a portfolio.

Our valuations have been carried out in accordance with The HKIS Valuation Standards 2012 Edition issued by The Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Rule 11 of The Codes on Takeovers and Mergers and Share Buy-backs published by Securities and Futures Commission.

VALUATION APPROACH AND METHODOLOGY

We have focused our valuations by using the market approach by making reference to comparable sale evidences as available in the relevant markets.

In valuing the properties in Group I, which are held for investment by the Group in the PRC, and Group II, which are held for sale by the Group in the PRC, we have adopted the direct comparison method by making reference to comparable sale evidence as available in the relevant markets or, wherever appropriate, the investment method by capitalizing at market derived yields (i.e. rates of return) of the rental income derived from and based on existing tenancies with due allowance for the reversionary potential of such properties. The investment method does not involve any discounted cash flows analysis nor any projections of the rentals and the profits.

For the property in Group III, which is held under development by the Group, we have valued in accordance with the latest development proposal provided to us using the direct comparison method, assuming that the property is capable of being sold in existing state with the benefit of immediate vacant possession, and by making reference to comparable sales evidence as available in the relevant markets. In addition, we have taken into consideration the construction costs that have already been expended and the outstanding construction costs (based on the signed contracts) that will be expended to complete the development to reflect the quality of the completed development.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the Properties are sold in the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement that would serve to affect the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or effecting sales of the Properties and no forced sale situation in any manner is assumed in valuations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on any of the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoing of an onerous nature that could affect their values.

TITLE INVESTIGATION

We have been provided by the Company with copies of title documents and a legal opinion dated 12 May 2016 prepared by 廣東君信律師事務所 (Kingson Law Firm), the Company's legal advisor on the PRC law (hereinafter referred to as the "PRC Legal Advisor"), regarding the title to and the interest in the Properties. We have not inspected the original of the title documents to verify the ownership and to ascertain the existence of any amendments that may not appear on the copies handed to us. All documents and leases have been used for reference only.

In the course of our valuation, we have relied on the advice given by the Company and the legal opinion of the PRC Legal Advisor regarding the title to and the interest in the Properties.

POTENTIAL TAX LIABILITIES

For the purpose of compliance with Rule 11.3 of The Codes on Takeovers and Mergers and Share Buy-backs and as advised by the Group, the potential tax liabilities which may arise from the sale of the Properties include profit tax, which is levied on the profit from the sale of the Properties at 25%, business tax and related taxes, which are levied at 5.7% of the transaction amount, and land appreciation tax, which is levied on the gains from appreciation of property value at progressive rates ranging from 30% to 60%, based on the land value appreciation amount.

For the property interests held by the Group for sale and under development in Groups II and III, as advised by the Group, the property interests are intended to be sold. Therefore, the likelihood of the relevant tax liability being crystallized is high. The Group advises that the total potential tax liabilities estimated to be approximately RMB268.5 million would arise if such properties in Groups II and III were to be sold at the amount of the valuations. The above amount is for indicative purpose and is calculated based on prevailing rules and information available as at the Latest Practicable Date. For the property interests held by the Group for investment in Group I, the likelihood of the potential tax liability being crystallized is considered remote as we are advised that as at the Latest Practicable Date for the purpose of ascertaining certain information for inclusion in this document, the Group has no intention to dispose of such property interests. According to our standard practice, in the course of our valuation, we have neither verified nor taken into account such tax liability.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the Properties on 1 March 2016. In the course of our inspections, we did not note any serious defects. No structural surveys have been made nor have any tests been carried out on any of the building services provided in the Properties. Therefore, we are not able to report whether the Properties are free of rot, infestation or any other structural defects.

We have not carried out site measurements to verify the correctness of the site and floor areas of the Properties but have assumed that the areas shown on the documents and site and floor plans provided to us are correct. Dimensions, measurements and areas included in the valuation certificates attached are based on information contained in the documents provided to us by the Group and are therefore approximations only.

We have relied to a considerable extent on the information provided by the Group and accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, latest development proposals, construction costs data, completion date of buildings, particulars of occupancy, tenancy summary, site and floor areas and all other relevant matters in the identification of the properties in which the Group has valid interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We were also advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

This report and each part of it is prepared and intended for the exclusive use of the Company for the purpose hereinbefore stated. In accepting this report, the Company expressly agrees not to use or rely upon this report or any part of it for any other purpose without obtaining our prior written consent.

CURRENCY

Unless otherwise stated, all monetary amounts stated in the summary of values and valuation certificates attached herewith are in Renminbi (RMB).

REMARKS

We hereby confirm that we have neither present nor prospective interests in the Group, the Properties or the values reported herein.

Our summary of values and valuation certificates are attached.

Yours faithfully,
For and on behalf of
B.I. APPRAISALS LIMITED
William C. K. Sham
Registered Professional Surveyor (G.P.)
China Real Estate Appraiser
MRICS, MHKIS, MCIREA
Executive Director

Notes:

(1) Mr. William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has over 30 years' experience in the valuation of properties in Hong Kong and has over 15 years' experience in the valuation of properties in the PRC and the Asia Pacific regions.

(2) The Properties were inspected by Mr. Ken W. C. Tsang, the Assistant Manager, on 1 March 2016. Mr. Tsang has more than 13 years' experience in the valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUES

Property		Market value in existing state as at 29 February 2016	Interest attributable to the Group	Value attributable to the Group as at 29 February 2016
		RMB	*(%)*	*RMB*
Group I — Properties held for investment by the Group in the PRC				
1.	The unsold commercial units of Shangyu Garden (上譽花園), No. 45 Tianhe Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	38,800,000	100	38,800,000
2.	The unsold units on Level 1 and whole of Levels 2 to 4 of the commercial podium of Tianlun Garden (天倫花園), Nos. 17–29 Jianshe Si Ma Lu, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	239,000,000	100	239,000,000
3.	Shoe City, No. 18 Zhanxi Road, Liwan District, Guangzhou City, Guangdong Province, The PRC	678,000,000	100	678,000,000
	Sub-total:	955,800,000		955,800,000
Group II — Properties held for sale by the Group in the PRC				
4.	Shop 204 on Level 2 and Shop 312 on Level 3, Dongming Xuan (東鳴軒), Nos. 199, 203–231 Zhongshan 4th Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	2,100,000	100	2,100,000
5.	Twenty-three blocks of villa in Phase I of South Lake Village (南湖山莊), Nos. 1080 & 1118 Tonghe Road, Baiyun District, Guangzhou City, Guangdong Province, the PRC	154,000,000	100	154,000,000

	Property	Market value in existing state as at 29 February 2016 *RMB*	Interest attributable to the Group *(%)*	Value attributable to the Group as at 29 February 2016 *RMB*
6.	Car parking space B145 and B160 on Level B1, and B267 and B269 on Level B2, Dongming Xuan, No. 217 Zhongshan 4th Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	1,800,000	100	1,800,000
7.	Twenty car parking spaces on Level B1 and Level B2 of Shangyu Garden, No. 45–9 Tianhe Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	9,100,000	100	9,100,000
8.	Forty-eight car parking spaces on Levels -2 and -3 of Tianlun Garden, No. 26 Jianshe Si Ma Lu, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	17,300,000	100	17,300,000
	Sub-total:	184,300,000		184,300,000
	Group III — Property held under development by the Group in the PRC			
9.	The unsold portion of Phase II of South Lake Village (now known as Xin Tian Ban Shan (新天半山)), Tonghe Road, Baiyun District, Guangzhou City, Guangdong Province, the PRC	1,676,000,000	100	1,676,000,000
	Sub-total:	1,676,000,000		1,676,000,000
	Grand Total:	2,816,100,000		2,816,100,000

VALUATION CERTIFICATE

Group I — Properties held for investment by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 29 February 2016
1. The unsold commercial units of Shangyu Garden (上譽花園), No. 45 Tianhe Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	Shangyu Garden, completed in about 2009, is a mixed residential/commercial development erected on a site with a site area of approximately 28,409.00 sq.m. and comprising five blocks of high-rise apartment building over a 2-storey (including a mezzanine floor) commercial podium, nine blocks of 4-storey apartment building and two blocks of 2-storey amenity complex with landscaped garden and a 2-storey basement car park. The property comprises the unsold commercial spaces on Level 1 and Mezzanine Floor of Block H4 and Block H5 of the subject development. The total gross floor area of the property is approximately 2,197.87 sq.m.. The land use rights of the property have been granted for a term of 40 years commencing from 3 December 2004 for commercial use.	The property, except for portion of Unit 101 on Level 1 and mezzanine floor with a gross floor area of approximately 1,435.97 sq.m. that is vacant, is subject to various tenancies for terms of 1 to 15 years with the latest due to expire on 30 June 2026. The current total monthly rent is RMB22,200.	RMB38,800,000 100% interest attributable to the Group: RMB38,800,000

Notes:

(1) Pursuant to two Certificates of Real Estate Ownership 粵房地權證穗字第0120338491號 (Yue Fang Di Quan Zheng Zi No. 0120338491) and 粵房地權證穗字第0120338507號 (Yue Fang Di Quan Zheng Zi No. 0120338507) registered on 29 January 2010 and issued by Guangzhou Municipal Land Resources and Housing Administrative Bureau, the ownership of the property with a total gross floor area of approximately 2,197.87 sq.m. is vested in 廣州高田投資有限公司 (unofficial translation being Guangzhou Gaotian Investment Limited), which is an indirectly wholly owned subsidiary of the Company. The land use rights of the property, as stated in the said certificate, is for a term of 40 years commencing from 3 December 2004 for commercial use.

