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

(Incorporated in Bermuda with limited liability)

(Stock code: 00760)

2020 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 2020.

FINANCIAL RESULTS

The consolidated revenue and gross profit for 2020 amounted to approximately RMB348.2 million (2019: RMB277.7 million) and RMB166.9 million (2019: RMB115.5 million), respectively. The revenue for the year includes the revenue recognized from luxurious flats and villas in each zone of our flagship projects Xintian Banshan and South Lake Village Phase I, resulting in an increase in the gross profit margin. Without taking into account fair value changes on investment properties and provision for impairment of properties under development, profit before tax amounted to RMB97.8 million (2019: RMB52.0 million). With reference to independent valuation, the Group recorded a reduction of fair value of our Talent Shoes Trading Center and other investment properties totalling RMB45.9 million (2019: RMB62.6 million). After prudently reviewing factors such as the current sales results and strategies, the development progress and its costs, the Group made a provision for impairment loss totalling RMB168.0 million for properties under development (including logistics commercial projects) (2019: net impairment loss of RMB165.7 million). After taking into account of the above factors and the income tax expenses, a post-tax loss attributable to the owners of the Company of RMB100.9 million was recorded (2019: RMB99.8 million).

* *For identification purposes only*

OPERATING REVIEW AND OUTLOOK

During the year ended 31 December 2020, the significant change in the global economic structure caused by the COVID-19 pandemic ("Pandemic"), together with trade protectionism and continuous political disputes, brought greater uncertainties to the global economic development. Fortunately, with the Chinese government taking the lead to control the spread of the Pandemic, people's quality of life and national production saw a rapid recovery, making China the first country to realise positive economic growth among the world's largest economies.

Under the Pandemic, central banks around the world continued to apply loose monetary policies, and thus, liquidity remained high. In the first half of the year, "city-specific policies" were flexibly implemented across China and the People's Bank of China has lowered the reserve requirement ratio several times so as to enhance market productivity through quantitative easing. As the Pandemic gradually went under control and enterprises resumed work and production, the real estate industry slowly recovered. In the second half of the year, a series of policies for real estate administrative regulation and strict control of financial risks promulgated across China demonstrated the general principle of "purchase real estate for living instead of speculation" of the central government. Throughout the year, the transaction volume of the real estate industry continued to record new heights and prices continued to rise. However, market performance diverged significantly across regions and cities. For example, the market sizes of the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area continued to grow, yet some cities in Northern China saw oversupply.

The year 2021 marks the beginning of the "14th Five-Year Plan", and it will be a year of both opportunities and challenges for real estate enterprises. The full recovery of nations after the Pandemic will bring vitality to the global economy. Nevertheless, the real estate industry is still facing constraints under the major policy principle of "purchase real estate for living instead of speculation" of the central government with the introduction of various policies and regulatory guidelines aiming to reduce the excessive reliance of enterprises and individuals on loans and debt financing.

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 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 built on mountain slopes along the mountain, are highly appraised in the market and won various prizes. Thanks to the joint efforts of our sales team, the subscription amount and area recorded during the year for Xintian Banshan were approximately RMB237 million (2019: RMB27 million) and 3,500 sqm (2019: 400 sqm). Riding on market enthusiasm, the Group promoted sales of the remaining villas in South Lake Village Phase I next to Xintian Banshan, and recorded sales of approximately 4,700 sqm with a contract amount of approximately RMB142 million. Looking into 2021, after the recent outbreak of an overheated property market in Guangzhou, it is expected that property control policies will be tightened. However, the Pandemic has highlighted the advantages of low-density communities, coupled with the scarcity of top luxury villas in the city, the effect of wealth absorption in the Greater Bay Area, and the Group's continual efforts to identify potential buyers, it has not hindered the Group from continuing to promote the sales for the villas in zone B of our flagship projects and achieving cash return. As villas in zone E (namely "山頂道獨墅"), are rare in the city, we have been intensively engaged in marketing for its market launch in the second half of 2021.

Talent Shoes Trading Center

The Group's Talent Shoes Trading Center ("天倫鞋業交易中心") in Liwan District, Guangzhou is a redevelopment project refurnished into a 10-storey building for integrated commercial and office uses. Over the past year, all customers and employees of the Talent Shoes Trading Center have encountered general difficulties in operation and management under the impact of the Pandemic. In addition, under the severe environment of the recent industrial transfer and Sino-US trade frictions which affected the businesses of our customers, the average occupancy rate of the premise has declined, and short-term rent concessions have been provided to the remaining customers. Looking forward into 2021, with the fading of the Pandemic throughout the world, the Group will enhance the recruitment of merchants, optimize customer structure 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. They were accounted for in previous years.

