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

(Incorporated in Bermuda with limited liability)

(Stock code: 00760)

2019 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 2019.

FINANCIAL RESULTS

The consolidated revenue and gross profit for 2019 amounted to approximately RMB277.7 million (2018: RMB278.7 million) and RMB115.5 million (2018: RMB82.1 million), respectively. The revenue for the year includes the revenue recognized from luxurious villas at zone B of our flagship project Xintian Banshan, resulting in an increase in the gross profit margin. Without taking into account fair value changes on investment properties and provision for impairment/(reversal of impairment loss in 2018) of properties under development, profit before tax amounted to RMB52.0 million (2018: RMB58.8 million).

With reference to the results of independent valuation, the Group recorded a reduction of fair value of our Talent Shoes Trading Center and other investment properties totalling RMB62.6 million (2018: RMB38.9 million). After prudently reviewing factors such as the current pre-sale results, the sales strategies after the control of the novel coronavirus epidemic, the development progress and its costs, the Group made a provision for impairment loss totalling RMB168.0 million for logistics commercial projects under development. Reversal of previously provided impairment loss of approximately RMB2.3 million (2018: RMB81.5 million) was made for Xintian Banshan project.

After taking into account the above factors and the income tax expenses, a post-tax loss attributable to the owners of the Company of RMB99.8 million was recorded (2018: a profit of RMB69.6 million).

* *For identification purposes only*

OPERATING REVIEW AND OUTLOOK

2019 marks the 70th anniversary of the founding of the PRC and the world economy experienced unprecedented challenges during the year. Despite loose monetary policies adopted by major countries, the global economy inevitably slowed down due to trade frictions, the Brexit, the intense geopolitical situation, protectionism as well as populism in many places. China's economy remained stable under the above complicated situation and generally resisted the risks of significant economic downturn through continuous optimization of the economic structure, acceleration in the development of emerging industries and the implementation of taxes and fees reduction as well as stabilizing employment.

The novel coronavirus began in early 2020. China has effectively controlled the epidemic but it broke out in European and American countries in recent months. Measures on the prevention and control of the novel coronavirus resulted in the sudden suspension of various economic activities, which significantly affected consumers' income, confidence and the capital market. It is expected that the economy of major countries will experience recession to different extent.

The regulatory policies of the Ministry of Housing and Urban-Rural Development with the target of "stabilizing land price, housing price and expectation" proposed in early 2019 have been gradually implemented during the year. With the implementation of relatively tight regulatory policies on "houses are for living in other than speculation", the land market cooled down to certain extent. The trading volume of commodity houses slightly adjusted and the housing price hiking remarkably slowed down and residents widely expected that the housing price will remain stable. Looking ahead in 2020, the economic growth is expected to slow down and decline due to the epidemic. If the central government continues to maintain regulation on property development with the policy of "not use the property market as a method for stimulating economy", it is expected that the national property market will face greater downward pressures on adjustment during the year.

Xintian Banshan

Xintian Banshan ("新天半山"), the Group's flagship project, is located beside Nanhu 4A Scenery Zone of Baiyun District in Guangzhou. The project was built along the mountain with a height difference of 118 meters between the highest and the lowest point. It enjoys vast scenery with a bird's eye view of the grand CBD landscape. The high-rise residential apartments at zone D and villas at zone C were almost sold out. Xintian Banshan Villas ("新天半山墅") at zone B, which are available on mountain slopes along the mountain, are highly appraised in the market and won various prizes. The mega villa project at zone E, which is rare in Guangzhou, are expected to be available for sale in mid-2021 after the completion of the gardens and external walls and subject to the sales of villas at zone B. Thanks to the joint efforts of our sales team, it implemented the online contracts signing, delivery and cash return for villas at zone B with an area of approximately 2,000 square meters available for sale in 2019. The subscription area and amount recorded during the year were approximately 360 sqm (2018: 7,800 sqm) and RMB27 million (2018: RMB316 million). Looking into 2020, the sales of topmost villas will be inevitably affected by the general economic environment, but low-density communities will show their advantages after the epidemic. The Group will continue to explore potential buyers, form close ties with them, and promote the sale of villas at zone B of our flagship project, realizing cash recovery.