(2) The opinion of the PRC Legal Advisor is summarized as follows:

(a) Guangzhou Gaotian Investment Limited is a company duly formed and validly existing under the laws of the PRC.

(b) Guangzhou Gaotian Investment Limited is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property.

(c) The property is not subject to any encumbrances, seizure or other third party rights.

(3) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Group and the aforesaid legal opinion are as fo1lows:

Certificate of Real Estate Ownership	Obtained

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 29 February 2016
2. The unsold units on Level 1 and whole of Levels 2 to 4 of the commercial podium of Tianlun Garden (天倫花園), Nos. 17–29 Jianshe Si Ma Lu, Yuexiu District, Guangzhou City, Guangdong Province, the PRC *(See Note 1 below for details)*	Tianlun Garden, completed in about 2005, is mixed commercial and residential development erected on a site with a site area of approximately 7,077.21 sq.m. and comprising three blocks of high-rise residential building over a 4-storey commercial podium with a 3-storey commercial/car park basement. It is located on the western side of Jianshe Si Ma Lu at its junction with Hua le Road and bounded by Jianshe San Ma Lu on the west within Yuexiu District of Guangzhou City. The Property comprises various unsold units on Level 1 and whole of Levels 2 to 4 of the commercial podium of the subject development. The total gross floor area of the Property is approximately 11,776.88 sq.m.. The land use rights of the Property have been granted for a term of 40 years commencing from 11 February 2004 for commercial use.	Portions of Level 1 and Level 2 of the Property, with a total gross floor area of approximately 4,177.88 sq.m. is currently subject to various tenancies for terms of 3 to 10 years with the latest to be expire on 30 November 2021 at a total monthly rent of approximately RMB277,629. The remaining portions having a total gross floor area of approximately 7,599.50 sq.m. are currently vacant.	RMB239,000,000 100% interest attributable to the Group: RMB239,000,000

Notes:

(1) The Property comprises the commercial units or spaces designated as Level 1 of Nos. 19, 20-2, 21, 21-1, 21-2, 23, 23-2, 26, 27, 27-1 and 29 Jianshe Si Ma Lu, Levels 2 to 4 of No. 26 Jianshe Si Ma Lu.

(2) Pursuant to 13 sets of Certificate of Real Estate Ownership all issued by Guangzhou Municipal Land Resources and Housing Administrative Bureau, the ownership for the Property with a total gross floor area of approximately 11,776.88 sq.m. is vested in 廣州建陽房地產發展有限公司 (unofficial translation being Guangzhou Kinyang Real Estate Development Co., Ltd.), which is an indirectly wholly owned subsidiary of the Company. The land use rights of the Property, as stated in the said certificates, are for a term of 40 years commencing from 11 February 2004 for commercial use. Details of the said certificates are summarized as below:

Certificate No.	**Date of Registration**	**Level**	**No.**	**Gross Floor Area (sq.m.)**
粵房地權證穗字第0150061368號 (Yue Fang Di Quan Zheng Sui Zi No. 0150061368)	7 April 2011	1	19	26.32
粵房地權證穗字第0150061376號 (Yue Fang Di Quan Zheng Sui Zi No. 0150061376)	7 April 2011	1	20-2	87.20
粵房地權證穗字第0150061385號 (Yue Fang Di Quan Zheng Sui Zi No. 0150061385)	7 April 2011	1	21	82.38
粵房地權證穗字第0150061389號 (Yue Fang Di Quan Zheng Sui Zi No. 0150061389)	7 April 2011	1	21-1	57.60
粵房地權證穗字第0150061401號 (Yue Fang Di Quan Zheng Sui Zi No. 0150061401)	7 April 2011	1	21-2	83.00
粵房地權證穗字第0150061403號 (Yue Fang Di Quan Zheng Sui Zi No. 0150061403)	7 April 2011	1	23	83.00
粵房地權證穗字第0150061410號 (Yue Fang Di Quan Zheng Sui Zi No. 0150061410)	7 April 2011	1	23-2	82.38
粵房地權證穗字第0150061417號 (Yue Fang Di Quan Zheng Sui Zi No. 0150061417)	7 April 2011	1	27	220.45
粵房地權證穗字第0150061418號 (Yue Fang Di Quan Zheng Sui Zi No. 0150061418)	7 April 2011	1	27-1	245.82
粵房地權證穗字第0150061414號 (Yue Fang Di Quan Zheng Sui Zi No. 0150061414)	7 April 2011	1	26, 29	952.30
粵房地權證穗字第0150263670號 (Yue Fang Di Quan Zheng Sui Zi No. 0150263670)	25 September 2014	2	—	2,908.76
粵房地權證穗字第0150263673號 (Yue Fang Di Quan Zheng Sui Zi No. 0150263673)	25 September 2014	3	—	3,380.93
粵房地權證穗字第0150263659號 (Yue Fang Di Quan Zheng Sui Zi No. 0150263659)	25 September 2014	4	—	3,566.74

(3) Pursuant to a maximum mortgage guarantee contract entered into between Ping An Bank Guangzhou Zhujiang New City Branch and Guangzhou Kinyang Real Estate Development Co., Ltd. in July 2015, the property, except for two units on Level 1 with a total gross floor area of 446.27 sq.m., is subject to a mortgage for a term from 13 November 2014 to 12 November 2018 for a maximum amount of RMB200,000,000.

(4) The opinion of the PRC Legal Advisor is summarized as follows:

(a) Guangzhou Kinyang Real Estate Development Co., Ltd. is a company duly formed and validly existing under the laws of the PRC.

(b) Guangzhou Kinyang Real Estate Development Co., Ltd. is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property.

(c) The property, except for two units on Level 1 with a total gross floor area of approximately 466.27 sq.m., is subject to a mortgage.

(d) The property is not subject to any, seizure or other third party rights, except for the mortgage and tenancies.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company and the aforesaid legal opinion are as follows:

Certificate of Real Estate Ownership	Obtained

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 29 February 2016
3. Shoe City, No. 18 Zhanxi Road, Liwan District, Guangzhou City, Guangdong Province, The PRC	The property comprises a parcel of land with a site area of 7,384.00 sq.m. together with the building erected thereon located on the eastern side of Zhanxi Road within Liwan District of Guangzhou City. Originally standing on the subject site was a 2-storey commercial building built over a basement of 3 levels, which accommodates commercial/storage spaces, car park and equipment rooms. Alteration and additional works have been carried out and were completed in about September 2014 to expand the original building into a 10-storey (over the basement levels) mixed commercial and office building, accommodating commercial spaces on Level -1 to Level 5 and office space on Level 6 to Level 8 and Level 10 with a total of 267 car parking spaces provided on Level -1 to Level -3 and Level 9. The total gross floor area of property, excluding the car parking spaces, is approximately 22,525.64 sq.m., details of which are as follows: **Use** / **Approximate Gross Floor Area** *(sq.m.)* Commercial: 12,018.89 Office: 10,506.75 Sub-total: 22,525.64 The land use rights of the Property have been granted for wholesaling/retailing and commercial/financial uses for terms due to expire on 28 August 2052 and 28 August 2062 respectively.	Portions of the property with a total gross floor area of approximately 18,056.00 sq.m. are subject to various tenancies for terms of 3 to 6 years with the latest due to expire on 7 January 2020. The current total monthly rent of approximately RMB2,409,315 *(See Note 8 below)*. The remaining portions are currently vacant.	RMB678,000,000 100% interest attributable to the Group: RMB678,000,000

Notes:

(1) Pursuant to the Contract for Grant of State-owned Land Use Rights (Contract No.: 440103-2012-000001) dated 29 August 2012 (hereinafter referred to as the "Land Grant Contract") and the Amendment Agreement of the Land Grant Contract dated 12th April 2013 entered into between 廣州市國土資源和房屋管理局 (Guangzhou Municipal Stated-owned Land Resources and Housing Administrative Bureau, hereinafter referred to as the "Land Bureau") and 廣州市荔灣汽車製配廠有限公司 (unofficial translation being Guangzhou City Liwan Qi Che Zhi Pei Factory Company Limited, hereinafter referred to as "Liwan Qi Pei"), which is an indirectly wholly owned subsidiary of the Company, the land use rights of the Property have been agreed to be granted to Liwan Qi Pei. Major conditions of the said contract as amended by the Amendment Agreement are summarized as follows:

(a)	Lot no.	:	03012020110001;
(b)	Site area of the lot	:	9,031.00 sq.m. (including 1,537.00 sq.m. for road and 110.00 sq.m. for railway);
(c)	Site Area of the land granted	:	7,384.00 sq.m.;
(d)	Term of land use rights	:	70 years for residential use, 50 years for industrial use, 50 years for education/science/culture/health/sports uses, 40 years for commercial/tourism/entertainment uses; 50 years for integrated or other land uses, all commencing from the date of signing the contract;
(e)	Existing conditions	:	A block of 2-storey temporary commercial building has been erected thereon;
(f)	Land grant premium	:	RMB71,305,760;
(g)	Payment term	:	The land grant premium shall be paid in a lump sum within 30 days from the date of signing the contract;
(h)	Permitted uses	:	For wholesaling/retailing, commercial/financial uses;
(i)	Total gross floor area	:	35,545.30 sq.m., of which 9,437.00 sq.m. for commercial use above ground level, 1,900 sq.m for commercial use on basement level, 9,801.10 sq.m. for office use and 14,407.00 sq.m. for other uses (including the areas of roof top and lift machine room of 330 sq.m., garage above ground level of 2,678.10 sq.m. basement garage of 7,693.70 sq.m., basement garage for non-motor vehicles of 578.30 sq.m., equipment room on basement of 2,635.10 sq.m. and other of 491.80 sq.m.);
(j)	Plot ratio	:	Not greater than 3.0;
(k)	Site coverage	:	Not greater than 35%;
(l)	Green land ratio	:	Not less than 35%;
(m)	Construction period	:	Construction shall commence on or before 29 February 2014 and shall be completed on or before 29 August 2015;

(n) The grantee shall be responsible for the construction of the road and the railway land portions and shall transfer the said land portions to relevant government departments upon completion;

(2) Pursuant to the Second Amendment Agreement of the Land Grant Contract dated 1 July 2015 entered into between the Land Bureau and Liwan Qi Pei, the land grant premium has been revised to RMB87,288,510 in accordance with the adjustments in the gross floor area or the usage pursuant to the Certificate of Planning Compliance Inspection of Construction Works (建設工程規劃驗收合格證) 穗規驗證〔2014〕452號 (Sui Gui Yan Zheng 〔2014〕No. 452) and 測：90CH88140919000015號 (Ce：No. 90CH140919000015). The amendments of the said Second Amendment Agreement are summarized as follows:

(a)	Land grant premium	: RMB87,288,510;
(b)	Land grant premium settled	: RMB71,305,760;
(c)	Additional land grant premium	: RMB15,982,750;
(d)	Payment term	: The additional land grant premium shall be paid in a lump sum within 30 days from the date of signing the Second Amendment Agreement;
(e)	Total gross floor area	: 36,004.07 sq.m., of which 10,018.19 sq.m. for commercial use above ground level, 2,000.7 sq.m for commercial use on basement level, 10,506.75 sq.m. for office use and 14,407.00 sq.m. for other uses (including garage above ground level of 3,155.23 sq.m., basement garage of 8,381.44 sq.m., basement garage for non-motor vehicles of 1,941.76 sq.m.)

(3) Pursuant to the Certificate of State-owned Land Use 穗府國用(2012)第01100109號 (Sui Fu Guo Yong (2012) No. 01100109) dated 9 November 2012 issued by Guangzhou Municipal People's Government, the land use rights of the Property with a site area of 7,384.00 sq.m. have been granted to Liwan Qi Pei for wholesaling/ retailing and commercial/financial uses for terms due to expire on 28 August 2052 and 28 August 2062 respectively. It was stated in the said certificate that the land grant premium for the Property has been settled in full.

(4) Pursuant to the Planning Permit for Construction Works 穗規建證〔2013〕303號 (Sui Gui Jian Zheng 〔2013〕No. 303) dated 8 February 2013 issued by 廣州市規劃局 (unofficial translation being Guangzhou Municipal Planning Bureau), the construction works for the proposed commercial and office building, having a total gross floor area of 35,545.40 sq.m. were in compliance with the planning requirements. Details of the major development parameters of the proposed building are summarized as follows:

(a)	Total Gross floor area	: 35,545.40 sq.m. (including 22,738.10 sq.m. for superstructures and 12,807.30 sq.m. for basement);
(b)	No. of Storey	: 13 storey (including a 3-level basement);
(c)	Main functions	: 11,337.20 sq.m. (including 1,900.20 sq.m. on basement level) for commercial use, 9,801.10 sq.m. for office use and 491.80 sq.m. for other uses;
(d)	Other functions	: 7,693.70 sq.m. for basement car park (accommodating 191 parking bays), 578.30 sq.m. for non-motor vehicle basement park area, 2,678.10 sq.m. for car park above ground level;
(e)	Plot ratio gross floor area	: 22,152.10 sq.m.

(5) Pursuant to the Commencement Permit for Construction Works No. 440103201309060201 dated 6 September 2013 issued by 廣州市荔灣區建設和園林綠化局 (unofficial translation being Guangzhou Municipal Liwan District Construction and Landscaping Bureau), the construction works for the proposed commercial and office building, having a total gross floor area of 35,545.40 sq.m. were in compliance with the construction requirements.

(6) Pursuant to the Certificate of Planning Compliance Inspection of Construction Works (建設工程規劃驗收合格證) 穗規驗證〔2014〕452號 (Sui Gui Yan Zheng [2014] No. 452) dated 15 September 2014 issued by 廣州市規劃局 (unofficial translation being Guangzhou Municipal Planning Bureau), the subject construction works, having a total gross floor area of 36,074.33 sq.m. (including the gross floor area of the 3 basement levels of 12,893.82 sq.m.) were in compliance with the planning requirements and passed the completion inspection.

(7) Pursuant to two loan agreements entered into between 平安銀行股份有限公司廣州分行 (Ping An Bank Co., Ltd., Guangzhou Branch) and Liwan Qi Pei on 29 May 2015 and 27 August 2015 respectively the property is mortgaged to Ping An Bank Co., Ltd., Guangzhou Branch for the respective loan amounts of RMB150,000,000 for a term from 26 June 2015 to 12 May 2018 and RMB50,000,000 for a term from 27 August 2015 to 12 May 2018.

(8) We have been advised by the Company that preferential rental payment arrangement has been offered to all tenants in late 2015. By accepting the offer, the tenants may get a discount up to 50% on the rental, if they will pay the rental for 6 (or more) months in advance. In the course of our valuation, we have assumed that all tenants will take this preferential offer.

(9) We have been advised by the Company that the outstanding construction costs as at the Date of Valuation amounted to approximately RMB18,700,000.

(10) Pursuant to the Provisional Business Place Use Certificate (臨時經營場所使用證明) (Ref. No.: Li Zhan Qian [2015] No. 0011 (荔站前[2015]第0011號)) issued by Zhan Qian Jie Dao Office (站前街道辦事處) on 23 July 2015, the usage of Level 3 (part) and Level 4 to Level 10 as a place of business or production is temporarily permitted for a three years' period ended 22 July 2018. As the approval of the change in use is transient in nature, we have valued the property based on the terms and conditions relating to the gross floor areas as stated in the Second Amendment Agreement of the Land Grant Contract dated 1 July 2015 (see Note 2 above) and have taken into account the outstanding construction costs as stated in Note 9 above.

(11) The opinion of the PRC Legal Advisor is summarized as follows:

(a) Liwan Qi Pei is a company duly formed and validly existing under the laws of the PRC.

(b) Liwan Qi Pei is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property.

(c) The property is subject to two mortgages and various tenancies.

(d) The property is not subject to any, seizure or other third party rights, except for the mortgage and tenancies.

(12) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Group and the aforesaid legal opinion are as follows:

Contract for Grant of State-owned Land Use Rights	Signed
Certificate of State-owned Land Use	Obtained
Planning Permit for Construction Works	Obtained
Commencement Permit for Construction Works	Obtained
Certificate of Planning Compliance Inspection of Construction Works	Obtained

VALUATION CERTIFICATE

Group II — Properties held for sale by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 29 February 2016
4. Shop 204 on Level 2 and Shop 312 on Level 3, Dongming Xuan (東鳴軒), Nos. 199, 203–231 Zhongshan 4th Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	Dongming Xuan, completed in about 2006, is a mixed commercial and residential development comprising three blocks of 30-storey residential building erected over a 6-storey commercial podium and a 3-storey car park basement. The property comprises 2 shop units located respectively on Levels 2 and 3 of the commercial podium of the subject development. The total gross floor area of the property is approximately 72.41 sq.m. The land use rights of the property have been granted for a term of 40 years commencing from 12 February 1996 for commercial use.	The property is currently vacant.	RMB2,100,000 100% interest attributable to the Group: RMB2,100,000

Notes:

(1) Pursuant to two sets of Certificate of Real Estate Ownership, 粵房地權證穗字第0120006565號 (Yue Fang Di Quan Zheng Zi No. 0120006565) and 粵房地權證穗字第0120006416號 (Yue Fang Di Quan Zheng Zi No. 0120006416) both registered on 14 April 2009 and issued by Guangzhou Municipal Land Resources and Housing Administrative Bureau, the ownership of the property with a total gross floor area of approximately 72.41 sq.m. is vested in 廣州高田投資有限公司 (Guangzhou Gaotian Investment Limited), which is an indirectly wholly owned subsidiary of the Company. The land use rights of the property, as stated in the said certificates, are for a term of 40 years commencing from 12 February 1996 for commercial use.