This year, the last block of completed high-rise residential units was promoted for sales intensively and recorded a very satisfactory unit price. In view of the project sales nearing its completion and with a large bank deposit, the Group will endeavour to get a cash return of our share from the associated company.

Logistic Commercial Real Estate Project

After the strict control over the Pandemic in the country in the second half of 2020, the economy has recovered with strong market demand in some major metropolitan areas. However, with the intensifying urban differentiation, the real estate markets in the second and third tier cities have performed differently, especially in the commercial and office sectors.

The Group successfully bid one land parcel in Guangling District of Yangzhou City with a floor area of 81,000 sqm in early 2017. 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 91,000 sqm comprising 12 buildings with 2 to 19 storeys. The saleable area of its commercial units and offices is approximately 10,000 sqm and 80,000 sqm, respectively. As at the end of 2020, 10 buildings have been awarded pre-sale certificates, and will begin its delivery in 2021 and the construction of zone A are scheduled to be completed by the end of 2021. The local supply of office increased continuously in recent years, but sales have not been satisfactory due to limited market demand. As at the end of 2020, office subscriptions amounted to approximately RMB25.5 million for area totalling 3,200 sqm (2019: RMB29.5 million for area totalling 3,600 sqm), were recorded. Looking forward into 2021, we will continue to strengthen efforts in marketing and make various investment invitations.

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 for a commercial project, namely Suzhong Demonstration City on Intelligent Agricultural Industry ("蘇中智慧農業產業示範城"). At the end of 2020, the Company entered into an equity transfer agreement with the local government to sell its equity interest in order to meet its intention on social planning as well as the Group's demand for cash return. For details, please refer to the shareholders' circular of the Group dated 11 December 2020. As of the date of this announcement, the Group has received equity transfer payment of RMB242 million and completed the equity transfer procedures for 73% of the 90% equity interest held by the Group in accordance with the relevant terms of the agreement. Pursuant to the agreement, the remaining consideration shall be fully paid in June 2021.

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 zone A, zones BC, zones DEFG and zone H with a gross floor area of approximately 120,000 sqm above the ground, and a total of 29 buildings with 3 to 14 storeys for commercial, office and warehouse uses will be constructed. The gross floor area of its commercial units and offices available for sale are approximately 62,000 square meters and 41,000 square meters, respectively. As at the end of 2020, 27 buildings have been awarded pre-sale certificates, and delivery will be commenced in 2021 and the construction of the project is scheduled to be completed by the third quarter of 2021. The Group seized the opportunity of several new development plans launched by the local government and the opening of metro in the city, and adopted a price-for-quantity marketing strategies for faster cash return. As of the end of 2020, subscriptions for commercial units amounted to approximately RMB284.8 million for area totalling 28,400 sqm (2019: RMB43.7 million for area totalling 5,400 sqm) and subscriptions for offices amounted to approximately RMB16.8 million for area totalling 2,500 sqm (2019: RMB69.7 million for area totalling 9,300 sqm), were recorded. Various products in zones DEFG are nearly completely sold. Looking forward into 2021, we will increase efforts to sell products in zones BC to large and small customers. As zones BC are located along the main streets and has municipal construction and development nearby, it is expected to destock faster and cash recovery can be speed up.

In January 2021, the Group buy-out the 49% minority interests of the holding company that hold the aforementioned logistics projects for a consideration of RMB24 million. The transaction was completed and we are now able to manage relevant projects more efficiently and gain full control of the cash flow of these projects.

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 our staff for their hard work and dedication.

Zhang Gao Bin
Chairman and Executive Director
PRC Hong Kong

30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Notes	**2020** **RMB'000**	2019 *RMB'000*
Revenue	*3,4*	**348,216**	277,653
Cost of sales and services		**(181,348)**	(162,184)
Gross profit		**166,868**	115,469
Other revenue and net loss	*5*	**12,868**	10,705
Distribution costs		**(20,821)**	(11,038)
Administrative and other operating expenses		**(46,097)**	(49,642)
Fair value changes on investment properties		**(45,930)**	(62,581)
Impairment loss of properties under development		**(168,000)**	(165,706)
Share of result of an associate		**38,556**	19,630
Finance costs	*6*	**(53,576)**	(33,127)
Loss before tax	*7*	**(116,132)**	(176,290)
Income tax expense	*8*	**(74,036)**	(14,817)
Loss for the year		**(190,168)**	(191,107)
Loss attributable to:			
Owners of the Company		**(100,868)**	(99,844)
Non-controlling interests		**(89,300)**	(91,263)
		(190,168)	(191,107)
Other comprehensive (loss)/income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(245)**	41
Other comprehensive (loss)/income for the year		**(245)**	41
Total comprehensive loss for the year		**(190,413)**	(191,066)

