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TALENT PROPERTY GROUP LIMITED

新天地產集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 760)

2020 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “Board”) of Talent Property Group Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2020 with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	3	114,043	34,885
Cost of sales and services		(48,923)	(27,202)
Gross profit		65,120	7,683
Other revenue	4	3,714	1,607
Distribution costs		(6,176)	(4,720)
Administrative and other operating expenses		(24,463)	(17,619)
Share of result of an associate		(9,711)	12,232
(Impairment loss)/reversal of impairment loss of properties under development		(125,000)	2,294
Fair value changes on investment properties		(19,646)	1,752
Finance costs	5	(31,134)	(10,285)
Loss before tax	6	(147,296)	(7,056)
Income tax expenses	7	(14,415)	(1,185)
Loss for the period		(161,711)	(8,241)

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

		For the	
		six months ended 30 June	
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(unaudited)
Loss for the period attributable to:			
– Owners of the Company		(97,703)	(4,848)
– Non-controlling interests		(64,008)	(3,393)
		<u>(161,711)</u>	<u>(8,241)</u>
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of financial statements of foreign operations		<u>(17)</u>	<u>(70)</u>
Other comprehensive loss for the period		<u>(17)</u>	<u>(70)</u>
Total comprehensive loss for the period		<u>(161,728)</u>	<u>(8,311)</u>
Total comprehensive loss for the period attributable to:			
– Owners of the Company		(97,720)	(4,918)
– Non-controlling interests		(64,008)	(3,393)
		<u>(161,728)</u>	<u>(8,311)</u>
Loss per share	8		
– Basic and diluted		<u>(0.949) cents</u>	<u>(0.047) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
	<i>Notes</i>		
Non-current assets			
Investment properties		624,000	643,000
Plant and equipment		5,434	3,344
Right-of-use assets		2,387	3,183
Interests in an associate		302,650	312,022
Prepayments, deposits and other receivables	10	–	20,000
Pledged deposit		3,386	1,190
Deferred tax assets		39,861	39,634
		977,718	1,022,373
Current assets			
Properties under development		1,813,763	1,689,931
Completed properties held for sale		932,981	975,195
Trade receivables	9	6,469	6,282
Prepayments, deposits and other receivables	10	141,348	95,557
Financial assets at fair value through profit or loss		12,150	–
Contract costs		661	608
Tax recoverable		35,870	37,842
Pledged deposit		–	3,000
Cash and cash equivalents		255,809	194,569
		3,199,051	3,002,984
Current liabilities			
Trade payables	11	539,865	455,738
Accruals and other payables	12	155,199	157,974
Contract liabilities		371,595	228,141
Lease liabilities		1,698	1,567
Provision for tax		320,893	309,788
Borrowings	13	173,839	435,045
		1,563,089	1,588,253
Net current assets		1,635,962	1,414,731
Total assets less current liabilities		2,613,680	2,437,104

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
	<i>Notes</i>		
Non-current liabilities			
Borrowings	<i>13</i>	788,771	423,042
Deferred tax liabilities		197,672	204,203
Lease liabilities		942	1,836
		987,385	629,081
Net assets		1,626,295	1,808,023
Equity			
Share capital	<i>14</i>	37,628	37,628
Reserves		1,712,737	1,810,457
		1,750,365	1,848,085
Equity attributable to owners of Company		(124,070)	(40,062)
Non-controlling interests		1,626,295	1,808,023
Total equity		1,626,295	1,808,023

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial asset, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019. Details of the changes in accounting policies are set out below.

Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

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

2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3. SEGMENT INFORMATION

The executive directors have identified the Group's three (2019: three) products and service lines as operating segments as follows:

- (a) Property development consists of the sales of properties which were completed;
- (b) Property investment consists of the leasing of investment properties;
- (c) Property management consists of the provision of property management services.