(2) The opinion of the Legal Adviser is summarized as follows:

(a) Guangzhou Gaotian Investment Limited is a company duly formed and validly existing under the laws of the PRC.

(b) Guangzhou Gaotian Investment Limited is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property.

(c) The property is not subject to any encumbrances, seizure or other third party rights.

(3) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Group and the aforesaid legal opinion are as fo1lows:

Certificate of Real Estate Ownership	Obtained

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 29 February 2016
5. Twenty-three blocks of villa in Phase I of South Lake Village (南湖山莊), Nos. 1080 & 1118 Tonghe Road, Baiyun District, Guangzhou City, Guangdong Province, the PRC *(See Note 1 below for details)*	The Phase I of South Lake Village, completed in about 2003, is a residential development erected on a site with a site area of approximately 103,732.00 sq.m. and comprising a total 166 blocks of 2 to 3-storey villas. The property comprises 23 blocks of 3 to 4-storey villa in Phase I of South Lake Village. The total gross floor area of the property is approximately 7,430.89 sq.m. The land use rights of the property have been granted for terms and commencement dates stated in Note 2 below.	The property is currently vacant.	RMB154,000,000 100% interest attributable to the Group: RMB154,000,000

Notes:

(1) The property comprises a total 23 blocks of villa designated as B1 No. 1 Nanfeng 1st Street, D12 No. 1, D15 No. 7, D16 No. 9, E10 No. 10, E13 No. 18 Nanfeng 2nd Street, No. 1 Yulin 1st Street of Yulin Court, Rooms 101 of Nos. 3, 5, 7, 9, 11, 13 and 15 of Hujing 1st Street, Rooms 101 of Nos. 1, 3, 17 and 19 of Cuiyun 1st Street, and Rooms 101 of Nos. 1, 2, 3, 7 and 9 of Cuiyun 2nd Street.

(2) Pursuant to four sets of the Certificate of State-owned Land Use issued by Guangzhou Municipal Land Resources and Housing Administrative Bureau, the land use rights of the property have been granted to 廣州市賢莊房地產開發有限公司 (Guangzhou Xianzhuang Properties Development Limited), which is an indirectly wholly owned subsidiary of the Company. Details of the said Certificates are summarized as follows:

Certificate No.	Site Area	Uses and Terms	Date of Issuance	Date of Commencing
穗府國用(2001)字第特155號 (Sui Fu Guo Yong (2001) Zi No. Te 155)	32,115 sq.m.	Residential use for a term of 70 years, commercial/tourist/ entertainment uses for a term of 40 years and others uses for a term of 50 years	29 September 2001	29 September 2001
穗府國用(2002)字第特81號 (Sui Fu Guo Yong (2002) Zi No. Te 81)	19,369 sq.m.	Residential use for a term of 70 years, commercial/tourist/ entertainment uses for a term of 40 years and others uses for a term of 50 years	26 June 2002	25 June 2002

Certificate No.	Site Area	Uses and Terms	Date of Issuance	Date of Commencing
穗府國用(2002)字第特189號 (Sui Fu Guo Yong (2002) Zi No. Te 189)	10,573 sq.m.	High class villa use	31 October 2002	September 2001
穗府國用(2002)字第特190號 (Sui Fu Guo Yong (2002) Zi No. Te 190)	41,675 sq.m.	Residential use for a term of 70 years, commercial/tourist/ entertainment uses for a term of 40 years and others uses for a term of 50 years	31 October 2002	September 2001

(3) Pursuant to 7 sets of 房地產權屬證明書 (Ownership Certificate of Real Estate Property) Nos. A0003482 to A0003501 dated 1 February 2010 and 1 set of Certificate of Real Estate Ownership No. D0000002 dated 11 June 2010 registered in Guangzhou Municipal Land Resources and Building Administrative Bureau, the ownership of 7 blocks of villa, having a total gross floor area of 1,865.53 sq.m., has been registered under Guangzhou Xianzhuang Properties Development Limited.

(4) Pursuant to 16 sets of 房地產權證 (Certificate of Real Estate Ownership) issued by Guangzhou Municipal Land Resources and Building Administrative Bureau, the ownership of the remaining 16 blocks of villa, having a total gross floor area of 5,565.36 sq.m., has been registered under Guangzhou Xianzhuang Properties Development Limited.

(5) The opinion of the Legal Adviser is summarized as follows:

(a) Guangzhou Xianzhuang Properties Development Limited is a company duly formed and validly existing under the laws of the PRC.

(b) Guangzhou Xianzhuang Properties Development Limited is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property.

(c) The property is not subject to any encumbrances, seizure or other third party rights.

(6) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Group and the aforesaid legal opinion are as fo1lows:

Contract for Grant of State-owned Land Use Rights	Signed
Certificate of State-owned Land Use	Obtained
Certificate of Real Estate Ownership/Ownership Certificate of Real Estate Property	Obtained

VALUATION CERTIFICATE

Property		Description and tenure	Particulars of Occupancy	Market value in existing state as at 29 February 2016
6.	Car Parking Space B145 and B160 on Level B1, and Car Parking Space B267 and B269 on Level B2, Dongming Xuan, No. 217 Zhongshan 4th Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	Dongming Xuan, completed in about 2006, is a mixed commercial and residential development comprising three blocks of 30-storey residential building erected over a 6-storey commercial podium and a 3-storey car park basement. The property comprises 4 car parking spaces in the basement of the subject development. The total gross floor area of the property is approximately 52.60 sq.m. The land use rights of the subject development have been granted for terms of 70 years for residential use, 40 years for commercial/tourist/entertainment uses and 50 years for others uses commencing from 12 February 1996.	The property is currently vacant.	RMB1,800,000 100% interest attributable to the Group: RMB1,800,000

Notes:

(1) Pursuant to two sets of Certificate of Real Estate Ownership 粵房地權證穗字第0120006416號 (Yue Fang Di Quan Zheng Zi No. 0120006416) and 粵房地權證穗字第0120223340號 (Yue Fang Di Quan Zheng Zi No. 0120223340) both issued by Guangzhou Municipal Land Resources and Housing Administrative Bureau, the ownership of Car Parking Space Nos. B145 and B160, registered on 17 June 2011, is vested in 廣州高田投資有限公司 (Guangzhou Gaotian Investment Limited), which is an indirectly wholly owned subsidiary of the Company.

(2) Pursuant to another two sets of Certificate of Real Estate Ownership 粵房地權證穗字第01200219299號 (Yue Fang Di Quan Zheng Zi No. 01200219299) and 粵房地權證穗字第0120219301號 (Yue Fang Di Quan Zheng Zi No. 0120219301) both issued by Guangzhou Municipal Land Resources and Housing Administrative Bureau, the ownership of Car Parking Space Nos. B267 and B269, registered on 8 June 2011, is vested in Guangzhou Gaotian Investment Limited.

(3) It is stated in the said certificates that the levy of the land grant premium for the basement levels was suspended.

(4) The opinion of the Legal Adviser is summarized as follows:

(a) Guangzhou Gaotian Investment Limited is a company duly formed and validly existing under the laws of the PRC.

(b) Guangzhou Gaotian Investment Limited is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property.

(c) The property is not subject to any encumbrances, seizure or other third party rights.

(5) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Group and the aforesaid legal opinion are as fo1lows:

Certificate of Real Estate Ownership	Obtained

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 29 February 2016
7. Twenty car parking spaces on Level B1 and Level B2, Shangyu Garden, No. 45–9 Tianhe Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC *(See Note 1 below for details)*	Shangyu Garden, completed in about 2009 is a mixed residential/ commercial development erected on a site with a site area of approximately 28,409.00 sq.m. and comprising five blocks of high-rise apartment building over a 2-storey (including a mezzanine floor) commercial podium, nine blocks of 4-storey apartment building and two blocks of 2-storey amenity complex with landscaped garden and a 2-storey basement car park. The property comprises 20 car parking spaces of the subject development. The total gross floor area of the property is approximately 233.02 sq.m.. The land use rights of the subject development have been granted for terms of 70 years for residential uses, 40 years for commercial/tourist/entertainment uses and 50 years for others uses commencing from 3 December 2004.	The property is currently vacant.	RMB9,100,000 100% interest attributable to the Group: RMB9,100,000

Notes:

(1) The property, as advised by the Company, comprises a total of 20 car parking spaces on basement levels designated as Nos. B1107, B1124, B1129, B1196 to B1198, B1215 and B1228 on Level B1 and Nos. B2166, B2196, B2220, B2221, B2259, B2260, B2287, B2290, B2308, B2311, B2325 and B2326 on Level B2 of the subject development.