	Notes	**2020**	2019
		RMB'000	*RMB'000*
Total comprehensive loss attributable to:			
Owners of the Company		**(101,113)**	(99,803)
Non-controlling interests		**(89,300)**	(91,263)
		(190,413)	(191,066)
		RMB	*RMB*
Loss per share	*9*		
Basic and diluted		**(0.980) cent**	(0.970) cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**598,000**	643,000
Plant and equipment		**4,522**	3,344
Right-of-use assets		**1,591**	3,183
Interests in an associate		**351,546**	312,022
Prepayments, deposits and other receivables	*11*	**–**	20,000
Pledged deposit		**3,386**	1,190
Deferred tax asset		**20,267**	39,634
		979,312	1,022,373
Current assets			
Properties under development		**1,564,914**	1,689,931
Completed properties held for sale		**820,851**	975,195
Trade receivables	*10*	**6,796**	6,282
Prepayments, deposits and other receivables	*11*	**174,344**	95,557
Contract costs		**2,356**	608
Tax recoverable		**10,311**	37,842
Pledged deposit		**–**	3,000
Cash and cash equivalent		**109,991**	194,569
		2,689,563	3,002,984
Assets classified as held for sale		**597,823**	–
		3,287,386	3,002,984

	Notes	2020 RMB'000	2019 RMB'000
Current liabilities			
Trade payables	*12*	**475,628**	455,738
Accruals and other payables	*13*	**141,619**	157,974
Contract liabilities	*14*	**518,266**	228,141
Lease liabilities		**1,836**	1,567
Provision for tax		**342,039**	309,788
Borrowings		**125,437**	435,045
		1,604,825	1,588,253
Liabilities associated with assets classified as held for sale		**257,374**	–
		1,862,199	1,588,253
Net current assets		**1,425,187**	1,414,731
Total assets less current liabilities		**2,404,499**	2,437,104
Non-current liabilities			
Lease liabilities		**–**	1,836
Borrowings		**619,112**	423,042
Deferred tax liability		**187,777**	204,203
		806,889	629,081
Net assets		**1,597,610**	1,808,023
EQUITY			
Share capital		**37,628**	37,628
Reserves		**1,709,344**	1,810,457
Equity attributable to the owners of Company		**1,746,972**	1,848,085
Non-controlling interests		**(149,362)**	(40,062)
Total equity		**1,597,610**	1,808,023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decision made by primary users. 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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the 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

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards 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.

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 and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after 1 January 2022.

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

4 Effective for annual periods beginning on or after 1 June 2020.

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

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 (2019: 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 2020

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Reportable segment revenue				
Revenue	**322,982**	**14,393**	**10,841**	**348,216**
Timing of revenue recognition for those within the scope of HKFRS 15				
A point in time	**322,982**	**–**	**–**	**322,982**
Over time	**–**	**–**	**10,841**	**10,841**
Revenue from other source				
Rental income	**–**	**14,393**	**–**	**14,393**
Total	**322,982**	**14,393**	**10,841**	**348,216**
Reportable segment (loss)/profit	**(46,196)**	**(35,291)**	**1,993**	**(79,494)**
Share of result of an associate				**38,556**
Finance costs				**(53,576)**
Income tax expenses				**(74,036)**
Unallocated expenses				**(34,486)**
Unallocated income				**12,868**
Loss for the year				**(190,168)**
Reportable segment assets	**2,647,466**	**616,142**	**4,890**	**3,268,498**
Corporate assets				**400,377**
Assets classified as held for sale				**597,823**
Group assets				**4,266,698**
Reportable segment liabilities	**1,435,275**	**323,576**	**1,506**	**1,760,357**
Corporate liabilities				**651,357**
Liabilities associated with assets classified as held for sale				**257,374**
Group liabilities				**2,669,088**

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

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 and other 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 2020 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	**3,084**	**930**	**–**	**–**	**4,014**
Allowance for expected credit losses for trade receivables	**–**	**(1,231)**	**–**	**–**	**(1,231)**
Depreciation and amortization	**(3,143)**	**–**	**–**	**(315)**	**(3,458)**
Fair value changes on investment properties	**–**	**(45,930)**	**–**	**–**	**(45,930)**
Impairment loss of properties under development	**(168,000)**	**–**	**–**	**–**	**(168,000)**

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 receivables	–	(555)	–	–	(555)
Depreciation and amortization	(2,980)	–	–	(8)	(2,988)
Written off of 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)

There were two (2019: five) customers from property development segment individually contributed over 10% of the Group's total revenue during the year ended 31 December 2020.