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

For the six months ended 30 June 2020 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue				
External revenue	<u>102,886</u>	<u>6,251</u>	<u>4,906</u>	<u>114,043</u>
Reportable segment (loss)/profit	<u>(76,525)</u>	<u>(15,127)</u>	<u>697</u>	<u>(90,955)</u>
Share of result of an associate				(9,711)
Finance costs				(31,134)
Income tax expense				(14,415)
Unallocated expenses				(19,210)
Unallocated income				<u>3,714</u>
Loss for the period				<u><u>(161,711)</u></u>

For the six months ended 30 June 2019 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue				
External revenue	<u>20,477</u>	<u>9,191</u>	<u>5,217</u>	<u>34,885</u>
Reportable segment (loss)/profit	<u>(3,150)</u>	<u>8,282</u>	<u>1,009</u>	<u>6,141</u>
Share of result of an associate				12,232
Finance costs				(10,285)
Income tax expense				(1,185)
Unallocated expenses				(16,751)
Unallocated income				<u>1,607</u>
Loss for the period				<u><u>(8,241)</u></u>

For the six months ended 30 June 2020 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Total <i>RMB'000</i>
Timing of revenue recognition for those within the scope of HKFRS 15				
A point in time	102,886	–	–	102,886
Over time	–	–	4,906	4,906
	102,886	–	4,906	107,792
Revenue from other source				
Rental income	–	6,251	–	6,251
Total	102,886	6,251	4,906	114,043

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

For the six months ended 30 June 2019 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Total <i>RMB'000</i>
Timing of revenue recognition for those within the scope of HKFRS 15				
A point in time	20,477	–	–	20,477
Over time	–	–	5,217	5,217
	20,477	–	5,217	25,694
Revenue from other source				
Rental income	–	9,191	–	9,191
Total	20,477	9,191	5,217	34,885

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

As at 30 June 2020 (unaudited)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Total RMB'000
Reportable segment assets	<u>3,071,718</u>	<u>630,987</u>	<u>3,773</u>	<u>3,706,478</u>
Reportable segment liabilities	<u>1,436,610</u>	<u>465,257</u>	<u>1,254</u>	<u>1,903,121</u>

As at 31 December 2019 (audited)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Total RMB'000
Reportable segment assets	<u>2,830,886</u>	<u>672,863</u>	<u>7,788</u>	<u>3,511,537</u>
Reportable segment liabilities	<u>1,117,914</u>	<u>451,230</u>	<u>1,382</u>	<u>1,570,526</u>

4. OTHER REVENUE

	For the six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Other revenue		
Interest income on financial assets carried at amortised costs	679	240
Others	<u>3,035</u>	<u>1,367</u>
Total	<u>3,714</u>	<u>1,607</u>

5. FINANCE COSTS

	For the six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Interest on bank loan	14,347	4,058
Interest on lease liabilities	161	192
Interest on other unsecured loan	6,829	6,035
Interest on other secured loan	29,981	16,683
Less: amount capitalised to properties under development	<u>(20,184)</u>	<u>(16,683)</u>
	<u>31,134</u>	<u>10,285</u>

6. LOSS BEFORE TAX

	For the six months ended 30 June	
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)
Loss before income tax is arrived at after charging/(crediting):		
Cost of properties sold	42,224	19,070
Cost of for property investment	1,375	1,670
Cost of service for property management	4,087	4,049
Tax and other levies	1,237	2,413
Depreciation on plant and equipment	928	692
Depreciation on right-of-use assets	796	795
Lease charges in respect of land and buildings:		
– for short term lease	250	743
Allowance for expected credit loss	70	–
Rental income from investment properties less direct outgoings	<u>(4,876)</u>	<u>(7,521)</u>

7. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)
Current tax		
The PRC – Corporate Income Tax		
– Tax for the period	4,760	–
The PRC – Land Appreciation Tax		
– Tax for the period	<u>16,419</u>	<u>1,521</u>
	21,179	1,521
Deferred tax		
– Credit for the period	<u>(6,764)</u>	<u>(336)</u>
Total income tax expense	<u><u>14,415</u></u>	<u><u>1,185</u></u>

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 condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both interim periods.

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the rate of 25% (2019: 25%) on the estimated assessable profits for the period, 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% (2019: 30% to 60%) on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all properties development expenditures.