(2) Pursuant to the Certificate of State-owned Land Use 穗國用(2006)第1000004號 (Sui Guo Yong (2006) No. 1000004) dated 8 April 2006 issued by Guangzhou Municipal People's Government, the land use rights of the subject development with a site area of 28,409 sq.m. has been granted to 廣州高田投資有限公司 (Guangzhou Gaotian Investment Limited), which is an indirectly wholly owned subsidiary of the Company, for terms of 70 years for residential uses, 40 years for commercial/tourist/entertainment uses and 50 years for others uses commencing from 3 December 2004.

(3) Pursuant to the Planning Permit for Use of Construction Land 穗規地證(2006)1593號 (Sui Gui Di Zheng (2006) No. 1593) dated 14 December 2006 issued by 廣州市城市規劃局 (Guangzhou Municipal City Planning Bureau), the use of the land of an area of 28,912 sq.m. (inclusive of road area of 4,224 sq.m.) for the subject project was in compliance with the city planning requirements and was approved to proceed with procedures for requisition of appropriated land.

(4) Pursuant to the Planning Permit for Construction Works 穗規建證(2006)3046號(Sui Gui Jian Zheng(2006) No. 3046) dated 29 June 2006 issued by Guangzhou Municipal City Planning Bureau, the subject construction works, having a total gross floor area of 148,458 sq.m., were in compliance with the city planning requirements and were approved to be constructed.

(5) Pursuant to the Commencement Permit for Construction Works No. 440101200707190101 dated 19 July 2007 issued by 廣州市建設委員會 (Guangzhou Municipal Construction Commission), the construction works of the subject development, having a total gross floor area of 148,458 sq.m., were in compliance with the requirements for commencement and were approved to commence.

(6) Pursuant to the Pre-sale Permit for Commodity Property 穗房預(網)字第20080077號-1 (Sui Fang Yu (Wang) Zi No. 20080077–1) dated 29 April 2008 issued by Guangzhou Municipal Land Resources and Housing Administrative Bureau, a total 728 units with a total gross floor area of 117,133.56 sq.m. were approved to be pre-sold.

(7) Pursuant to the 建設工程規劃驗收合格證 (Certificate for Pass of Construction Works Planning Examination) 穗規驗證(2009)777號 (Sui Gui Yan Zheng (2009) No. 777) dated 19 May 2009 issued by Guangzhou Municipal City Planning Bureau, the construction works of the subject development, having a total gross floor area of 150,013 sq.m., passed the completion examination.

(8) Pursuant to the title search records issued by 廣州市房地產檔案館 (Guangzhou Municipal Real Estate Property Archive) the registered owner of the property is Guangzhou Gaotian Investment Limited.

(9) The opinion of the Legal Adviser is summarized as follows:

(a) Guangzhou Gaotian Investment Limited is a company duly formed and validly existing under the laws of the PRC.

(b) Guangzhou Gaotian Investment Limited is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property.

(c) The property is not subject to any encumbrances, seizure or other third party rights.

(10) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Group and the aforesaid legal opinion are as fo1lows:

Contract for Grant of State-owned Land Use Rights (Amended)	Obtained
Certificate of State-owned Land Use	Obtained
Planning Permit for Use of Construction Land	Obtained
Planning Permit for Construction Works	Obtained
Commencement Permit for Construction Works	Obtained
Presale Permit for Commodity Property	Obtained
Certificate for Pass of Construction Works Planning Examination	Obtained
Notification letter on Real Estate Initial Registration	Obtained
Certificate of Real Estate Ownership	Not obtained

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 29 February 2016
8. Forty-eight car parking spaces on Level -2 and Level -3, Tianlun Garden, No. 26 Jianshe Si Ma Lu, Yuexiu District, Guangzhou City, Guangdong Province, the PRC *(See Note 1 below for details)*	Tianlun Garden, completed in about 2005, is mixed commercial and residential development comprising three blocks of high-rise residential building erected over a 4-storey commercial podium with a 3-storey commercial/car park basement. The property comprises 28 car parking spaces on Level -2 and 20 car parking spaces on Level -3 of the subject development. The total gross floor area of the property is approximately 548.27 sq.m. The land use rights of the property have been granted for a term 50 years commencing from 11 February 2004 for car parking use.	The property is currently vacant.	RMB17,300,000 100% interest attributable to the Group: RMB17,300,000

Notes:

(1) The property, as advised by the Company, comprises a total 48 car parking spaces on basement levels as follows:

Level	Car Parking Space Nos.	No. of Spaces
-2	001, 002, 015, 020, 022, 025, 027, 028, 033, 035, 041, 042, 045 to 049, 053, 054, 063, 072, 076, 085, 090, 091, 099 to 101	28
-3	005 to 014, 018, 020, 023, 054 to 056, 060, 061 and 097	20
	Total:	48

(2) Pursuant to 48 sets of Ownership Certificate of Real Estate dated on 27 February 2007, 28 February 2007 and 2 March 2007 issued by Guangzhou Municipal Land Resources and Housing Administrative Bureau, the ownership of the property with a total gross floor area of 548.27 sq.m. is vested in Guangzhou Kinyang Real Estate Development Co., Ltd., which is an indirectly wholly owned subsidiary of the Company.

(3) The opinion of the Legal Adviser is summarized as follows:

(a) Kinyang Real Estate Development Co., Ltd. is a company duly formed and validly existing under the laws of the PRC.

(b) Kinyang Real Estate Development Co., Ltd. is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property.

(c) The property is not subject to any encumbrances, seizure or other third party rights.

(4) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Group and the aforesaid legal opinion are as fo1lows:

Certificate of Real Estate Ownership	Obtained

VALUATION CERTIFICATE

Group III — Property held under development by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 29 February 2016
9. The unsold portion of Phase II of South Lake Village (now known as Xin Tian Ban Shan (新天半山)), Tonghe Road, Baiyun District, Guangzhou City, Guangdong Province, the PRC	The property comprises a development site formed by three plots of land with a total site area of approximately 118,102.00 sq.m.. It is planned to be developed into a residential complex comprising 47 blocks of 3 to 27-storey (excluding basement levels) residential building/villas and 2 blocks of 2 to 8 storey (excluding basement levels) clubhouse buildings with a total of 473 basement car parking spaces and 24 open car parking spaces. The total gross floor area of the proposed development (excluding the car parking spaces and the ancillary facilities) is approximately 101,744.93 sq.m., of which 97,199.43 sq.m. is for residential use and 4,545.50 sq.m. is for clubhouse (commercial) use. The property comprises the entire development except all those 57 residential units with a total gross floor area of approximately 15,986.16 sq.m., that have been sold and handed over to third party purchasers. The land use rights of the property have been granted for terms and commencement dates stated in Note 1 below.	The property is currently under construction. Completion of the construction works is estimated in about mid 2017.	RMB1,676,000,000 100% interest attributable to the Group: RMB1,676,000,000 *(See Note 16 below)*

Notes:

(1) Pursuant to the three sets of the Certificate of State-owned Land Uses (國有土地使用證) issued by Guangzhou Municipal Land Resources and Housing Administrative Bureau has been granted to 廣州市賢莊房地產開發有限公司 (Guangzhou Xianzhuang Properties Development Limited), which is an indirectly wholly owned subsidiary of the Company, the details of the said Certificates are summarized as follows:

Certificate No.	Site Area	Uses and Terms	Date of Issuance	Date of Commencing
穗府國用(2001)字第特153號 (Sui Fu Guo Yong (2001) Zi No. Te 153)	51,962 sq.m.	Residential uses for a term of 70 years, commercial/tourist/ entertainment uses for a term of 40 years and others uses for a term of 50 years	29 September 2001	29 September 2001
穗府國用(2001)字第特157號 (Sui Fu Guo Yong (2001) Zi No. Te 157)	42,493 sq.m.	Residential uses for a term of 70 years, commercial/tourist/ entertainment uses for a term of 40 years and others uses for a term of 50 years	29 September 2001	29 September 2001
穗府國用(2002)字第特80號 (Sui Fu Guo Yong (2002) Zi No. Te 80)	23,647 sq.m.	Residential uses for a term of 70 years, commercial/tourist/ entertainment uses for a term of 40 years and others uses for a term of 50 years	26 June 2002	21 June 2002

(2) Pursuant to the Planning Permit for Use of Construction Land (91)穗城規地字第1436號 ((91) Sui Cheng Gui Di Zi No. 1436) dated 14 June 1992 issued by Guangzhou Municipal City Planning Bureau, the of land for the subject project of 231,184 sq.m. was in compliance with the city planning requirements and was approved to proceed with procedures for requisition of appropriated land.