Talent Shoes Trading Center

The Group's Talent Shoes Trading Center ("天倫鞋業交易中心") in Liwan District, Guangzhou was a redevelopment project refurnished into a 10-storey building for integrated commercial and office uses. Under the general background of economic downturn and industrial transfer in 2019, the average occupancy rate of shops dropped. Thanks to the upgrading and transformation of certain floors and the optimization of the tenant mix completed in mid-2019, the occupation rate of office recorded a slight increase, which mitigated the effects of the declining performance of shops. Looking forward into 2020, the Group will attract more sizable merchants, strengthen the market positioning and improve management services to maintain the rental income from Talent Shoes Trading Center in the future.

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 development of the project has been completed. The grade A commercial office building namely Guangzhou Commerce Centre ("廣貿中心") and units in block 1 to 6 of the high-rise residential project known as Forest Hills ("峻林") were almost sold out and accounted for in previous years. Due to the scarcity of newly completed residential houses in urban areas of Guangzhou, completed residential units of last block of Forest Hills are already available for subscription and recorded satisfactory unit prices. Given the effects of the epidemic, the Group is prudent on the de-stocking of remaining inventories.

Logistic Commercial Real Estate Project

The Group successfully bid one land parcel in Guangling District of Yangzhou City with an area of 81,000 sqm in early 2017. After negotiations on the changes to the positioning of the business types at the project with local government, the project was planned to be developed in stages in zone A and zone B and was named Yangzhou Intelligent Life City ("揚州智慧生活城"). The gross floor area above the ground in zone A is approximately 93,000 sqm. The construction of 12 buildings with 2 to 19 storeys for commercial and office uses was initiated in mid-2018, six of which have completed and obtained acceptance on the main structure in 2019. To speed up cash recovery, the Group obtained the pre-sale license on four buildings and made them available for sale in the form of low-density garden-style commercial Loft and Soho products. However, the pre-sale underperformed our expectation due to the sluggish property market in Yangzhou. As at the end of 2019, subscriptions amounted to approximately RMB29.5 million for area totalling 3,600 sqm, were recorded. Looking forward into 2020, the Group will strengthen marketing management on the project and deeply explore regional value of the project for customers.

The Group successfully bid a land parcel in Shatou Town of Yangzhou City with an area of 250,000 sqm in the end of 2018. After the planning and preparation with the local government for one year, the project officially initiated construction in March 2020. The project was named Suzhong Demonstration City on Intelligent Agricultural Industry ("蘇中智慧農業產業示範城") and planned to be developed in stages in zones A, B and C. Zone C, which is to be developed first and with a gross floor area of approximately 88,000 sqm, will attract various vegetables, dry cargo, agricultural products from northern and southern China and other agricultural and sideline products merchants and meet the demands for the relocation and settling down of the original farms market in Yangzhou City. The property will be used for the operation as a professional market after completion. The Group will explore ways to speed up cash return of the project.

The land parcel in Yunlong District of Xuzhou City successfully bid in the end of 2017 with an area of 102,000 sqm was named Xuzhou Intelligent Industrial Town ("徐州智慧產業小鎮"). The project was developed as a whole and divided into zones A to H. A total of 29 buildings with 3 to 14 storeys for commercial, office and warehouse uses will be constructed. With the planning on the development of the financial cluster area and the international expo center in recent years as well as the metro opening to traffic in the city, the investment potential of the project in east Xuzhou has increased. Certain floors of the 17 buildings in zones D to G, with pre-sale licenses obtained and a gross floor area of approximately 44,000 sqm, were firstly launched for pre-sale in the fourth quarter in the form of Loft products. With a competitive pre-sale prices, they were well received in the market. As at the end of 2019, subscriptions amounted to approximately RMB113 million for area totalling 14,600 sqm were recorded. Looking into the situation after the epidemic, the Group will speed up in de-stocking in zones D to G with the momentum of the pre-sale of the project and to promote the leasing and sale of zones B and C in the second half of this year.