Furthermore, in accordance with the Detailed Implementation Regulations for implementation of the new Corporate Income Tax Law issued on 6 December 2007, a 10% withholding tax shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. Dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding tax. As at 30 June 2020, the Group has not accrued any withholding income tax for the earnings of its PRC subsidiaries, because the Group does not have an immediate plan to distribute earnings from its PRC subsidiaries generated in the foreseeable future.

8. LOSS PER SHARE

Basic loss per share

The calculation of loss per share is based on the loss attributable to the owners of the Company of approximately RMB97,703,000 (2019: RMB4,848,000) and on the weighted average of 10,293,136,554 (2019: 10,293,136,554) ordinary shares in issue during the period.

Diluted loss per share

There were no potential dilutive ordinary shares in existence during the six months' period ended 30 June 2020 and 2019 and hence the diluted loss per share is the same as the basic loss per share.

9. TRADE RECEIVABLES

	As at	
	30 June 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
Trade receivables	6,778	6,521
Less: Allowance for expected credit losses	(309)	(239)
	6,469	6,282
Trade receivables – net	6,469	6,282

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

At the period end date, the whole amount of trade receivables were pledged to secure bank loan facilities.

Based on the terms of related tenancy agreements or property sales and purchase agreements, the ageing analysis of the trade receivables net of allowance for expected credit losses is as follows:

	As at	
	30 June 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
0 to 90 days	5,173	5,979
91 to 180 days	787	129
181 to 365 days	509	174
	6,469	6,282
	6,469	6,282

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at	
	30 June 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
Amount due from a non-controlling shareholder of a subsidiary (<i>note (a)</i>)	–	20,000
Prepaid value-added tax	30,383	26,437
Other receivables, prepayment and deposits (<i>note (b)</i>)	110,965	69,120
	141,348	115,557
Less: Non-current portion	–	(20,000)
Current portion	141,348	95,557

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

notes:

- (a) It represented advance made to a non-controlling shareholder for the subscription of 40% registered capital of a non-wholly owned subsidiary namely, Yunnan Xin Tian Culture Travel Development Limited in November 2011. The non-controlling shareholder gave up all its right and obligation of such capital as the full settlement of the amount it due to the Group during the current period.
- (b) It mainly includes prepaid construction cost, residences maintenance fund, rental and sundry deposits. As at 30 June 2020, advance receipts from customers for the sale of properties under development of RMB70,616,000 (2019: RMB48,609,000) were placed in Xuzhou Real Estate Management Service Center, a PRC local government authority, for security purpose. The Group can request for withdrawal of the balances in accordance to agreed procedures for the payment of construction costs.

11. TRADE PAYABLES

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

	As at	
	30 June 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
0 to 90 days	536,863	453,857
91 to 180 days	1,336	498
Over 180 days	1,666	1,383
	<u>539,865</u>	<u>455,738</u>

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.

12. ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
Deposits and rentals received in advance from tenants	12,793	12,558
Tax and other levies	2,923	6,412
Amount due to an associate	112,374	112,374
Amount due to a director of the company	976	5,635
Other payables and accruals (<i>note</i>)	26,133	20,995
	<u>155,199</u>	<u>157,974</u>

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.

13. BORROWINGS

	As at	
	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Borrowings included in:		
Secured bank loans repayable (note (a))		
– within 1 year	25,557	29,285
– after 1 year but within 2 years	27,317	36,428
– after 2 years but within 5 years	159,998	193,795
– after 5 years	112,856	73,819
Other secured loans repayable (note (b))		
– within 1 year	–	300,000
– after 1 year but within 2 years	338,600	119,000
– after 2 years but within 5 years	150,000	–
Other unsecured loans repayable (note (c))		
– within 1 year	148,282	105,760
Total borrowings	962,610	858,087
Less: Amount due within one year shown under current liabilities	(173,839)	(435,045)
Amounts shown under non-current liabilities	788,771	423,042

As at 30 June 2020 and 31 December 2019, the Group's borrowings were all denominated in RMB.

notes:

- (a) The Group has variable-rate bank borrowings which are repayable within 1 year to 10 years and bearing interest at the People's Bank of China 5 years loan base interest rate multiply by 70.60% to 110.60% (2019: multiply by 63.27% to 110.60%) or plus 0.55% inflated rate. Interest is repriced annually.

