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

(Incorporated in Bermuda with limited liability)

(Stock code: 00760)

2018 ANNUAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

On behalf of the board of directors of Talent Property Group Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018.

FINANCIAL RESULTS

2018 is a financial year in which the Group built the foundation for a brighter future. The consolidated revenue and gross profit for 2018 amounted to approximately RMB278.7 million (2017: RMB727.0 million) and RMB82.1 million (2017: RMB182.3 million), respectively. Decrease in revenue in 2018 was primarily due to the fact that high-rise residential units in our flagship project Xintian Banshan, which have the highest volume of stock, have been almost sold out and fully delivered after continual sales in recent years. Though luxury villas at zone B are available for subscription, they will not enter the delivery phase until next year. Impairment loss of Xintian Banshan provided in previous years was again reversed partly in view of its latest sales record and market condition in 2018, while the fair value of our investment property Talent Shoes Trading Center was reduced in light of its latest leasing condition. The Group also ramped up investment in its logistics projects in 2018. A post-tax profit attributable to the owners of the Company of RMB69.6 million was recorded (2017: RMB63.7 million).

* *For identification purposes only*

OPERATING REVIEW AND OUTLOOK

At the beginning of 2018, the global economy extended its growth momentum seen in the previous year. However, macroeconomic environment became more unstable in the second half as the US resorted to trade protectionism and countries across the globe shifted away from accommodative monetary policies. 2018 marks the 40th anniversary of China's reform and opening-up policy. China's economy has maintained stable, continued and healthy development, thanks to supply-side structural reforms steadfastly implemented by the government and its various measures aimed at expanding domestic demand. Maintaining a long-term and effective mechanism of real estate market and ensuring its stable and healthy development remained the key tone of the central government's real estate regulatory policies in 2018. However, we saw signs of a slight loosening of such policies at year-end. Some cities partially relaxed price restrictions, and many lowered the percentage increase in home loan rates. The Group will continue to explore diversified businesses to ensure its continued steady growth.

Xintian Banshan

Xintian Banshan, the Group's flagship project, is located in Nanhu Scenery Zone of Baiyun District in Guangzhou. Within 20-minute driving distance from Guangzhou's Tianhe District, the project is set in a tranquil environment in proximity to the bustling downtown. The high-rise residential apartments at zone D and villas at zone C were almost sold out. For Xintian Banshan villas, which are scattered on mountain slopes along the mountain at zone B, elegant show flats have been open for visits through appointment. The first batch of villas subscribed by buyers were sold at decent unit prices. The construction progress of the mega villa project at zone E, which is rare in Guangzhou, will be adjusted in light of sales progress of villas at zone B. The official release of the blueprint for the Guangdong-Hong Kong-Macao Greater Bay Area has ushered in a win-win cooperation model for the nine cities and two special administrative regions in the Greater Bay Area. Guangzhou is poised to benefit from the jump-start of core financial industry in the area in respect of consolidated strength and wealth creation. The real estate market for luxury housing is set to benefit from the great synergistic growth of the entire cluster of cities in the area. Thanks to the joint efforts of our sales team, the subscription and contracted sales amount and area recorded during the year were approximately RMB279 million (2017: RMB316 million) and 3,400 sqm (2017: 7,800 sqm). Looking into 2019, we will continue to explore potential buyers, form close ties with them, and promote the sale and delivery of penthouse special units at zone D, parking spaces and villas at zone B of this project, thus realizing cash recovery.

Talent Shoes Trading Center

The Group's Talent Shoes Trading Center in Liwan District, Guangzhou was a redevelopment project refurnished into a 10-storey building for integrated commercial and office uses in 2015. In recent years, in addition to competition from e-commerce players, trade disputes between China and the US have had a deeper impact on tenants with businesses in the traditional wholesale industry in China. In 2018, the Group started to adjust its tenant mix on certain floors of the building and strengthen its efforts in leasing upon completion of the refurbishment of certain floors, recording an average occupancy rate of 80% for the full year. Looking forward into 2019, the Group will phase out some of its existing, smaller tenants and roll out targeted concessionary programs to attract quality merchants. The Group seeks to boost the Trading Center's long-term rentals by improving the image of the property and the quality of its property management services, and by changing its positioning as a professional shoe market.

Linhe Cun Redevelopment Project

Linhe Cun redevelopment project is located in the central business district of Tianhe District in Guangzhou, which is adjacent to Guangzhou East Railway Station. The Group cooperates with Sun Hung Kai Properties Group for this project. The grade A commercial office building namely "Guangzhou Commerce Centre" and units in block 1 to 6 of the high-rise residential project known as "Forest Hills" were almost sold out and recognised as revenue in previous years and 2018. Completed units in the last high-rise residential building of Forest Hills are already available for subscription and recorded satisfactory unit prices.

Logistic Commercial Real Estate Project

In recent years, China's economy has transitioned from high-speed to high-quality growth, with consumption becoming the main driver of economic development. As urbanization continues to move forward across China, both renovation and transformation of cities and people's pursuit for a better life require the support of complementary services and facilities such as industrial parks and logistics & distribution centers. The logistics facilities market in China has continued to grow rapidly, thanks to rising consumption and growing demand for logistics services. Given these opportunities, in late 2016, we formed a project company with the reputable founder of Guangdong Linan Logistics Group in an effort to expand the Group's businesses into property development for the logistics industry.