APPRECIATION

On behalf of our board of directors, I would like to take this opportunity to thank all of our shareholders, clients, financing 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 2019

	Notes	**2019** **_RMB'000_**	2018 *RMB'000*
Revenue	*3,4*	**277,653**	278,668
Cost of sales and services		**(162,184)**	(196,589)
Gross profit		**115,469**	82,079
Other revenue and net income/(loss)	*5*	**10,705**	35,342
Distribution costs		**(11,038)**	(23,178)
Administrative and other operating expenses		**(49,642)**	(51,776)
Fair value changes on investment properties		**(62,581)**	(38,933)
(Impairment loss)/reversal of impairment loss of properties under development		**(165,706)**	81,518
Share of result of an associate		**19,630**	23,119
Finance costs	*6*	**(33,127)**	(6,774)
(Loss)/profit before tax	*7*	**(176,290)**	101,397
Income tax expense	*8*	**(14,817)**	(40,510)
(Loss)/profit for the year		**(191,107)**	60,887
(Loss)/profit attributable to:			
Owners of the Company		**(99,844)**	69,625
Non-controlling interests		**(91,263)**	(8,738)
		(191,107)	60,887
Other comprehensive income/(loss) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**41**	197
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 income/(loss) for the year		**41**	(803)
Total comprehensive (loss)/income for the year		**(191,066)**	60,084

	Notes	**2019**	2018
		RMB'000	*RMB'000*
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(99,803)**	68,822
Non-controlling interests		**(91,263)**	(8,738)
		(191,066)	60,084
		RMB	*RMB*
(Loss)/earnings per share	*9*		
Basic and diluted		**(0.970) cent**	0.676 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**643,000**	704,000
Plant and equipment		**3,344**	2,899
Right-of-use assets		**3,183**	–
Interests in an associate		**312,022**	501,515
Prepayments, deposits and other receivables	*11*	**20,000**	20,000
Pledged deposit		**1,190**	–
Deferred tax asset		**39,634**	37,950
		1,022,373	1,266,364
Current assets			
Properties under development		**1,689,931**	1,860,035
Completed properties held for sale		**975,195**	288,038
Trade receivables	*10*	**6,282**	7,782
Prepayments, deposits and other receivables	*11*	**95,557**	106,939
Contract costs		**608**	2,273
Tax recoverable		**37,842**	42,647
Pledged deposit		**3,000**	3,000
Cash and cash equivalent		**194,569**	43,211
		3,002,984	2,353,925

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Current liabilities			
Trade payables	*12*	**455,738**	279,251
Accruals and other payables	*13*	**157,974**	230,488
Contract liabilities	*14*	**228,141**	246,628
Lease liabilities		**1,567**	–
Provision for tax		**309,788**	285,256
Borrowings		**435,045**	381,854
		1,588,253	1,423,477
Net current assets		**1,414,731**	930,448
Total assets less current liabilities		**2,437,104**	2,196,812
Non-current liabilities			
Lease liabilities		**1,836**	–
Borrowings		**423,042**	–
Deferred tax liability		**204,203**	232,723
		629,081	232,723
Net assets		**1,808,023**	1,964,089
EQUITY			
Share capital		**37,628**	37,628
Reserves		**1,810,457**	1,910,260
Equity attributable to the owners of Company		**1,848,085**	1,947,888
Non-controlling interests		**(40,062)**	16,201
Total equity		**1,808,023**	1,964,089

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 11%.

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	5,979
Lease liabilities discounted at relevant incremental borrowing rates	5,201
Less: Recognition exemption	
– short-term leases	(427)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	4,774
Analysed as	
Current	1,371
Non-current	3,403
	4,774

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Right-of-use assets	–	4,774	4,774
Current liabilities			
Leases liabilities	–	1,371	1,371
Non-current liabilities			
Leases liabilities	–	3,403	3,403

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

As a lessor

The application of HKFRS 16 as a lessor has no material impact on the Group's consolidated statement of financial position as at 1 January 2019 and 31 December 2019 and its consolidated statement of profit or loss and other comprehensive income and cash flows for the current year.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