(3) Pursuant to the Planning Permit for Construction Works穗規建證(2011)124號 (Sui Gui Jian Zheng (2011) No. 124) dated 18 January 2011 issued by Guangzhou Municipal Planning Bureau, the construction works for 4 blocks of 24 to 27-storey residential building (designated as Blocks D-1 to D-4) and a block of 8-storey clubhouse building (designated as Block G-7) of the proposed development in the property with a total gross floor area of 66,106 sq.m. (exclusive of basement area of 11,558 sq.m.) were in compliance with the planning requirements.

(4) Pursuant to the Planning Permit for Construction Works穗規建證(2011)2503號 (Sui Gui Jian Zheng (2011) No. 2503) dated 11 November 2011 issued by Guangzhou Municipal Planning Bureau, the construction works for 8 blocks of 3-storey (excluding a basement level) residential building of the proposed development in the property with a total gross floor area of 5,642 sq.m. (exclusive of basement area of 1,108 sq.m.) were in compliance with the planning requirements.

(5) Pursuant to the Planning Permit for Construction Works穗規建證(2012)150號 (Sui Gui Jian Zheng (2012) No. 150) dated 20 January 2012 issued by Guangzhou Municipal Planning Bureau, the construction works for 1 block of 2-storey (excluding three basement levels) clubhouse building of the proposed development in the property with a total gross floor area of 1,563.5 sq.m. (exclusive of basement area of 1,826.9 sq.m.) were in compliance with the planning requirements.

(6) Pursuant to the Planning Permit for Construction Works穗規建證(2012)1592號 (Sui Gui Jian Zheng (2012) No. 1592) dated 30 August 2012 issued by Guangzhou Municipal Planning Bureau, the construction works for 11 blocks of 3 to 6-storey (excluding a basement level) residential building of the proposed development in the property with a total gross floor area of 14,864 sq.m. (exclusive of basement area of 4,163 sq.m.) were in compliance with the planning requirements.

(7) Pursuant to the Planning Permit for Construction Works穗規建證(2012)1746號 (Sui Gui Jian Zheng (2012) No. 1746) dated 13 September 2012 issued by Guangzhou Municipal Planning Bureau, the construction works for 24 blocks of 3 to 4-storey (excluding a basement level) residential building with a total gross floor area of 19,506.9 sq.m. (exclusive of basement area of 2,602 sq.m.) and 1 block of 2-storey basement car park with a gross floor area of 13,938.7 sq.m. (plus the area above ground level of 61.8 sq.m.) of the proposed development in the property were in compliance with the planning requirements.

(8) Pursuant to the Commencement Permit for Construction Works No. 440111201109080101 dated 8 September 2011 issued by 廣州市白雲區建設局 (Guangzhou Municipal Baiyun District Construction Bureau), the construction works for the 4 blocks of 24 to 27-storey residential building (designated as D-1 to D-4) of the proposed development were in compliance with the requirements for commencement and were approved to commence.

(9) Pursuant to the Commencement Permit for Construction Works No. 440111201206290101 dated 29 June 2012 issued by Guangzhou Municipal Baiyun District Construction Bureau, the construction works for the 2-storey clubhouse building (designated as G-4) of the proposed development were in compliance with the requirements for commencement and were approved to commence.

(10) Pursuant to the Commencement Permit for Construction Works No. 440111201207180201 dated 18 July 2012 issued by Guangzhou Municipal Baiyun District Construction Bureau, the construction works for the 8 blocks of 3-storey residential building in District C of the proposed development were in compliance with the requirements for commencement and were approved to commence.

(11) Pursuant to the Commencement Permit for Construction Works No. 440111201302070201 dated 7 February 2013 issued by Guangzhou Municipal Baiyun District Construction Bureau, the construction works for the 11 blocks of 3 to 6-storey (excluding the basement level) residential building (designated as E1-1 to E1-7, E1-8A, E1-8B, E1-9 and E1-10) of the proposed development were in compliance with the requirements for commencement and were approved to commence.

(12) Pursuant to the Commencement Permit for Construction Works No. 440111201304120201 dated 12 April 2013 issued by Guangzhou Municipal Baiyun District Construction Bureau, the construction works for the 24 blocks of 2 to 4-storey (excluding the basement level) residential building (designated as B01 to B24) and the basement car park (designated as DX-3 and DX-4) of the proposed development were in compliance with the requirements for commencement and were approved to commence.

(13) Pursuant to the Pre-sale Permit for Commodity Property 穗房預(網)字第20120924號 (Sui Fang Yu (Wang) Zi No. 20120924) dated 28 December 2012 issued by Guangzhou Municipal State-owned Land Resources and Housing Administrative Bureau, approval for presale of a total gross floor area of 27,982.73 sq.m. in the proposed development has been granted.

(14) Pursuant to eight sets of Certificate of Planning Compliance Inspection of Construction Works (建設工程規劃驗收合格證) issued by Guangzhou Municipal Planning Bureau, construction works for certain buildings and structures of the property were in compliance with the planning requirements and passed the completion inspection. Details of the said certificates are summarized as follows:

Certificate No.	Date	Description	Gross Floor Area
穗規驗證[2013]350號 Sui Gui Yan Zheng No.(2013)350)	14 May 2013	Blocks C01 to C08	6,822 sq.m. (including basement area of 1,113 sq.m.)
穗規驗證[2013]763號 Sui Gui Yan Zheng No. (2013)763)	22 November 2013	Bus Station	60.7 sq.m.
穗規驗證[2013]766號 Sui Gui Yan Zheng No. (2013)766)	25 November 2013	Clubhouse	3,418 sq.m. (including basement area of 1,797 sq.m.)
穗規驗證[2013]777號 Sui Gui Yan Zheng No. (2013)777)	26 November 2013	Fire station	3,519 sq.m. (including basement area of 1,001 sq.m.)
穗規驗證[2014]1號 Sui Gui Yan Zheng No. (2014)1)	2 January 2014	Swimming pool ancillary building	150 sq.m. (including basement area of 50 sq.m.)
穗規驗證[2014]2號 Sui Gui Yan Zheng No. (2014)2)	2 January 2014	Nursery	1,607 sq.m. (including basement area of 190 sq.m.)
穗規驗證[2014]382號 Sui Gui Yan Zheng No. (2014)382)	19 August 2014	Police station and ancillary building	5,031 sq.m. (including basement area of 1,777 sq.m.)
穗規驗證[2014]610號 Sui Gui Yan Zheng No. (2014)610)	19 November 2014	Block D1 to D4	73,899 sq.m. (including basement area of 11,415 sq.m.)

(15) Pursuant to the entrusted loan contract entered into amongst 平安銀行股份有限公司廣州分行 (Ping An Bank Co., Ltd., Guangzhou Branch, the "Entrusted Lender"), Guangzhou Xianzhuang Properties Development Limited (the "Borrower") and 深圳平安大華匯通財富管理有限公司 (Shenzhen Ping An Da Hua Hui Tong Wealth Management Company Limited, the "Lender") and the mortgage guarantee contract entered into between Ping An Bank Co., Ltd., Guangzhou Branch and Guangzhou Xianzhuang Properties Development Limited both on 27 August 2015, a total of 94 residential units in Blocks D-1, D-2, D-3 and D-4 of the property with a total gross floor area of approximately 630,228.13 sq.m. are subject to a mortgage for a loan amount of RMB200,000,000 for a term of one year from 7 September 2015 to 7 September 2016.

(16) According to the information provided by the Company, as at the Date of Valuation, at total of 42 residential units in Zone C and of Blocks D1, D2 and D3 with a total gross floor area of approximately 12,639.35 sq.m. have been agreed to be sold to third party purchasers at an aggregate contract sum of approximately RMB403,019,356. In the course of our valuation, we have taken into account the aggregate contract sum.

(17) We have been advised that the total cost to develop the property will be approximately RMB1,424,000,000 and that the total development cost (excluding the land costs) that has already been expended as at the Date of Valuation amounted to approximately RMB1,053,500,000. In the course of our valuation, we have taken into account the outstanding construction cost of approximately RMB370,500,000 that will be expended to complete the construction.

(18) The estimated market value as if completed was reasonably stated at RMB2,652,000,000. Our valuation under "estimated market value as if completed" was valued by the direct comparison method by making reference to comparable sales evidence as available in the relevant market and on the assumption that the subject development would have been completed at the Date of Valuation according to the development proposal provided to us.

(19) The opinion of the PRC Legal Advisor is summarized as follows:

(a) Guangzhou Xianzhuang Properties Development Limited is a company duly formed and validly existing under the laws of the PRC.

(b) Guangzhou Xianzhuang Properties Development Limited is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property.

(c) Relevant planning and commencement permits for the construction works of the property has been properly obtained.

(d) The property is subject to mortgages.

(e) Apart from the mortgages, the property is not subject to any seizure or other third party rights.