In Jiangsu Province, we had successfully bid one land parcel in Guangling District of Yangzhou City and another one in Yunlong District of Xuzhou City. Both land parcels are at prime locations. The two projects are to be developed into an integrated intelligent logistics park comprising retail shop, office building, office apartment, trade exhibition center, e-commerce information center, logistics & distribution center and warehouse. The two projects cover a site area of approximately 80,000 sqm and 100,000 sqm, respectively. Both projects are currently under development into logistic parks with a floor area of approximately 160,000 sqm each. Some 88,000 sqm and 115,000 sqm will be available for sale, respectively upon completion of the projects. Pre-sale activities are expected to be rolled out in mid-2019 at the earliest. We also acquired a land parcel covering a site area of about 250,000 sqm in Shatou Town of Yangzhou City in late 2018. The project is currently under planning. We will work with the local government to develop it into the largest comprehensive agricultural product exhibition and trading center in the central area of Jiangsu Province. The Group will properly handle its scale expansion, strengthen cost control and construction progress management, and strive to obtain long-term benefits that economic transformation provides.

APPRECIATION

On behalf of our board of directors, I would like to take this opportunity to thank all of our shareholders, clients and business partners for their trust and support and the staff for their hard work and dedication.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Revenue	*3,4*	**278,668**	727,015
Cost of sales and of services		**(196,589)**	(544,692)
Gross profit		**82,079**	182,323
Other revenue and net income	*5*	**35,342**	6,361
Distribution costs		**(23,178)**	(14,738)
Administrative and other operating expenses		**(51,776)**	(48,850)
Loss on disposal of assets classified as held for sale		**–**	(10,948)
Fair value changes on investment properties		**(38,933)**	9,339
Reversal of impairment loss of properties under development		**81,518**	82,772
Share of result of an associate		**23,119**	585
Finance costs	*6*	**(6,774)**	(18,434)
Profit before income tax	*7*	**101,397**	188,410
Income tax expense	*8*	**(40,510)**	(129,995)
Profit for the year		**60,887**	58,415
Profit attributable to:			
Owners of the Company		**69,625**	63,667
Non-controlling interests		**(8,738)**	(5,252)
		60,887	58,415

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Other comprehensive income/(loss) for the year (after reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**197**	1,572
Items that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		**(1,000)**	–
Other comprehensive (loss)/income for the year		**(803)**	1,572
Total comprehensive income for the year		**60,084**	59,987
Total comprehensive income attributable to:			
Owners of the Company		**68,822**	65,239
Non-controlling interests		**(8,738)**	(5,252)
		60,084	59,987
		RMB	*RMB*
Earning per share	*9*		
Basic		**0.676 cent**	0.619 cent
Diluted		**0.676 cent**	0.619 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**704,000**	741,000
Plant and equipment		**2,899**	2,903
Interests in an associate		**501,515**	474,096
Available-for-sale financial assets		**–**	1,000
Prepayments, deposits and other receivables	*11*	**20,000**	–
Deferred tax asset		**37,950**	45,219
		1,266,364	1,264,218
Current assets			
Properties under development		**1,860,035**	1,286,634
Completed properties held for sale		**288,038**	347,154
Trade receivables	*10*	**7,782**	12,246
Prepayments, deposits and other receivables	*11*	**106,939**	318,651
Contract costs	*12*	**2,273**	–
Tax recoverable		**42,647**	17,709
Pledged deposit		**3,000**	–
Cash and cash equivalent		**43,211**	51,098
		2,353,925	2,033,492

	Notes	**2018** **RMB'000**	2017 RMB'000
Current liabilities			
Trade payables	*13*	**279,251**	132,998
Accruals and other payables	*14*	**230,488**	488,442
Contract liabilities	*15*	**246,628**	–
Provision for tax		**285,256**	263,215
Borrowings		**381,854**	271,854
		1,423,477	1,156,509
Net current assets		**930,448**	876,983
Total assets less current liabilities		**2,196,812**	2,141,201
Non-current liability			
Deferred tax liability		**232,723**	246,628
Net assets		**1,964,089**	1,894,573
EQUITY			
Share capital		**37,628**	37,628
Reserves		**1,910,260**	1,837,006
Equity attributable to the owners of Company		**1,947,888**	1,874,634
Non-controlling interests		**16,201**	19,939
Total equity		**1,964,089**	1,894,573

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. BASIS OF PREPARATION

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

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 15	Clarification to HKFRS 15
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application of HKFRS 15 (i.e. 1 January 2018). Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources:

(i) Property development consists of the sales of properties;

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

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

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

The application of HKFRS 15 has no material impact on the timing of revenue recognition of the Group.

The following table summarises the impact of transition to HKFRS 15 on accumulated losses at 1 January 2018.