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

[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

[4] Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SEGMENT INFORMATION

The Group is organised into three (2018: 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 2019

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Reportable segment revenue				
Revenue	**247,083**	**19,315**	**11,255**	**277,653**
Timing of revenue recognition for those within the scope of HKFRS 15				
A point in time	**247,083**	**–**	**–**	**247,083**
Over time	**–**	**–**	**11,255**	**11,255**
Revenue from other source				
Rental income	**–**	**19,315**	**–**	**19,315**
Total	**247,083**	**19,315**	**11,255**	**277,653**
Reportable segment (loss)/profit	**(78,407)**	**(48,615)**	**1,937**	**(125,085)**
Share of result of an associate				**19,630**
Finance costs				**(33,127)**
Income tax expenses				**(14,817)**
Unallocated expenses				**(48,413)**
Unallocated income				**10,705**
Loss for the year				**(191,107)**
Reportable segment assets	**2,830,886**	**672,863**	**7,788**	**3,511,537**
Corporate assets				**513,820**
Group assets				**4,025,357**
Reportable segment liabilities	**1,117,914**	**451,230**	**1,382**	**1,570,526**
Corporate liabilities				**646,808**
Group liabilities				**2,217,334**

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	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
Reportable segment liabilities	830,339	30,285	3,508	864,132
Corporate liabilities				792,068
Group liabilities				1,656,200

The measure used for reporting segment profits or losses is adjusted losses before interest and taxes. To arrive at adjusted losses, the Group's losses are further adjusted for items not specifically attributed to individual segments, such as share of results of an associate, finance costs, income tax expenses, interest income and corporate administration costs.

Segment assets consist primarily of investment properties, plant and equipment, right-of-use assets, prepayments, certain deposits and other receivables, pledged deposit, properties under development, completed properties held for sales, trade receivables, contract costs and cash and cash equivalent.

Segment liabilities consists primarily of trade payables, certain accruals and other payables, contract liabilities, lease liabilities and borrowings.

Other segment information for the year ended 31 December 2019 is as follows:

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Other segment information:					
Addition to non-current segment assets during the year	1,858	1,581	–	–	3,439
Allowance for expected credit losses for trade receivable	–	(555)	–	–	(555)
Depreciation and amortization	(2,980)	–	–	(8)	(2,988)
Written off of property, plant and equipment	(16)	–	–	–	(16)
Fair value changes on investment properties	–	(62,581)	–	–	(62,581)
Impairment loss of properties under development	(165,706)	–	–	–	(165,706)

Other segment information for the year ended 31 December 2018 is as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Other segment information:					
Addition to non-current segment assets during the year	1,541	1,933	–	–	3,474
Allowance for expected credit losses for trade receivables	(2,784)	(3,398)	–	–	(6,182)
Depreciation and amortization	(1,539)	–	–	(8)	(1,547)
Fair value changes on investment properties	–	(38,933)	–	–	(38,933)
Reversal of impairment loss of properties under development	81,518	–	–	–	81,518

There were five (2018: nil) customers from property development segment individually contributed over 10% of the Group's total revenue during the year ended 31 December 2019 (2018: Nil).

	2019 *RMB'000*	2018 *RMB'000*
Customer A	**30,952**	–
Customer B	**33,505**	–
Customer C	**34,286**	–
Customer D	**36,622**	–
Customer E	**29,143**	–

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

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

	2019	2018
	RMB'000	*RMB'000*
Hong Kong (domicile) *(note)*	**6**	14
Mainland China	**961,543**	1,208,400
	961,549	1,208,414

note:

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 and/or leased out. 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 those activities. Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	2019	2018
	RMB'000	*RMB'000*
Sales of properties	**247,083**	250,891
Properties management fees	**11,255**	10,257
Revenue from contracts with customers (within the scope of HKFRS 15)	**258,338**	261,148
Gross rental income from investment properties (outside the scope of HKFRS 15)	**19,315**	17,520
Total	**277,653**	278,668

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

The transaction price in respect of outstanding contracts with customers for the sales of properties as at 31 December 2019 and 2018 allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and 2018 and the expected timing of recognising revenue are as follows:

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within one year	**213,514**	104,534
More than one year but not more than two years	**135,766**	243,556
	349,280	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.