(20) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Group and the aforesaid legal opinion are as fo1lows:

Contract for Grant of State-owned Land Use Rights	Obtained
Certificate of State-owned Land Use	Obtained
Planning Permit for Use of Construction Land	Obtained
Planning Permit for Construction Works	Obtained
Commencement Permit for Construction Works	Obtained
Pre-sale Permit for Commodity Property (Blocks D1 to D4 only)	Obtained
Construction Planning Acceptance Certificate	Obtained

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors of the Company jointly and severally accept full responsibility for the accuracy of information contained in this circular (other than information relating to Talent Trend and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than opinions expressed by Talent Trend and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in relation to Talent Trend and parties acting in concert with it contained in this circular has been supplied by the sole director of Talent Trend. The sole director of Talent Trend, namely Mr. Zhang Gao Bin (張高濱), accepts full responsibility for the accuracy of the information contained in this circular relating to Talent Trend and parties acting in concert with it and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular relating to Talent Trend and parties acting in concert with it have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. MARKET PRICE

The table below shows the closing prices of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) 8 January 2016, being the last Business Day immediately preceding the date of the Announcement; and (iii) the Latest Practicable Date.

Date	**Closing price per Share** *(HK$)*
31 July 2015	0.156
31 August 2015	0.135
30 September 2015	0.164
30 October 2015	0.147
30 November 2015	0.165
31 December 2015	0.239
8 January 2016	0.228
29 January 2016	0.239
29 February 2016	0.182
31 March 2016	0.202
29 April 2016	0.162
Latest Practicable Date	0.147

Highest and lowest Share prices

The highest closing price of the Share as quoted on the Stock Exchange during the Relevant Period was HK$0.280 per Share on 17 December 2015. The lowest closing price of the Shares as quoted by the Stock Exchange during the Relevant Period was HK$0.118 per share on 2 September 2015.

3. SHARE CAPITAL AND CONVERTIBLE SECURITIES

(a) Share capital

The authorized and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon conversion of the 2010 Convertible Notes are set out below:

(i) As at the Latest Practicable Date:

Authorized share capital:		*HK$*
125,000,000,000	Shares of HK$0.004 each	500,000,000
Issued and fully paid share capital or credited as fully paid:		*HK$*
3,808,742,615	Shares of HK$0.004 each	15,234,970.46

(ii) Immediately upon completion of conversion of the 2010 Convertible Notes:

Authorized share capital:		*HK$*
125,000,000,000	Shares of HK$0.004 each	500,000,000
Issued and fully paid share capital or credited as fully paid:		*HK$*
10,293,136,554	Shares of HK$0.004 each	41,172,546.22

All the issued Shares rank pari passu with each other in all respects including the rights in respect of capital, dividends and voting.

Since 31 December 2015 (being the end of the last financial year of the Company) and up to the Latest Practicable Date, no new Shares have been issued by the Company.

(b) 2010 Convertible Notes

As at the Latest Practicable Date, the 2010 Convertible Notes in the aggregate principal amount of HK$2,139.85 million issued by the Company remain outstanding, which enables Talent Trend to convert into 6,484,393,939 new Shares. Save and except for the 2010 Convertible Notes, as at the Latest Practicable Date, the Company has no other outstanding warrants, options, or subscription rights in respect of any class of equity share capital.

4. DISCLOSURE OF INTERESTS

(a) Directors' interests in the Company

At the Latest Practicable Date, save and except for Mr. Mak Yiu Tong (an independent non-executive director of the Company), who personally holds 150,000 shares of the Company, none of the Directors nor the chief executive of the Company had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of SFO), or which were required to be and are 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 pursuant to the Model Code contained in the Listing Rules.

(b) Substantial Shareholders

Other than the interests disclosed under the heading "Directors' interests in the Company" above, as at the Latest Practicable Date, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following Shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of substantial shareholder	Number of ordinary shares held	Number of underlying shares interest	Approximate percentage of the Company's issued share capital
Winspark Venture Limited[1]	829,509,340	—	21.78%
Talent Trend[2]	—	6,484,393,940	170.25%
Top Rich Limited[3]	494,766,515	—	12.99%

Notes:

1. The entire issued share capital of Winspark Venture Limited is directly, beneficially and wholly owned by Ms. Chan Man Ling.

2. The entire issued share capital of Talent Trend is directly, beneficially and wholly owned by Mr. Zhang Gao Bin. Mr. Zhang Gao Bin personally holds 104,465,000 shares of the Company, representing approximately 2.74% issued share capital of the Company.

3. The entire issued share capital of Top Rich Limited is held by Ace Class Global Limited, which is directly, beneficially and wholly owned by Mr. Lee Hon Nam.

Save as disclosed above, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO disclosed no other person as having notifiable interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

(c) Directors' interests in assets and contracts of the Group

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2015 (the date to which the latest published audited consolidated financial statements of the Company were made up), (i) acquired or disposed of by; (ii) leased to; or (iii) are proposed to be acquired or disposed of by; or (iv) are proposed to be leased to any member of the Group.

(d) Directors' service contracts

Within six months prior to the date of the Announcement, the Company has entered into a service agreement with Mr. Mak Yiu Tong. Details of such service agreement are set out below:

	Current service agreements				Previous service agreements (if any)		
Name of Directors	Commencement date of the service agreement	Expiry date of the service agreement	Fixed remuneration per annum	Variable elements (if any)	Commencement date of the service agreement	Expiry date of the service agreement	Fixed remuneration per annum
Mr. Mak Yiu Tong	4 December 2015	4 December 2017	HK$228,000	none	none	none	none

Save as disclosed above, none of the Directors:

(i) had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(ii) had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation);

(iii) had any continuous or fixed term service contracts with the Company or any of its subsidiaries or associated companies that were entered into or amended within the Relevant Period;

(iv) had entered into any continuous service contracts with the Company or any of its subsidiaries or associated companies with a notice period of 12 months or more; and

(v) had entered into any fixed term contracts with the Company or any of its subsidiaries or associated companies with more than 12 months to run irrespective of the notice period.

(e) Directors' competing interests

As at the Latest Practicable Date, none of the Directors or any of their respective close associates (as defined in the Listing Rules) had any business which was considered to compete or was likely to compete with the businesses of the Group.

5. EXPERTS AND CONSENTS

The following is the qualification of the expert who has been named in this circular or has given opinion or advice which are contained in this circular:

Name	Qualification
Astrum Capital Management Limited	a corporation licensed by the SFC to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
B.I. Appraisals Limited	independent property valuer
Cheng & Cheng Limited	Certified Public Accountants
Messis Capital Limited	a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Astrum Capital, B.I. Appraisals Limited, Cheng & Cheng Limited and Messis Capital have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their opinion prepared for the purpose of incorporation in this circular, and the references to their name and opinion in the form and context in which they respectively appear.

Astrum Capital, B.I. Appraisals Limited, Cheng & Cheng Limited and Messis Capital have confirmed that as at the Latest Practicable Date, they did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any direct or indirect interests in any assets which have since 31 December 2015 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any members of the Group.

6. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material change in the financial or trading position and outlook of the Group since 31 December 2015, being the date to which the latest published audited consolidated accounts of the Company have been made up.

7. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors pending or threatened by or against any member of the Group.

8. DEALINGS AND INTEREST OF TALENT TREND AND PARTIES ACTING IN CONCERT WITH IT IN THE SECURITIES OF THE COMPANY

During the Relevant Period, save for the transfer of the 2010 Convertible Notes in the principal amount of HK$210 million from Top Rich Limited to Talent Trend, which took place on 4 November 2015, Talent Trend, its sole director and the parties acting in concert with it have not dealt for value in any Shares or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

Save as otherwise disclosed in this circular, as at the Latest Practicable Date, none of Talent Trend or the parties acting in concert with it:

(a) holds, controls or has direction over any outstanding Shares, options, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or has entered into any derivatives in respect of the securities of the Company;

(b) has received any irrevocable commitment to vote for or against the Proposed Amendment under the Second Supplemental Deed of Amendment and the application for Whitewash Waiver; and

(c) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

9. ADDITIONAL DISCLOSURE UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date:

(a) there was no agreement, arrangement or understanding (including any compensation arrangement) between Talent Trend or any party acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders of the Company having any connection with or dependence upon the 2010 Convertible Notes, the Deed of Amendment, the Supplemental Deed of Amendment for the Proposed Extension, the Proposed Amendment under the Second Supplemental Deed of Amendment, the CN Amendment and Conversion or the Whitewash Waiver;

(b) there were no benefits to be given to any Director as compensation for loss of office or otherwise in connection with the 2010 Convertible Notes, the Deed of Amendment, the Supplemental Deed of Amendment for the Proposed Extension, the Proposed Amendment under the Second Supplemental Deed of Amendment, the CN Amendment and Conversion or the Whitewash Waiver;

(c) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the 2010 Convertible Notes, the Deed of Amendment, the Supplemental Deed of Amendment for the Proposed Extension, the Proposed Amendment under the Second Supplemental Deed of Amendment, the CN Amendment and Conversion or the Whitewash Waiver or otherwise connected therewith;

(d) no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the SGM to approve the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver;