	Note	**Decrease in accumulated losses after the application of HKFRS 15 as 1 January 2018** *RMB'000*
Accumulated losses		
Recognition of incremental costs to obtain contracts as contract costs	*(a)*	**5,909**
Tax effect of recognition of contract costs	*(a)*	**(1,477)**
Impact at 1 January 2018		**4,432**

The following table summarises the impact of transition to HKFRS 15 on properties under development, accruals and other payables, contract liabilities, contract costs, deferred tax liabilities and accumulated losses at 1 January 2018.

	Note	**Properties under development** *RMB'000*	**Accruals and other payables** *RMB'000*	**Contract liabilities** *RMB'000*	**Contracts costs** *RMB'000*	**Deferred tax liabilities** *RMB'000*	**Accumulated losses** *RMB'000*
Closing balance at 31 December 2017		1,286,634	488,442	–	–	246,628	1,208,034
Effect arising from initial application of HKFRS 15:							
Reclassification	*(b)*	–	(230,361)	230,361	–	–	–
Capitalisation of interest expenses	*(b)*	6,969	–	6,969	–	–	–
Recognition of incremental costs to obtain contracts as contract costs	*(a)*	–	–	–	5,909	–	(5,909)
Tax effect of recognition of contract costs	*(a)*	–	–	–	–	1,477	1,477
Opening balance at 1 January 2018		1,293,603	258,081	237,330	5,909	248,105	1,203,602

Notes:

(a) The Group incurred incremental commission paid/payable to employees and selling agents in connection with obtaining sales of properties contracts with customers. These amounts were previously recognised as an expense as incurred under HKAS 18. At the date of initial application of HKFRS 15, incremental costs of obtaining contracts and the related deferred tax of RMB5,909,000 and RMB1,477,000 respectively were recognised with corresponding adjustments to accumulated losses as the control of the relevant properties are not yet transferred to the customers as at 1 January 2018.

(b) As at 1 January 2018, advances from customers of RMB230,361,000 in respect of some contracts previously included in accruals and other payables were reclassified to contract liabilities of which RMB63,350,000 was related to situations where the timing when the advances received from customers and the revenue recognition date is more than 12 months. Therefore, the Group concluded that there was significant financing component. Accordingly, an interest expense of RMB6,969,000 was quantified which resulted in increases in contract liabilities and properties under development.

Impact on the consolidated statement of financial position as at 31 December 2018 by the application of HKFRS 15

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018, consolidated statement of profit or loss and other comprehensive income and consolidated statement at cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

	Note	**As reported (after the application of HKFRS 15)** ***RMB'000***	**Adjustments** ***RMB'000***	**Amounts without application of HKFRS 15** ***RMB'000***
Current assets				
Properties under development	*(a)*	**1,860,035**	**(10,694)**	**1,849,341**
Contracts costs	*(b)*	**2,273**	**(2,273)**	**–**
Current liabilities				
Accruals and other payables	*(c)*	**230,488**	**235,934**	**466,422**
Contracts liabilities	*(c)*	**246,628**	**(246,628)**	**–**
Non-current liability				
Deferred tax liability	*(d)*	**232,723**	**(568)**	**232,155**
Equity				
Reserves	*(e)*	**1,910,260**	**(1,705)**	**1,908,555**

Impact on the consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2018

	Note	**As reported (after the application of HKFRS 15)** ***RMB'000***	**Adjustments** ***RMB'000***	**Amounts without application of HKFRS 15** ***RMB'000***
Distribution costs	*(b)*	**23,178**	**(3,636)**	**19,542**
Income tax expenses	*(d)*	**40,510**	**909**	**41,419**

Impact on the consolidated statement of cash flows for the year ended 31 December 2018

	As reported (after the application of HKFRS 15) *RMB'000*	Adjustments *RMB'000*	Amounts without application of HKFRS 15 *RMB'000*
Cash flow from operating activities			
Profit for the year	**101,397**	**3,636**	**105,033**
Increase in properties under development and completed properties held for sale	**(424,968)**	**3,725**	**(421,243)**
Decrease in contracts costs	**3,636**	**(3,636)**	**–**
Decrease in accruals and other payables	**22,278**	**5,573**	**27,851**
Increase in contracts liabilities	**9,298**	**(9,298)**	**–**

Notes:

(a) Following the adoption of HKFRS 15, for contracts where the period between the advance payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant. The interest element would be capitalized in the property under development.

(b) Before the adoption of HKFRS 15, distribution costs such as sales commissions were expensed when they were incurred. Under HKFRS 15, these costs directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in contract costs.

(c) As a result of adoption of HKFRS 15, advances from customers of RMB235,934,000 in respect of some contracts previously included in accruals and other payables were reclassified to contract liabilities of which RMB158,464,000 related to situations where the timing when the advances were from customers and the revenue recognition date is more than 12 months. Therefore, this balance was considered that there was significant financing component. An interest expense increased in RMB10,694,000 was recognised as an increase in contract liabilities and properties under development. The above results would be reversal without application of HKFRS 15.

(d) Deferred tax liability arising from the capitalized contract costs under HKFRS 15 as described in note (b) above.

(e) The effect on accumulated losses as a result of the above mentioned adjustments in Notes (a) to (d).