Lease

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
For operating leases		
Lease payments that are fixed	**19,315**	17,520
Total revenue arising from leases	**19,315**	17,520

5. OTHER REVENUE AND NET INCOME/(LOSS)

	2019	2018
	RMB'000	*RMB'000*
Other revenue		
Interest income on financial assets carried at amortised costs	**692**	1,364
Interest income on loan to an associate	**665**	3,262
Management fee income from an associate	**212**	12,345
Others *(note)*	**9,152**	18,033
Other net income/(loss)		
Reversal of impairment losses of completed properties held of sale	**–**	830
Loss on deregistration of a subsidiary	**–**	(492)
Loss on written off plant and equipment	**(16)**	–
	10,705	35,342

note:

The amount for the year ended 31 December 2019 mainly represents certain one-off items including waiver of interest payable of RMB6,093,000 on a loan advanced to the Group by an associate after mutual agreement between the Group, the associate and the controlling shareholder of the associate.

The amount for the year ended 31 December 2018 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

	2019	2018
	RMB'000	*RMB'000*
Interest on secured bank loans	**16,492**	4,341
Interest on lease liabilities	**390**	–
Interest on other loan from an associate	**–**	2,433
Interest on other unsecured loans	**16,245**	–
Interest on other secured loans	**40,971**	23,835
Less: amount capitalised to properties under development	**(40,971)**	(23,835)
	33,127	6,774

7. (LOSS)/PROFIT BEFORE TAX

	2019	2018
	RMB'000	*RMB'000*
(Loss)/profit before income tax is arrived at after charging/(crediting):		
Cost of properties sold	**144,958**	179,273
Cost of service for property management	**8,883**	7,885
Allowance for expected credit losses for trade receivables	**555**	6,182
Tax and other levies	**4,989**	6,324
Depreciation of plant and equipment *(note (a))*	**1,397**	1,547
Depreciation of right-of use assets	**1,591**	–
Operating lease charges in respect of land and buildings	**–**	2,131
Auditors' remuneration		
– audit services	**857**	800
– non-audit services		
– interim review	**352**	337
– others	**53**	51
Impairment loss/(reversal of impairment loss) of properties under development	**165,706**	(81,518)
Rental income from investment properties less direct outgoings *(note (b))*	**(15,961)**	(14,413)

notes:

(a) Depreciation expenses

Depreciation expenses of approximately RMB1,397,000 (2018: approximately RMB1,547,000) have been included in administrative expenses.

(b) Rental income from investment properties

Direct outgoings incurred for rental income from investment properties amounted to approximately RMB3,354,000 (2018: RMB3,107,000).

8. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Current tax		
The PRC — Corporate Income Tax		
— Tax for the year	**23,302**	16,966
— (Over)/under provision in respect of prior years	**(8,705)**	435
	14,597	17,401
The PRC — Land appreciation tax		
— Current year	**30,429**	31,235
Deferred tax		
— Credit for the year	**(28,288)**	(4,791)
— Over provision in respect of prior years	**(1,921)**	(3,335)
	(30,209)	(8,126)
Total income tax expense	**14,817**	40,510

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

	2019 RMB'000	2018 RMB'000
(Loss)/profit before taxation	**(176,290)**	101,397
Income tax at the PRC income tax rate of 25%	**(44,073)**	25,349
Tax effect of different taxation rates in other tax jurisdictions	**431**	431
Over provision in prior years	**(10,626)**	(2,900)
Tax effect of non-taxable revenue	**(2,331)**	(4,334)
Tax effect of non-deductible expenses	**5,382**	3,568
Tax effect of deductible temporary differences not recognised	**42,000**	–
Tax effect of prior year's unrecognised tax losses utilised this year	**(7,279)**	(2,631)
Tax effect of unused tax losses not recognised	**13,399**	4,077
Tax effect of share of result of an associate	**(4,908)**	(5,780)
Tax effect of impairment of assets	**–**	(696)
PRC land appreciation tax	**30,429**	31,235
Effect of PRC land appreciation tax	**(7,607)**	(7,809)
Income tax expense	**14,817**	40,510

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% (2018: 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% (2018: 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.

9. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of (loss)/earnings per share is based on the loss attributable to the owners of the Company of approximately RMB99,844,000 (2018: profit of approximately RMB69,625,000) and on the weighted average of 10,293,136,554 (2018: 10,293,136,554) ordinary shares in issue during the year.

Diluted (loss)/earnings per share

There was no difference between basic and diluted (loss)/earnings per share as the Company did not have any dilutive potential shares outstanding during the year ended 31 December 2019 and 2018.

10. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables		
– from contracts with customers	**83**	246
– from property investment	**6,438**	7,989
	6,521	8,235
Less: Allowance for expected credit losses	**(239)**	(453)
Trade receivables – net	**6,282**	7,782

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 2019 and 31 December 2018, 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:

	2019	2018
	RMB'000	*RMB'000*
0 to 90 days	**5,979**	7,566
91 to 180 days	**129**	195
181 to 365 days	**174**	21
	6,282	7,782

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Surety deposit paid for participating in listing-for-sale of land parcel	**–**	66,000
Performance deposit for commencement and completion of construction	**–**	5,000
Amount due from a non-controlling shareholder of a subsidiary *(note (a))*	**20,000**	20,000
Value-added tax recoverable	**26,437**	22,253
Other receivables, prepayment and deposits *(note (b))*	**69,120**	13,686
	115,557	126,939
Less: Non-current portion	**(20,000)**	(20,000)
Current portion	**95,557**	106,939

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

note:

(a) It represents advance made to a non-controlling shareholders for the subscription of 40% registered capital of a non-wholly owned subsidiary namely, Yunnan Xin Tian Culture Travel Development Limited in previous year. After the year end date, the non-controlling shareholder agreed to give up all its rights and obligations of the 40% equity interest as the full settlement of the amount it due to the Group. No gain or loss was expected to be recorded.

(b) It mainly includes prepaid construction cost, residences maintenance fund, rental and sundry deposits. As at 31 December 2019, a balance of RMB48,609,000 was paid to Xuzhou Real Estate Management Service Center for security purpose. It represents the amount received by the Group from customers for pre-sale of properties which are still under development in Xuzhou. The Group can request for withdrawal of the balances in accordance to agreed procedures for the payment of construction costs.

12. TRADE PAYABLES

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

	2019	2018
	RMB'000	*RMB'000*
0 to 90 days	**453,857**	277,809
91 to 180 days	**498**	725
Over 180 days	**1,383**	717
	455,738	279,251

All of the trade payables are expected to be settled within one year or are repayable on demand. The trade payables are normally due immediately from the date of billing.

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

13. ACCRUALS AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Deposits and rentals received in advance from tenants	**12,558**	10,704
Tax and other levies	**6,412**	4,922
Interest payable on loan from the controlling shareholder of an associate	**–**	2,852
Amount due to an associate	**112,374**	172,199
Amount due to a related company	**–**	790
Amount due to a director of the Company	**5,635**	2,861
Other payables and accruals *(note)*	**20,995**	36,160
	157,974	230,488

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, finance cost and sundry creditors

14. CONTRACT LIABILITIES

	2019	2018
	RMB'000	*RMB'000*
Receipt in advance from customers in respect of property development segment – current portion	**228,141**	246,628

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 2019, additions of receipt in advance from customers and interest expenses in respect of property development segment amounting to RMB160,652,000 (2018: RMB138,833,000) and RMB4,928,000 (2018: RMB17,184,000).

The revenue recognized in the current year relates to carried-forward contract liabilities was RMB184,067,000 (2018: RMB147,619,000).