	2020 *RMB'000*	2019 *RMB'000*
Customer A	**–**	30,952
Customer B	**–**	33,505
Customer C	**–**	34,286
Customer D	**–**	36,622
Customer E	**–**	29,143
Customer F	**35,238**	–
Customer G	**47,619**	–

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:

	2020	2019
	RMB'000	*RMB'000*
Hong Kong (domicile) *(note)*	**–**	6
Mainland China	**955,659**	961,543
	955,659	961,549

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:

	2020	2019
	RMB'000	*RMB'000*
Sales of properties	**322,982**	247,083
Properties management fees	**10,841**	11,255
Revenue from contracts with customers (within the scope of HKFRS 15)	**333,823**	258,338
Gross rental income from investment properties (outside the scope of HKFRS 15)	**14,393**	19,315
Total	**348,216**	277,653

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 2020 and 2019 allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and 2019 and the expected timing of recognising revenue are as follows:

	For the year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Within one year	**555,738**	213,514
More than one year but not more than two years	**71,938**	135,766
	627,676	349,280

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	
	2020	2019
	RMB'000	*RMB'000*
Rental income under operating leases		
Lease payments that are fixed	**14,393**	19,315
Total revenue arising from leases	**14,393**	19,315

5. OTHER REVENUE AND NET LOSS

	2020	2019
	RMB'000	*RMB'000*
Other revenue		
Interest income on financial assets carried at amortised costs	**1,063**	692
Interest income on loan to an associate	**734**	665
Management fee income from an associate	**234**	212
Others *(note)*	**10,837**	9,152
Other net loss		
Loss on written off plant and equipment	**–**	(16)
	12,868	10,705

note:

It represents certain one-off items which includes reversal of over-provided expenses for the year ended 31 December 2020 and waiver of interest payable for the year ended 31 December 2019.

6. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest on secured bank loans	**25,790**	16,492
Interest on lease liabilities	**282**	390
Interest on other unsecured loans	**8,710**	16,245
Interest on other secured loans	**54,282**	40,971
Less: amount capitalised to properties under development	**(35,488)**	(40,971)
	53,576	33,127

7. LOSS BEFORE TAX

	2020	2019
	RMB'000	*RMB'000*
Loss before income tax is arrived at after charging/(crediting):		
Cost of properties sold	**166,782**	144,958
Cost of service for property management	**8,538**	8,883
Allowance for expected credit losses for trade receivables	**1,231**	555
Tax and other levies	**3,284**	4,989
Depreciation of plant and equipment *(note (a))*	**1,866**	1,397
Depreciation of right-of use assets	**1,592**	1,591
Auditors' remuneration		
– audit services	**845**	857
– non-audit services		
– interim review	**355**	352
– others	**133**	53
Impairment loss of properties under development	**168,000**	165,706
Rental income from investment properties less direct outgoings *(note (b))*	**(11,649)**	(15,961)

notes:

(a) Depreciation expenses

Depreciation expenses of approximately RMB1,866,000 (2019: approximately RMB1,397,000) have been included in administrative expenses.

(b) Rental income from investment properties

Direct outgoings incurred for rental income from investment properties amounted to approximately RMB2,744,000 (2019: RMB3,354,000).

8. INCOME TAX EXPENSE

	2020 *RMB'000*	2019 *RMB'000*
Current tax		
The PRC — Corporate Income Tax		
— Tax for the year	**30,317**	23,302
— Over provision in respect of prior years	**–**	(8,705)
	30,317	14,597
The PRC — Land appreciation tax		
— Current year	**40,763**	30,429
Deferred tax		
— Charge/(credit) for the year	**2,956**	(28,288)
— Over provision in respect of prior years	**–**	(1,921)
	2,956	(30,209)
Total income tax expense	**74,036**	14,817