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities and 2) expected credit losses ("ECL") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Equity instruments designated as at fair value through other comprehensive income ("FVTOCI")

At the date of initial application, the Group may make an irrevocable election (on an instrument by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income ("OCI") and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments and will be transferred to accumulated losses.

Equity instruments designated as at FVTOCI

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other revenue and net income/(loss)" line item in profit or loss.

Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

As at 31 December 2018, the Group has applied the simplified approach and recorded lifetime ECLs on trade receivables, and general approach and recorded 12-month ECLs on financial assets included in prepayments, deposits and other receivables. The Group determined that there are no significant financial impact arising from these changes.

The table below illustrates the classification and measurement (including impairment) of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Note	**Available-for-sale financial assets at cost less impairment** ***RMB'000***	**Equity instrument at FVTOCI** ***RMB'000***
Closing balance at 31 December 2017 – HKAS 39		**1,000**	**–**
Effect arising from initial application of HKFRS 9:			
Reclassification	*(a)*	**(1,000)**	**1,000**
Opening balance at 1 January 2018		**–**	**1,000**

Note:

(a) Available-for-sale financial assets ("AFS")

From AFS equity investment to FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale, of which RMB1,000,000 related to unquoted equity investment previously measured at cost less impairment under HKAS 39. This investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, RMB1,000,000 were reclassified from available-for-sale financial assets to equity instrument at FVTOCI. No fair value gains or losses relating to that unquoted equity investment previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and FVTOCI reserve as at 1 January 2018.

(b) Impairment under ECL model

No significant increase in credit risk since the initial recognition of financial assets at amortised cost including trade receivables, other receivables and cash and cash equivalent, no additional credit loss allowance has been recognized.

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

Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 (Audited) *RMB'000*	HKFRS 15 *RMB'000*	HKFRS 9 *RMB'000*	**1 January 2018 (Restated)** ***RMB'000***
Non-current assets				
Investment properties	741,000			**741,000**
Plant and equipment	2,903			**2,903**
Interests in an associate	474,096			**474,096**
Available-for-sale financial assets	1,000		(1,000)	**–**
Equity instruments at fair value through other comprehensive income	–		1,000	**1,000**
Deferred tax assets	45,219			**45,219**
	1,264,218			**1,264,218**
Current assets				
Properties under development	1,286,634	6,969		**1,293,603**
Completed properties held for sale	347,154			**347,154**
Trade receivables	12,246			**12,246**
Prepayments, deposits and other receivables	318,651			**318,651**
Contract costs	–	5,909		**5,909**
Tax recoverable	17,709			**17,709**
Cash and cash equivalent	51,098			**51,098**
	2,033,492			**2,046,370**
Current liabilities				
Trade payables	132,998			**132,998**
Accruals and other payables	488,442	(230,361)		**258,081**
Contract liabilities	–	237,330		**237,330**
Provision for tax	263,215			**263,215**
Borrowings	271,854			**271,854**
	1,156,509			**1,163,478**
Net current assets	876,983			**882,892**
Total assets less current liabilities	2,141,201			**2,147,110**
Non-current liability				
Deferred tax liability	246,628	1,477		**248,105**
Net assets	1,894,573	4,432	–	**1,899,005**
Equity				
Share capital	37,628			**37,628**
Reserves	1,837,006	4,432		**1,841,438**
Equity attributable to the owners of Company	1,874,634			**1,879,066**
Non-controlling interests	19,939			**19,939**
Total equity	1,894,573	4,432	–	**1,899,005**

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for annual periods beginning on or after 1 January 2021.

3 Effective for annual periods beginning on or after a date to be determined.

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

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group does not recognise any asset and finance lease liability where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB5,979,000 (2017: RMB1,981,000). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB698,000 (2017: 768,000) and refundable rental deposits received of RMB7,742,000 (2017: 7,716,000) as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. SEGMENT INFORMATION

The Group is organised into three (2017: three) business units, based on which information is prepared and reported to the Group's chief decision makers, for the purposes of resource allocation and assessment of performance.

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

For the year ended 31 December 2018

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Reportable segment revenue				
Revenue from contracts with customers	**250,891**	**17,520**	**10,257**	**278,668**
Timing of revenue recognition for those within the scope of HKFRS 15				
A point in time	**250,891**	**–**	**–**	**250,891**
Over time	**–**	**–**	**10,257**	**10,257**
Revenue from other source:				
Rental income	**–**	**17,520**	**–**	**17,520**
Total	**250,891**	**17,520**	**10,257**	**278,668**
Reportable segment profit/(loss)	**130,634**	**(30,801)**	**5,910**	**105,743**
Share of result of an associate				**23,119**
Finance costs				**(6,774)**
Income tax expenses				**(40,510)**
Unallocated expenses				**(43,979)**
Unallocated income				**23,288**
Profit for the year				**60,887**
Reportable segment assets	**2,267,194**	**738,806**	**3,382**	**3,009,382**
Corporate assets				**610,907**
Group assets				**3,620,289**
Additions to non-current segment assets during the year	**1,541**	**1,933**	**–**	**3,474**
Reportable segment liabilities	**830,339**	**30,285**	**3,508**	**864,132**
Corporate liabilities				**792,068**
Group liabilities				**1,656,200**