(e) there was no material contract entered into by Talent Trend in which any Director had a material personal interest;

(f) there was no agreement, arrangement or understanding pursuant to which the Conversion Shares would be transferred, charged or pledged to any other persons;

(g) save as disclosed in the section headed "Disclosure of Interests" in this appendix, none of the Directors, the sole director of Talent Trend, Talent Trend and parties acting in concert with them owned or controlled or were interested in any other Shares, convertible securities, warrants, options or derivatives of the Company;

(h) save as disclosed in the section headed "Disclosure of Interests" in this appendix, no other Directors were interested in any Shares. No Director intends to and no other director is entitled to vote for or against any of the resolutions to be proposed at the SGM to approve the Proposed Amendment under the Second Supplemental Deed of Amendment and the Whitewash Waiver;

(i) none of the Company or any Directors had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;

(j) the Company did not own, control or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Talent Trend, and the Company did not deal for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Talent Trend during the Relevant Period;

(k) none of the Directors were interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and/or of Talent Trend as at the Latest Practicable Date and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and/or of Talent Trend during the Relevant Period;

(l) none of the subsidiaries of the Company, pension fund of the Company or of a subsidiary of the Company or any adviser to the Company (as specified in class (2) of the definition of associate under the Takeovers Code) owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;

(m) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code and no such person had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;

(n) no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Talent Trend or any party acting in concert with it owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and no such person had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period; and

(o) there was no Shares, convertible securities, warrants, options or derivatives of the Company or Talent Trend which were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company.

10. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, have been entered into by members of the Group within two years preceding the date of the Announcement and up to and including the Latest Practicable Date and are or may be material:

(a) the Deed of Amendment;

(b) the Supplemental Deed of Amendment;

(c) the Second Supplemental Deed of Amendment; and

(d) the agreement entered into between the Group and Guangzhou Zhongxinfang Yuetou Enterprise Limited* (廣州中新房粵投實業有限公司) on 29 October 2014, pursuant to which, Guangzhou Zhongxinfang Yuetou Enterprise Limited purchased from the Group the properties located at 1st to 4th floors of the commercial portion of Tianlun Garden (天倫花園) at a consideration of approximately RMB266.0 million.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the Company (www.760hk.com); (ii) on the website of the SFC (www.sfc.hk); and (iii) during normal business hours (i.e. from 9:30 a.m. to 5:00 p.m. on Monday to Friday except public holidays) on any Business Day at the principal place of business in Hong Kong of the Company at Unit A704, 3rd Floor, Tower A, New Mandarin Plaza, No. 14 Science Museum Road, Tsim Sha Tsui East, Hong Kong, from the Latest Practicable Date up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the memorandum and articles of association of Talent Trend;

(c) the annual reports of the Company for each of the three financial years ended 31 December 2013, 31 December 2014 and 31 December 2015;

(d) the letter from the Board, the text of which is set out on pages 6 to 17 of this circular;

(e) the valuation certificates and the property valuation report issued by B.I. Appraisals Limited dated 12 May 2016, the text of which is set out on pages II-1 to II-31 of this circular;

(f) the letter from the Independent Board Committee, the text of which is set out on pages 18 to 19 of this circular;

(g) the letter from Astrum Capital, the text of which is set out on pages 20 to 41 of this circular;

(h) the service contract of each Director referred to under the paragraph headed "Disclosure of Interests — Directors' service contracts" in this appendix;

(i) each material contract referred to under the paragraph headed "Material Contracts" in this appendix;

(j) the letters of consent from the Independent Financial Adviser, the Independent Property Valuer, Cheng & Cheng Limited and Messis Capital referred to in the section headed "Experts and Consents" of this appendix; and

(k) this circular.

12. MISCELLANEOUS

(a) The registered address of Talent Trend is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

(b) As at the Latest Practicable Date, the sole director of Talent Trend is Mr. Zhang Gao Bin. Talent Trend is wholly-owned by Mr. Zhang Gao Bin.

(c) The company secretary of the Company is Mr. Lee Wai Kuen, who is a fellow member of the Association of Chartered Certified Accountants.

(d) The principal place of business of Messis Capital is Room 1606, 16/F, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong.

(e) The principal place of business of the Independent Financial Adviser is Room 2704, 27/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong.

(f) The principal place of business of Cheng & Cheng Limited is 10th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.

(g) Mr. Zhang Gao Bin and Mr. Zhang Guo Ming constitute the principal members of the Talent Trend's concert group (as referred to in the Takeovers Code).

(h) The address of Mr. Zhang Gao Bin is 5/F, No. 210 Linhe Xi Heng Road, Tianhe District, Guangzhou City, Guangzhou Province, the PRC.

(i) The address of Mr. Zhang Guo Ming is 5/F, No. 210 Linhe Xi Heng Road, Tianhe District, Guangzhou City, Guangzhou Province, the PRC.

(j) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

TALENT PROPERTY GROUP LIMITED

新天地產集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00760)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of Talent Property Group Limited (the "**Company**") will be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong on Wednesday, 1 June 2016 at 4:00 p.m. or any adjournment thereof for the purpose of considering, and if thought fit, passing with or without modification the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) subject to the approval of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the proposed amendment (the "**Proposed Amendment**") of the terms and conditions of the zero coupon convertible notes in the aggregate principal amount of HK$2,139.85 million issued by the Company and held by Talent Trend Holdings Limited ("**Talent Trend**") in satisfaction of part of the consideration of the acquisition of the entire issued share capital of Talent Central Limited by Canton Million Investments Limited, a wholly-owned subsidiary of the Company (the "**Convertible Notes**"), such that Talent Trend would be allowed to convert such Convertible Notes, resulting in it holding 30% or more in the issued share capital of the Company, on the terms and conditions of a second supplemental deed dated 11 January 2016 entered into between the Company and Talent Trend (a copy of which is produced to the Meeting marked "A" and initialled by the Chairman of the Meeting for the purpose of identification, the "**Second Supplemental Deed of Amendment**") and the performance by the Company of its obligations thereunder be and are hereby approved, confirmed and ratified; and

(b) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary, desirable or expedient to implement and/or give effect to the Proposed Amendment under the Second Supplemental Deed of Amendment and the whitewash waiver from the Executive Director (or any delegate of the Executive Director) of the Corporate Finance Division of the Securities and Futures Commission (the "**Executive**") pursuant to Note 1 to the Notes on dispensations to Rule 26 of the Codes on Takeovers and Mergers and Share Buy-backs (the "**Takeovers Code**") in respect of the obligation of Talent Trend to make a mandatory general offer for all the ordinary share(s) of

* *For identification purposes only*

HK$0.004 each in the issued share capital of the Company ("**Shares**") not already owned or agreed to be acquired by Talent Trend and parties acting in concert with it under Rule 26 of the Takeovers Code which would otherwise arise as a result of the conversion of the Convertible Notes into Shares pursuant to the terms of the Second Supplemental Deed of Amendment, including but not limited to the allotment and issue of the new 6,484,393,939 Shares upon exercise of the conversion rights under the Convertible Notes and any other matters contemplated thereunder."

2. "**THAT**

subject to the passing of resolution no. 1 above and the Executive granting to Talent Trend and parties acting in concert with it the waiver (the "**Whitewash Waiver**") pursuant to Note 1 to the Notes on dispensation to Rule 26 of the Takeovers Code waiving any obligation on the part of Talent Trend and parties acting in concert with it to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by Talent Trend and parties acting in concert with it which would otherwise arise under Rule 26.1 of the Takeovers Code as a result of the allotment and the issue of the Conversion Shares, and the satisfaction of any condition(s) attached to the Whitewash Waiver as may be imposed by the Executive, the Whitewash Waiver be and is hereby approved and any one director of the Company be and is hereby authorised to do all such acts and things as he/she considers necessary or expedient for the purpose of giving effect to any matters relating to or incidental to the Whitewash Waiver."

By Order of the Board
Talent Property Group Limited
You Xiaofei
Chairman

Hong Kong, 12 May 2016

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business in Hong Kong:
Unit A704, 3rd Floor, Tower A
New Mandarin Plaza
No. 14 Science Museum Road
Tsim Sha Tsui East
Hong Kong

Notes:

(1) A member entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares may appoint more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company.

(2) Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.

(3) To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority, must be deposited at the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the SGM or any adjournment thereof and in such event, the form of proxy will be deemed to be revoked.

(4) Shareholders are advised to read the circular to the shareholders of the Company dated 12 May 2016 which contains information concerning the resolutions to be proposed in this notice.

(5) According to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting of the Company must be taken by poll. Accordingly, the Chairman of the SGM will exercise his power under the articles of association of the Company to demand a poll in relation to the proposed ordinary resolution at the SGM.

As at the date of this notice, the Board comprises Mr. You Xiaofei and Mr. Luo Zhangguan as Executive Directors and Mr. Lo Wai Hung, Mr. Chan Chi Mong, Hopkins and Mr. Mak Yiu Tong as Independent Non-executive Directors.