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

	2020 *RMB'000*	2019 *RMB'000*
Loss before taxation	**(116,132)**	(176,290)
Income tax at the PRC income tax rate of 25%	**(29,033)**	(44,073)
Tax effect of different taxation rates in other tax jurisdictions	**422**	431
Over provision in prior years	**–**	(10,626)
Tax effect of non-taxable revenue	**(798)**	(2,331)
Tax effect of non-deductible expenses	**9,149**	5,382
Tax effect of deductible temporary differences not recognised	**42,000**	42,000
Tax effect of prior year's unrecognised tax losses utilised this year	**(552)**	(7,279)
Tax effect of unused tax losses not recognised	**13,040**	12,901
Tax effect of previously recognised allowable loss expired	**18,874**	498
Tax effect of share of result of an associate	**(9,639)**	(4,908)
PRC land appreciation tax	**40,763**	30,429
Effect of PRC land appreciation tax	**(10,190)**	(7,607)
Income tax expense	**74,036**	14,817

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% (2019: 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% (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.

9. 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 RMB100,868,000 (2019: RMB99,844,000) and on the weighted average of 10,293,136,554 (2019: 10,293,136,554) ordinary shares in issue during the year.

Diluted loss per share

There was no difference between basic and diluted loss per share as the Company did not have any dilutive potential shares outstanding during the year ended 31 December 2020 and 2019.

10. TRADE RECEIVABLES

	2020 ***RMB'000***	2019 *RMB'000*
Trade receivables		
– from property management	**83**	83
– from property investment	**7,038**	6,438
	7,121	6,521
Less: Allowance for expected credit losses	**(325)**	(239)
Trade receivables – net	**6,796**	6,282

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 2020 and 31 December 2019, 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:

	2020 ***RMB'000***	2019 *RMB'000*
0 to 90 days	**6,186**	5,979
91 to 180 days	**124**	129
181 to 365 days	**486**	174
	6,796	6,282

As at 31 December 2020, all of the Group's trade receivables are denominated in RMB (2019: RMB), no interest is charged on trade receivables.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Amount due from a non-controlling shareholder of a subsidiary	**–**	20,000
Prepaid value-added tax	**57,116**	26,437
Other receivables, prepayment and deposits *(note)*	**117,228**	69,120
	174,344	115,557
Less: Non-current portion	**–**	(20,000)
Current portion	**174,344**	95,557

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

note:

It mainly represents advance receipts from customers for the sale of properties under development of RMB104,125,000 (2019: RMB48,609,000) 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.

12. TRADE PAYABLES

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

	2020	2019
	RMB'000	*RMB'000*
0 to 90 days	**473,626**	453,857
91 to 180 days	**1,156**	498
Over 180 days	**846**	1,383
	475,628	455,738

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.

13. ACCRUALS AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Deposits and rentals received in advance from tenants	**11,193**	12,558
Tax and other levies	**1,606**	6,412
Amount due to an associate	**112,219**	112,374
Amount due to a director of the Company	**586**	5,635
Other payables and accruals *(note)*	**16,015**	20,995
	141,619	157,974

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

	2020	2019
	RMB'000	*RMB'000*
Receipt in advance from customers in respect of property development segment – current portion	**518,266**	228,141

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 2020, additions of receipt in advance from customers and interest expenses in respect of property development segment amounting to RMB389,115,000 (2019: RMB160,652,000) and RMB19,264,000 (2019: RMB4,928,000).

The revenue recognized in the current year in respect of contract liabilities brought forward was RMB118,254,000 (2019: RMB184,067,000).

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 and 2019.

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

For the year ended 31 December 2020, the Group recorded a revenue and gross profit of RMB348.2 million and RMB166.9 million, respectively, as compared to a revenue of RMB277.7 million and gross profit of RMB115.5 million for the year ended 31 December 2019.

During the year, a revenue of RMB182.7 million (2019: RMB233.5 million) was recorded from the delivery and sales of residential units and villas of Xintian Banshan with a gross floor area of approximately 3,100 square meters ("sqm") (2019: 3,800 sqm). Revenue from sales of other properties was RMB140.3 million (2019: RMB13.6 million), which mainly made up of sales of villas of South Lake Village Phase 1.

Rental income and properties management fee income of RMB13.4 million (2019: RMB18.4 million) and RMB3.7 million (2019: RMB3.5 million), respectively, were recorded from our Talent Shoes Trading Center. Whereas rental income and properties management fee generated from other properties of the Group was RMB8.1 million in total (2019: RMB8.7 million).

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 RMB166.9 million and 47.9% (2019: RMB115.5 million and gross profit margin of 41.6%), respectively.