Property development

The Group receives 2-48% (2018: 5-42%) of the contract value as deposits from customers when they first sign the sale and purchase documents. 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 relevant 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 2019 and 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Overview

The principal activity of Talent Property Group Limited (the "Company") is investment holding. On 10 December 2010, the Company completed the acquisition of Talent Central Limited which, through its subsidiaries, holds interests in various real estate projects in the PRC (the "Previous Acquisition") from Talent Trend Holdings Limited ("Talent Trend"). 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 2019, the Group recorded a revenue and gross profit of RMB277.7 million and RMB115.5 million, respectively, as compared to revenue of RMB278.7 million and gross profit of RMB82.1 million for the year ended 31 December 2018.

During the year, a revenue of RMB233.5 million (2018: RMB227.3 million) was recorded from the continual delivery of residential units of Xintian Banshan with gross floor area of approximately 3,800 square meters ("sqm") (2018: 5,700 sqm). Revenue from selling of other properties held for sales was RMB13.6 million (2018: RMB23.6 million).

Rental income and properties management fee income totaling RMB18.4 million (2018: RMB16.8 million) and RMB3.5 million (2018: RMB3.6 million), respectively, were recorded from our Talent Shoes Trading Center. Rental income and properties management fee generated from other properties of the Group was totalling RMB8.7 million (2018: RMB7.4 million).

After taking into account the costs from Previous Acquisition, subsequent development cost, the net provision for impairment loss of Xintian Banshan as well as higher unit price of villas delivered, a gross profit and overall gross profit margin of RMB115.5 million and 41.6 % (2018: a gross profit of RMB82.1 million and gross profit margin of 29.5%), respectively, were recorded.

Distribution Costs

Distribution costs of RMB11.0 million were recorded in 2019 as compared to RMB23.2 million in 2018. During the year, the Group has devoted its workforce on the construction and promotion of its logistics commercial projects. Less marketing resource was spent in Xintian Banshan and its commission expenses decreased.

Administrative and Other Operating Expenses

In 2019, administrative expense of RMB49.6 million was recorded as compared to RMB51.8 million last year. It was combined result of cost saving, less allowance for expected credit loss but increased legal costs and other tax.

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. During the year, revenue was substantially derived from the sales of mid to lower floor of block 7 of "Forest Hills". After taking into account the costs from Previous Acquisition, which is re-calculated to reflect the remaining underlying assets available for sale, the Group recorded a share of profit of RMB19.6 million (2018: RMB23.1 million).

Provision for/Reversal of Impairment Loss and Fair Value Changes on Properties Portfolio

Trade war between US and China and stagnant growth of economies adversely affected the rental market. We found more tenants did not renew their expired tenancies during the year especially in our Talent Shoes Trading Center. In view of reduced occupancy rate as well as revaluation conducted by independent qualified valuer, fair value deficits of RMB59.6 million (2018: RMB38.9 million) and RMB3 million (2018: Nil) were recorded for our Talent Shoes Trading Center and commercial units of Shangyu Garden, respectively.

In view of the uncertainties brought about by trade dispute against the overall economies in China, despite mild market sentiment on commercial properties, we commenced the pre-sale of our logistics projects in Yangzhou and Xuzhou in order to have cash back earlier. After consideration of the actual selling price recorded, future sales strategy, development progress and cost, epidemic situation as well as references we made to valuation by independent valuer, provision of impairment loss totaling RMB168.0 million had been made to our logistic projects under development. Whereas, reversal of impairment loss of RMB2.3 million (2018: RMB81.5 million) was recorded for Xintian Banshan. Provision for impairment loss made in previous years for Xintian Banshan was almost fully reversed.

Finance Cost

Finance costs arising from bank and other borrowings (before capitalisation) increased to RMB74.1 million (2018: RMB30.6 million). New borrowing had been made during the year to fund the land premium and construction cost of logistic projects of the Group. Following the adoption of HKFRS16, interest on lease liabilities of RMB0.4 million was recorded therein.

Income Tax Expense

During the year, income tax expense amounted to RMB14.8 million (2018: RMB40.5 million) was recorded. Upon reduction of fair value of Talent Shoes Trading Centre, deferred tax liability previously provided at its acquisition was reversed.