As at 30 June 2020, the effective interest rates (which are also equal to contractual interest rates) on the Group's bank loans are 5.2% to 8.1% (2019: 8%) and secured by investment properties, completed properties held for sale, properties under development and trade receivables. Furthermore bank borrowing amounting to RMB325,728,000 (2019: RMB149,970,000) was also secured by personal guarantee from related parties.

- (b) As at 30 June 2020, the effective interest rates on Group's other secured borrowings of RMB488,600,000 (2019: 419,000,000) are at fixed at 9.5% to 11.8% (2019: 9.5% to 11%). The secured borrowings were secured by pledged deposit, completed properties held for sale and properties under development and personal and corporate guarantee from related parties.
- (c) As at 30 June 2020, Group's other unsecured borrowing in the amount of RMB128,704,000 (2019: RMB105,760,000) bearing the effective interest rates are 11% (2019: 11%) and repayable on demand. The remaining amount is unsecured, interest free and repayable on demand.

14. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.004 each:		
At 1 January, 2019, 30 June, 2019, 1 January, 2020 and 30 June, 2020	125,000,000,000	500,000

	Number of shares	Amount <i>HK\$'000</i>	Equivalent to <i>RMB'000</i>
Issued and fully paid:			
Ordinary shares of HK\$0.004 each:			
At 1 January, 2019, 30 June, 2019, 1 January, 2020 and 30 June, 2020	10,293,136,554	41,173	37,628

15. CAPITAL COMMITMENTS

	30 June 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
Capital commitments (contracted but not provided for):		
Capital injection into subsidiaries	142,842	22,842
Capital injection into an associate	26,249	26,249
Construction costs of properties under development	871,542	629,433
	<u>1,040,633</u>	<u>678,524</u>

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 from Talent Trend Holdings Limited (“Talent Trend”) which, through its subsidiaries, holds interests in various real estate projects in the PRC (the “Previous Acquisition”). 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

During the six months ended 30 June 2020 (the “Reporting Period”), the Group recorded an unaudited consolidated revenue and gross profit of RMB114.0 million and RMB65.1 million, respectively, as compared to revenue of RMB34.9 million and gross profit of RMB7.7 million for the six months ended 30 June 2019 (the “Preceding Period”), respectively.

During the Reporting Period, a revenue of RMB102.2 million (Preceding Period: RMB17.1 million) was recorded from the delivery of residential units of Xintian Banshan (新天半山) with gross floor area of approximately 500 square meters (“sqm”) (Preceding Period: 600 sqm) and sales of villas of our South Lake Village Phase 1 with gross floor area of approximately 2,200 sqm (Preceding Period: nil).

After the COVID-19 pandemic outbreak (the “Pandemic”), low density communities of Xintian Banshan draws more attention from the market. During the Reporting Period, subscription and contract sales totalling approximately RMB130 million with gross floor area of approximately 1,700 sqm was recorded for Xintian Banshan Villa (新天.半山墅) at Zone B.

Revenue from selling of other properties held for sales (including carparks) during the Reporting Period was RMB0.6 million (Preceding Period: RMB3.4 million).

During the Reporting Period, rental income and properties management fee income 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, reduced to RMB7.7 million (Preceding Period: RMB10.2 million) as a result of higher vacancy and short-term rental concession granted to the tenants.

Property management fee and rental income generated from other properties of the Group totaling RMB3.5 million (Preceding Period: RMB4.2 million) was recorded.

After taking into account the costs from Previous Acquisition subsequent development cost, the net provision for impairment loss as well as better profit margin of Xintian Banshan as well as villas of our South Lake Village Phase I, gross profit and overall gross profit margin increased to RMB65.1 million and 57.1% (Preceding Period: RMB7.7 million and gross profit margin of 22.0%), respectively.