For the year ended 31 December 2017

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Reportable segment revenue				
External revenue	700,609	19,574	6,832	727,015
Reportable segment profit/(loss)	226,984	(125)	(6,816)	220,043
Share of result of an associate				585
Finance costs				(5,727)
Income tax expenses				(129,995)
Unallocated expenses				(31,802)
Unallocated income				5,311
Profit for the year				58,415
Reportable segment assets	1,944,501	751,187	8,495	2,704,183
Corporate assets				593,527
Group assets				3,297,710
Additions to non-current segment assets during the year	1,407	6,661	–	8,068
Reportable segment liabilities	649,590	273,100	5,263	927,953
Corporate liabilities				475,184
Group liabilities				1,403,137

There was no single customer individually contributed over 10% of the Group's total revenue during the year ended 31 December 2018 (2017: Nil).

All the Group's revenues from external customers is derived from Mainland China.

Non-current assets (excluding financial instruments) of the Group are divided into the following geographical areas:

	2018 *RMB'000*	2017 *RMB'000*
Hong Kong (domicile) *(note (a))*	**14**	20
Mainland China	**1,266,350**	1,263,198
	1,266,364	1,263,218

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

4. REVENUE

The Group's principal activities include (i) property development, (ii) property investment, (iii) property management. Turnover of the Group is the revenue from these activities. Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	2018	2017
	RMB'000	*RMB'000*
Sales of properties	**250,891**	700,609
Properties management fees	**10,257**	6,832
Revenue from contracts with customers (within the scope of HKFRS 15)	**261,148**	707,441
Gross rental income from investment properties (outside the scope of HKFRS 15)	**17,520**	19,574
Total	**278,668**	727,015

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price in respect of outstanding contracts with customers as at 31 December 2018 allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Sales of properties
	RMB'000
Within one year	**104,534**
More than one year but not more than two years	**243,556**
	348,090

For the sales of properties, the performance obligation is satisfied upon the transfer of the control of the properties and the Group has fully received the consideration of the properties sold. The expected timing of title transfer is stated in the sales and purchases agreements.

5. OTHER REVENUE AND NET INCOME

	2018	2017
	RMB'000	*RMB'000*
Other revenue		
Interest income on financial assets carried at amortised costs	**1,364**	3,013
Interest income on loan to an associate	**3,262**	589
Management fee income from an associate	**12,345**	187
Others *(note)*	**18,033**	2,572
Other net income/(loss)		
Reversal of impairment losses of completed properties held of sale	**830**	–
Loss on deregistration of a subsidiary	**(492)**	–
	35,342	6,361

note:

The amount represents certain one-off items including reversal of over-provided compensations and claims of RMB7,583,000, reversal of management fee upon termination of property management agreement on sold properties of RMB3,639,000 and waiver of interest payable of RMB4,716,000 on a borrowing from the controlling shareholder of an associate after mutual agreement with the Group.

6. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on bank borrowing	**4,341**	12,707
Interest on other borrowing from an associate	**2,433**	2,433
Interest on other borrowing from a financial institution	**23,835**	3,294
Less: amount capitalised to properties under development	**(23,835)**	–
	6,774	18,434

7. PROFIT BEFORE INCOME TAX

	2018	2017
	RMB'000	*RMB'000*
Profit before income tax is arrived at after charging/(crediting):		
Cost of properties sold	**179,273**	522,301
Cost of service for property management	**7,885**	7,305
Tax and other levies	**6,324**	12,049
Allowance for expected credit losses	**6,182**	–
Depreciation on plant and equipment *(note (a))*	**1,547**	576
Operating lease charges in respect of land and buildings	**2,131**	2,508
Employee benefits expense	**25,070**	19,493
Auditors' remuneration		
– audit services	**800**	780
– non-audit services		
– Interim review	**337**	347
– Others	**51**	130
Reversal of impairment loss of properties under development	**(81,518)**	(82,772)
Rental income from investment properties less direct outgoings *(note (b))*	**(14,413)**	(16,501)

notes:

(a) Depreciation expenses

Depreciation expenses of approximately RMB1,547,000 (2017: approximately RMB576,000) have been included in administrative expenses.

(b) Rental income from investment properties

Direct outgoings incurred for rental income from investment properties amounted to approximately RMB3,107,000 (2017: RMB3,073,000).