Loss/Profit of the Year Attributable to Owners of the Company

Given the provision for impairment loss and unfavourable fair values changes of our properties portfolio, a loss attributable to owners of the Company of RMB99.8 million was recorded for the year (2018: a profit of RMB69.6 million).

PROSPECT

China and US reached the first phase of trade agreement in early 2020 that loosening the tense relationship among the 2 countries as well as the atmosphere of the global market. However, the painful new novel coronavirus broke out one after the other in the countries over the world. The full possible negative impact of the epidemic is not yet cleared as major countries introduced many powerful stimulus to avoid economic slump. The Group and the management will closely monitor the after-effect of the epidemic and will strive destocking, refinancing and exploring ways to secure enough resources for continual development of projects on hand and grasping any attractive opportunities cautiously.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 December 2019 were approximately RMB4,025.4 million (31 December 2018: approximately RMB3,620.3 million) which were financed by the total equity and total liabilities of approximately RMB1,808.0 million (31 December 2018: approximately RMB1,964.1 million) and approximately RMB2,217.3 million (31 December 2018: approximately RMB1,656.2 million) respectively.

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

The Group borrowings were all denominated in Renminbi. Bank balances and cash were mainly denominated in Renminbi. As at 31 December 2019, 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 2019, the Group's gearing ratio then computed as total liabilities over total assets was approximately 55.1% (31 December 2018: 45.7%). As at 31 December 2019, bank borrowings amounted to RMB333.3 million (31 December 2018: nil) carry variable interest rate of 63.3% to 110.6% over the People's Bank of China 5 years loan base interest rate. Other borrowings amounted to RMB524.7 million (31 December 2018: RMB381.9 million) carry fixed rate with a range from 9.5% to 11% (31 December 2018: 11%) per annum.

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$1.13491: RMB1 and HK$1.11436: RMB1, respectively, were applied on consolidation of the financial statements for the year ended 31 December 2019. No hedging measure has been implemented by the Group.

CHARGES ON ASSETS

As at 31 December 2019, an investment property and completed properties held for sale of the Group amounted approximately RMB607 million (31 December 2018: RMB665 million) and RMB187,3 million (31 December 2018: Nil) were pledged to secure general banking facilities. Completed properties held for sale, properties under development and deposit with the approximate value of RMB267.9 million (31 December 2018: Nil), RMB538.3 million (31 December 2018: RMB455 million) and RMB4.2 million (31 December 2018: RMB3 million) respectively were pledged to secure other borrowings.

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 31 December 2019, the Group had approximately 213 (31 December 2018: 229) employees, with about 209 in the Mainland China and 4 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.

Since the resignation of Mr. Chan Chi Mong, Hopkins as an independent non-executive director of the Company with effect from 2 June 2019, the Company failed to meet (i) the requirement set out in Rule 3.10(1) of the Listing Rules that the Company must have at least three independent non-executive directors; (ii) the requirement set out in Rule 3.21 of the Listing Rules that the audit committee must comprise a minimum of three members; (iii) the requirement set out in Rule 3.25 of the Listing Rules that the remuneration committee must comprise a majority of independent non-executive directors and its chairman must be an independent non-executive director; and (iv) relevant provisions in CG code. Following the appointment of Mr. Fok Chi Tat Michael as an independent non-executive director, the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company with effect from 23 August 2019, the Company has met the aforementioned requirements of in the Listing Rules.

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.

EVENT AFTER THE REPORTING PERIOD

Subsequent to the reporting date, the global outbreak of Novel Coronavirus ("COVID-19") has impact on the worldwide business environment. Based on the current situation, the Group has preliminary assessed the overall impact on the operation of the Group and taken necessary measures to limit the impact. The Group will closely monitor the situation about the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

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 2019 and reviewed the Group's annual results for 2018 and interim results for 2019; 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 2019 of the Company have been reviewed by the Audit Committee.

For the year ended 31 December 2019, the fees paid/payable to the auditor of the Company in respect of the audit services and non audit services in 2019 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 2019, 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 2019 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 2019 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 2020

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. Mak Yiu Tong and Mr. Fok Chi Tat Michael as Independent Non-executive Directors.