Distribution costs, administrative and other operating expenses

Distribution costs increased slightly to RMB6.2 million (Preceding Period: RMB4.7 million) for the promotion of our logistic projects during the Reporting Period. The Group stayed cautious on administrative expenses control. Increase of administrative and other expense from RMB17.6 million in the Preceding Period to RMB24.5 million in the Reporting Period was primarily attributable to charges and fees in conjunction with the new borrowings.

Share of result 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 Reporting Period, revenue was substantially derived from the sales of residential units in block 7 of “Forest Hills”. After taking into account the under-provision of various taxes of the associate as well as the costs from Previous Acquisition, which is re-calculated to reflect the remaining underlying assets available for sale, the Group recorded a share of loss of RMB9.7 million (Preceding Period: a profit of RMB12.2 million).

Fair value changes on investment properties

The Pandemic and Sino-US trade friction have created further challenges against the shoe and footwear industry. In view of decreased occupancy and provision of short term concession to the tenants in our Talent Shoes Trading Center as well as general weak rental market in Guangzhou, fair value deficits of RMB18.6 million and RMB1.0 million were recorded for our Talent Shoes Trading Center and commercial units of Shangyu Garden, respectively, by reference to revaluation by the Company’s independent property valuer.

Impairment loss of properties under development

Despite mild market sentiment on commercial properties in late 2019, we commenced the presale of our logistics projects in Yangzhou and Xuzhou in order to have cash back earlier. The Pandemic and further conflict between US and China seriously affect the demand and investment sentiment in commercial properties especially in second and third tier cities in the Country.

During the Reporting Period, we strived to adjust our local marketing strategies and seeking a breakthrough for the selling of commercial units of our Yangzhou Intelligent Life City. However, the local commercial properties market remains sluggish and lack of drive up theme even after the Pandemic. Subscription and contract sales totaling approximately RMB14 million with gross floor area of approximately 1,800 sqm was recorded during the Reporting Period.

With the rolling out of certain new development plans by the local government and the opening of metro in the Xuzhou city, the investment sentiment in the region where our Xuzhou Intelligent Industrial Town located boomed. In order to catch such opportunities for faster cash return, we adopted a price-for-quantity marketing strategies. Subscription and contract sales totalling approximately RMB111 million with gross floor area of approximately 13,000 sqm was recorded during the Reporting Period. In view of the pace of destocking, we also quicken up the construction progress of the project.

After consideration of the current price-for-quantity sales record, reassessment of construction quantities in accordance with the development progress, future marketing strategy as well as references we made to valuation by the independent property valuer, provision of impairment loss totaling RMB125.0 million had been made to the aforementioned logistic projects under development.

Finance cost

During the Reporting Period, finance costs (before capitalisation) increased to RMB51.3 million (Preceding Period: RMB27.0 million). New borrowing had been made during the Reporting Period to fund the construction cost of logistic projects of the Group as well as substitution of old borrowing.

Income Tax Expense

During the Reporting Period, income tax expenses amounted to RMB14.4 million (Preceding Period: RMB1.2 million). It was primarily the result of increased revenue and better profit margin derived from sales of Xintian Banshan and villas of South Lake Village Phase 1.

Loss for the Period Attributable to Owners of the Company

Given the provision for impairment loss and unfavourable fair value changes of our properties portfolio, a loss attributable to owners of the Company of RMB97.7 million was recorded for the Reporting Period (Preceding Period: RMB4.8 million).

Prospect

With the outbreak of the Pandemic, intensified Sino-US friction and the strife in deglobalization, the business environment faces more challenges and uncertainties than ever before. As a result of the effective measures of the Pandemic prevention in our country, economic recovery took place gradually in second quarter of the year with different magnitude across different regions and cities. Market performances diverged largely.