8. INCOME TAX EXPENSE

	2018 *RMB'000*	2017 *RMB'000*
Current tax		
The PRC — Corporate Income Tax		
— Tax for the year	**16,966**	127,835
— Under/(over) provision in respect of prior years	**435**	(1,120)
	17,401	126,715
The PRC — Land appreciation tax		
— Current year	**31,235**	77,719
Deferred tax		
— Credit for the year	**(4,791)**	(84,313)
— (Over)/under provision in respect of prior years	**(3,335)**	9,874
	(8,126)	(74,439)
Total income tax expense	**40,510**	129,995

Reconciliation between tax expenses and accounting profit at applicable tax rates:

	2018 *RMB'000*	2017 *RMB'000*
Profit before taxation	**101,397**	188,410
Income tax at the PRC income tax rate of 25%	**25,349**	47,102
Tax effect of different taxation rates in other tax jurisdictions	**431**	424
(Over)/under provision in prior years	**(2,900)**	8,754
Tax effect of non-taxable revenue	**(4,334)**	(422)
Tax effect of non-deductible expenses	**3,568**	6,199
Tax effect of prior year's unrecognised tax losses utilised this year	**(2,631)**	–
Tax effect of unused tax losses not recognised	**4,077**	1,721
Tax effect of share of result of an associate	**(5,780)**	(146)
Tax effect of impairment of assets	**(696)**	–
PRC land appreciation tax	**31,235**	77,719
Effect of PRC land appreciation tax	**(7,809)**	(21,473)
Land appreciation tax on fair value changes on investment properties	**–**	8,172
Others	**–**	1,945
Income tax expense	**40,510**	129,995

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the rate of 25% (2017: 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% (2017: 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 subsidiaries after 1 January 2008 shall be subject to this withholding tax. As at 31 December 2018, the earnings of the Group's PRC companies are approximately RMB998,790,000 (2017: approximately RMB767,571,000). As at 31 December 2018, the Group has not accrued any withholding income tax for the earnings of its PRC subsidiaries (2017: nil), because the Group has control over these subsidiaries and management does not have an immediate plan to distribute earnings from its PRC subsidiaries generated in the foreseeable future.

9. EARNINGS PER SHARE

Basic earnings per share

The calculation of earnings per share is based on the profit attributable to the owners of the Company of approximately RMB69,625,000 (2017: approximately RMB63,667,000) and on the weighted average of 10,293,136,554 (2017: 10,293,136,554) ordinary shares in issue during the year.

Diluted earnings per share

There was no difference between basic and diluted earnings per share as the Company did not have any dilutive potential shares outstanding during the year ended 31 December 2018 and 2017.

10. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**8,235**	13,746
Less: Provision for impairment of trade receivables recognised	**–**	(1,500)
Allowance for expected credit losses	**(453)**	–
Trade receivables – net	**7,782**	12,246

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

As at 31 December 2018 and 31 December 2017, trade receivables are mainly arose from rental income from investment properties. Proceeds are to be received in accordance with the terms of related tenancy agreements.

The ageing analysis of the trade receivables net of allowance for credit losses is as follows:

	2018 *RMB'000*	2017 *RMB'000*
0 to 90 days	**7,566**	7,233
91 to 180 days	**195**	66
181 to 365 days	**21**	4,947
	7,782	12,246

As at 31 December 2018, all of the Group's trade receivables are denominated in RMB (2017: RMB), no interest is charged on trade receivables.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 *RMB'000*	2017 *RMB'000*
Surety deposit paid for participating in listing-for-sale of land parcel	**66,000**	256,800
Performance deposit for commencement and completion of construction	**5,000**	10,000
Amount due from a non-controlling shareholder of a subsidiary *(note (a))*	**20,000**	20,000
Value-added tax recoverable	**22,253**	16,801
Other receivables, prepayment and deposits *(note (b))*	**13,686**	15,050
	126,939	318,651
Less: Non-current portion	**(20,000)**	–
Current portion	**106,939**	318,651

All of the current prepayments, deposits and other receivables are expected to be recovered within one year.

note:

(a) It represents advance made to an independent third party for the subscription of 40% registered capital of a non-wholly owned subsidiary namely, Yunnan Xin Tian Culture Travel Development Limited in previous years. Subsequent to the year end date, the Group entered into a letter of intent for the buy back of such shareholding at the same amount. No material gain or loss would be recorded.

(b) It included prepaid construction cost, residences maintenance fund, rental and sundry deposits.

12. CONTRACT COSTS

	31 December 2018 *RMB'000*	1 January 2018 *RMB'000*	31 December 2017 *RMB'000*
Incremental costs to obtain contracts *(note)*	**2,273**	5,909	–

note:

Contract costs capitalised as at 31 December 2018 relate to the incremental sales commissions paid to employees and selling agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date and the expected dates of transfer of control of the relevant properties are over one year after the current year end.

Contract costs are recognised as part of distribution costs in the consolidated statement of profit or loss in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB3,636,000. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.

The Group applies the practical expedient and recognises the incremental costs of obtaining contracts relating to the sale of completed properties as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

13. TRADE PAYABLES

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

	2018 *RMB'000*	2017 *RMB'000*
0 to 90 days	**277,809**	132,641
91 to 180 days	**725**	357
Over 180 days	**717**	–
	279,251	132,998

All of the trade payables are expected to be settled or recognised as income within one year or are repayable on demand.

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

14. ACCRUALS AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Deposits received in advance from customers for property sales *(Note 15)*	**–**	230,361
Deposits and rentals received in advance from tenants	**10,704**	8,352
Tax and other levies	**4,922**	5,335
Interest payable on loan from the controlling shareholder of an associate	**2,852**	7,568
Amount due to an associate	**172,199**	180,088
Amount due to a related company	**790**	3,639
Amount due to a director	**2,861**	17,091
Other payables and accruals *(note)*	**36,160**	36,008
	230,488	488,442

All of the accruals and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

note:

It included accrued salaries, administrative expenses and sundry creditors

15. CONTRACT LIABILITIES

	31 December 2018	1 January 2018	31 December 2017
	RMB'000	*RMB'000*	*RMB'000*
Receipt in advance from customers in respect of property development segment	**246,628**	237,330	–
Current	**246,628**	237,330	–

All the contract liabilities are expected to be settled within the Group's normal operating cycle and the whole balances are classified as current.

During the year ended 31 December 2018, additions of receipt in advance from customers and interest expenses in respect of property development segments amounting to RMB156,917,000.

The revenue recognized in the current year relates to carried-forward contract liabilities was RMB147,619,000. No revenue was recognized in the current year relates to performance obligations that were satisfied in prior periods.

Property development

The Group receives 5-42% of the contract value as deposits from customers when they sign the sale and purchase agreement. The deposits and advance payment result in contract liabilities being recognized throughout the property construction period until the customer obtains control of the completed property.

For contracts where the period between payment and transfer of the associated properties is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 and 2017.

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Overview

The principal activity of Talent Property Group Limited (the "Company") is investment holding. On 10 December 2010, the Company completed the acquisition of Talent Central Limited which, through its subsidiaries, holds interests in various real estate projects in the PRC (the "Previous Acquisition") from Talent Trend Holdings Limited ("Talent Trend"). The Group currently engages in the business of (i) real estate development, (ii) property investment and (iii) property management in the PRC.

Revenue and Gross Profit

For the year ended 31 December 2018, the Group recorded a revenue and gross profit of RMB278.7 million and RMB82.1 million, respectively, as compared to revenue of RMB727.0 million and gross profit of RMB182.3 million for the year ended 31 December 2017.

In 2018, a revenue of RMB227.3 million (2017: RMB674.2 million) was recorded from the continual delivery of high rise residential units of Xintian Banshan (新天半山) with gross floor area of approximately 5,700 square meters ("sqm") (2017: 20,600 sqm). Whereas, revenue from selling of other properties held for sales was RMB23.6 million (2017: RMB26.4 million).

During the year, rental income and properties management fee income totaling RMB20.3 million (2017: RMB19.8 million) were recorded from our Talent Shoes Trading Center (天倫鞋業交易中心), a 10-storey complex building located at Zhan Xi Shoe Market. Rental income and properties management fee generated from other properties of the Group totaling RMB7.5 million (2017: RMB6.6 million) was recorded.

After taking into account the costs from Previous Acquisition, subsequent development cost, the net provision for impairment loss as well as higher unit price of properties delivered, a gross profit and overall gross profit margin of RMB82.1 million and 29.5% (2017: a gross profit of RMB182.3 million and gross profit margin of 25.1%), respectively, were recorded.

DISTRIBUTION COSTS

Distribution costs of RMB23.2 million were recorded in 2018 as compared to RMB14.7 million in 2017. More marketing resources had been utilized for promotion of the luxury villas of Xintian Banshan and logistic project in Yangzhou. In addition, additional charge of RMB3.6 million was recorded in accordance with HKFRS 15.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

In 2018, administrative expense of RMB51.8 million was recorded as compared to RMB48.9 million last year. It was primarily the result of increased spending in logistics park development projects, additional charge following requirement of HKFRS 9 and cost saving in Guangzhou headquarter.

SHARE OF PROFIT OF AN ASSOCIATE

The Linhe Cun Rebuilding project is an old village redevelopment project located in the CBD of Tianhe District in Guangzhou and it is adjacent to the Guangzhou East Railway station. The project is carried out by an associate which is 30% and 70% owned by the Group and Sun Hung Kai Properties Group, respectively. Development of the project was completed. Substantial pre-sold residential units of block 5 and block 6 of "Forest Hills" were delivered and recognised as revenue during the year.

REVERSAL OF IMPAIRMENT LOSS AND FAIR VALUE CHANGES ON PROPERTIES PORTFOLIO

Talent Shoes Trading Center is the major investment property of the Group. Besides popularity of e-commence, the trade war between US and China during the year casted further shadow against the nearby rental market. The modification of internal partition of the property was completed and new incentive scheme was offered to new tenants. As a result, a revaluation deficit amounting RMB38.9 million was recorded.

Concerning our residential project, Xintian Banshan, garden and landscape engineering around the grand-sized luxurious villas in zone B are almost completed and show flats of zone B were opened for visit and for sale. After considering sentiment of property market in Guangzhou, pace and price of latest contract sales, further development costs to be incurred as well as the latest revaluation, a further reversal of previously provided impairment loss of RMB81.5 million (2017: RMB82.8 million) was recorded for our properties under development.

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

FINANCE COST

Finance costs arising from bank and other borrowings (before capitalisation) increased to RMB30.6 million (2017: RMB18.4 million). During the year, new borrowing had been made to fund the development of logistic projects of the Group.