In the country's post-pandemic era, the government still upheld that houses are for living in and not for speculative investment. While citizens' living, consumption and culture keep changing which may have impacts on the development of different sectors. Nonetheless what remains unchanged is people's pursuit for quality life. Xintian Banshan, our flagship project in Guangzhou, which sets in a tranquil environment through ingenious combinations, the mountains and nature, is one of the best choices for them. In the second half, amid exploring new customers and closing the sales of villas in zone B, the work for facade, pathway and gardening for mega villas in zone E will commence.

Regarding our Yangzhou Intelligent Life City, construction of main structure of the buildings in zone A resumed after the Pandemic. Development of zone B is still in planning stage and hinge on pre-sale progress of zone A. Meanwhile, construction of zone C of our second project in Yangzhou, namely Suzhong Demonstration City on Intelligent Agricultural Industry, commenced in second quarter of the year and the development of its Zone A and Zone B is in preliminary stage. Regarding Xuzhou Intelligent Industrial Town, structural work of buildings in zone D to G are almost completed. Construction and formulation of marketing plan for its zone B and C, with street footage, are both under way. In general, local market sentiment and development of where our logistic projects locate are not as robust as the time when we acquired the relevant land parcels. The Group may adjust the way its cooperate and will consider different pricing flexibility to balance profitability and cashflow of these projects.

The Group will broaden financing channel, rationalize allocation of our resources and continue to explore opportunities to better support future growth in order to bring stable and long-term returns to the shareholders and investors.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 June 2020 were approximately RMB4,176.8 million (31 December 2019: approximately RMB4,025.4 million) which were financed by the total equity and total liabilities of approximately RMB1,750.4 million (31 December 2019: approximately RMB1,848.1 million) and approximately RMB2,550.5 million (31 December 2019: approximately RMB2,217.3 million) respectively.

The Group borrowings were all denominated in Renminbi. Bank balances and cash were mainly denominated in Renminbi. As at 30 June 2020, 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 30 June 2020, the Group's gearing ratio was approximately 61.1% (31 December 2019: 55.1%), as computed by total liabilities divided by total assets. As at 30 June 2020, bank borrowings and other borrowings were amounted to RMB325.7 million and RMB636.9 million, respectively (31 December 2019 : RMB333.3 million and RMB524.8 million). Details of interest rate are as shown in note 13 to the condensed consolidated financial statements.

EXPOSURE TO FOREIGN EXCHANGE

The revenue and the cost of sales and income 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\$1.10019: RMB1 and HK\$1.09456: RMB1, respectively, were applied on the consolidation of the condensed financial statements for the Reporting Period. No hedging measure has been implemented by the Group.

CHARGE ON ASSETS

As at 30 June 2020, the carrying amounts of investment properties, properties under development, completed properties held for sale and trade receivables of approximately RMB589 million, RMB164 million, RMB187 million and RMB6 million, respectively, were pledged to secure general bank facilities (31 December 2019: RMB607 million, nil, RMB187 million, nil). Whereas, carrying amounts of properties under development, completed properties held for sale and cash deposit of approximately RMB109 million, RMB296 million and RMB3 million, respectively, were pledged to secure other borrowings (31 December 2019: RMB538 million, RMB268 million, RMB4 million).

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 30 June 2020, the Group had approximately 232 (31 December 2019: 213) employees, with about 229 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 Reporting Period.

CAPITAL COMMITMENT

Details of the capital commitment are set out in note 15 to the condensed consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months' period ended 30 June 2020.

DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this results announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Company's directors.

CORPORATE GOVERNANCE

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

CG Code Provision 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.

REVIEW OF ACCOUNTS

The unaudited condensed consolidated accounts of the Company and its subsidiaries for the six months ended 30 June 2020 have been reviewed by the Company's auditor, CHENG & CHENG LIMITED, in accordance with Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants and have also been reviewed by the audit committee of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITE OF THE COMPANY AND OF THE STOCK EXCHANGE

The interim results announcement is published on the websites of the Company (www.760hk.com) and the Stock Exchange. The interim report containing all the information required by the Listing Rules will be available at the above websites and dispatched to shareholders in due course.

By Order of the Board
Zhang Gao Bin
Chairman

Hong Kong, 31 August 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.