INCOME TAX EXPENSE

Income tax expenses amounted to RMB40.5 million was recorded for 2018 (2017: RMB130.0 million). The reduction of overall tax charge was primarily the result of decreased recognition of revenue of Xintian Banshan, recognise of tax losses of logistics projects as well as higher tax charge arising from disposal of investment properties last year.

PROFIT OF THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

As a result of the above, a profit attributable to owners of the Company of RMB69.6 million was recorded for the year (2017: RMB63.7 million).

PROSPECT

Looking ahead to 2019, despite there is no sign of easing Sino-US trade war, the Chinese government will take steps to stabilize its employment, finance, foreign trade, foreign investments, investment and expectation to ensure economic growth of the nation. In addition, the government did not reiterate the policies of "Houses are for living but not for speculation" etc., recently. These all appear a steady real estate market conditions can be expected. The Group will grasp this opportunities to boost the sales of Xintian Banshan in order to facilitate the development various logistics projects.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 December 2018 were approximately RMB3,620.3 million (31 December 2017: approximately RMB3,297.7 million) which were financed by the total equity and total liabilities of approximately RMB1,964.1 million (31 December 2017: approximately RMB1,894.6 million) and approximately RMB1,656.2 million (31 December 2017: approximately RMB1,403.1 million) respectively.

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

The Group borrowings were all denominated in Renminbi. Bank balances and cash were mainly denominated in Renminbi. As at 31 December 2018, there were no outstanding forward contracts in foreign currency committed by the Group that might involve it in significant foreign exchange risks and exposures.

CAPITAL STRUCTURE

As at 31 December 2018, the Group's gearing ratio then computed as total debts over total assets was approximately 45.7% (31 December 2017: 42.5%). As at 31 December 2018, all bank borrowings were repaid and other borrowings amounted to RMB381.9 million (2017: RMB170.0 million and RMB101.9 million respectively) carried fixed interest rate.

EXPOSURE TO FOREIGN EXCHANGE

The revenue and the cost of goods sold and of service of the Group are mainly denominated in Renminbi. Therefore, the Group is not exposed to any other material foreign currency exchange risk. An average rate and a closing rate of HK$1.18692: RMB1 and HK$1.13842: RMB1, respectively, were applied on consolidation of the financial statements for the year ended 31 December 2018. No hedging measure has been implemented by the Group.

CHARGES ON ASSETS

As at 31 December 2018, an investment property of the Group amounted approximately RMB665 million (31 December 2017: RMB702 million) was pledged to secure general banking facilities. Properties under development and deposit with the approximate value of RMB455 million and RMB3 million respectively were pledged to secure facilities from a financial institution.

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 31 December 2018, the Group had approximately 229 (31 December 2017: 254) employees, with about 226 in the Mainland China and 3 in Hong Kong. All employees are remunerated based on industry practice and in accordance with prevailing labor law. In Hong Kong, apart from basic salary, staff benefits including medical insurance, performance related bonus, and mandatory provident fund would be provided by the Group.

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

CORPORATE GOVERNANCE

The Board is responsible for determining and reviewing the policies and performance for the corporate governance for the Group. During the year, the management of the Company from time to time reported to the Board for their review on various policies and practices about corporate governance of the Company, which included training and continuous professional development of directors and senior management, Company's policies and practices on compliance of legal & regulatory requirements and conduct of employees. In addition, the corporate governance report together with other content of the annual report was circulated for review and approval by the Board.

CG Code Provision A.2.1

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors (the "Audit Committee") and reports to the board of directors. A written terms of reference had been established. The committee members performed their duties therein which includes duties set out in the code provision C.3.3 (a) to (n) of the Corporate Governance Code. The Audit Committee held three meetings in 2018 and reviewed the Group's annual results for 2017 and interim results for 2018; reviewed the audit plans and findings of the external auditor; made recommendation to the Board on the re-appointment of the external auditor and its remuneration; and reviewed the risk management and internal control systems and financial matters pursuant to its terms of reference. The Audit Committee meets the external auditors at least once a year to discuss any areas of concerns during the audits without the presence of the management. The annual results for the year ended 2018 of the Company have been reviewed by the Audit Committee.

For the year ended 31 December 2018, the fees paid/payable to the auditor of the Company in respect of the audit services and non audit services in 2018 were amounted to approximately RMB0.8 million and RMB0.4 million respectively.

SCOPE OF WORK OF MESSRS. CHENG & CHENG LIMITED

The figures in respect of the Group's consolidated statement of financial position as of 31 December 2018, and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year then ended as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. CHENG & CHENG LIMITED, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. CHENG & CHENG LIMITED in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. CHENG & CHENG LIMITED on the preliminary announcement.

ANNUAL GENERAL MEETING

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

PUBLICATION OF THE ANNUAL RESULTS AND 2018 ANNUAL REPORT ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.760hk.com) and the 2018 annual report of the Company containing all the information required by the Listing Rules will also be published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

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

Hong Kong, PRC
30 March 2019

As at the date hereof, the Board comprises Mr. Zhang Gao Bin and Mr. Luo Zhangguan as Executive Directors and Mr. Lo Wai Hung, Mr. Chan Chi Mong, Hopkins and Mr. Mak Yiu Tong as Independent Non-executive Directors.