Distribution Costs

Distribution costs of RMB20.8 million were recorded in 2020 as compared to RMB11.0 million in 2019. During the year, the Group increased spending in the promotion of our logistics commercial projects and sales commission for Xintian Banshan.

Administrative and Other Operating Expenses

Despite new charges and fees were incurred for new borrowings, the Group stayed cautious on cost control. As a result, administrative expenses decreased slightly to RMB46.1 million (2019: RMB49.6 million).

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 residential units in 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 RMB38.6 million (2019: RMB19.6 million).

Fair Value Changes on Investment Properties

Besides the Sino-US trade friction, the Pandemic adversely affected local and other countries that created further challenges against the shoe and footwear industry as well as foreign trade. In view of weak rental of specialty market in Guangzhou, decreased occupancy and provision of short term concession to the tenants in our Talent Shoes Trading Center, fair value deficits of RMB44.9 million (2019: RMB59.6 million) and RMB1.0 million (2019: RMB3.0 million) were recorded for our Talent Shoes Trading Center and commercial units of Shangyu Garden, respectively. Reference was made 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. China was the first country recovered significantly from the Pandemic. However, various health precaution measures still in place which affect daily life and economic activities. Demand and investment sentiment in commercial properties in second and third tier cities in the Country were yet to fully recover. Combining local development and our marketing strategies, sales performance of our Xuzhou Intelligent Industrial Town picked-up and destocked faster than that of our Yangzhou Intelligent Life City.

After consideration of our price-for-quantity sales strategies, development progress and future marketing strategy as well as references to valuation by the independent property valuer, provision of impairment loss totaling RMB168.0 million was made to the aforementioned logistic projects under development (2019: net impairment loss of RMB165.7 million).

Finance Cost

During the year, finance costs (before capitalisation) increased to RMB89.1 million (2019: RMB74.1 million) as a result of higher average borrowing. New borrowing had been made during the year to fund the construction cost of logistic projects of the Group as well as substitution of old borrowing with favourable interest rate.

Income Tax Expense

During the year, corporate income expense and land appreciation tax totalling RMB71.1 million was recorded (2019: RMB45.0 million) which was mainly attributable to sales of luxury residential units and villas with higher profit margin.

Upon reduction of fair value of Talent Shoes Trading Center, deferred tax liability previously provided at its acquisition was reversed. It was partly offset by deferred tax effect of expired tax losses of certain subsidiaries. As a result, deferred tax charge of RMB3.0 million was recorded during the year (2019: deferred tax credit of RMB30.2 million).

Loss of the Year Attributable to Owners of the Company

Given the provision for impairment loss and unfavourable fair values changes of our properties portfolio, loss attributable to owners of the Company of RMB100.9 million was recorded for the year (2019: RMB99.8 million).

PROSPECT

Given the Pandemic is not over yet, intensified Sino-US friction, the strife in deglobalization and continual imposition of tightening policies and measures, the business environment of housing market is still highly challenging. The Group and the management will strive destocking, broaden financing channel and exploring ways to secure enough resources for continual development of projects on hand and grasping any attractive opportunities cautiously to better support future growth of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 December 2020 were approximately RMB4,266.7 million (31 December 2019: approximately RMB4,025.4 million) which were financed by the total equity and total liabilities of approximately RMB1,597.6 million (31 December 2019: approximately RMB1,808.0 million) and approximately RMB2,669.1 million (31 December 2019: approximately RMB2,217.3 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 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 31 December 2020, the Group's gearing ratio then computed as total liabilities over total assets was approximately 62.6% (31 December 2019: 55.1%). As at 31 December 2020, bank borrowings amounted to RMB312.9 million (31 December 2019: RMB333.3 million) carry variable interest rate of 70.6% to 110.6% (31 December 2019: 63.3% to 110.6%) multiply by the People's Bank of China 5 years loan base interest rate or plus 0.55% inflated rate. Other borrowings amounted to RMB431.6 million (31 December 2019: RMB524.8 million) carry fixed rate with a range from 9.5% to 11.8% (31 December 2019: 9.5% to 11%) per annum and amounted to RMB64.7 million (31 December 2019: Nil) were interest free.

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$1.12461: RMB1 and HK$1.18771: RMB1, respectively, were applied on consolidation of the financial statements for the year ended 31 December 2020. No hedging measure has been implemented by the Group.

CHARGES ON ASSETS

As at 31 December 2020, an investment property and completed properties held for sale of the Group amounted approximately RMB563 million (31 December 2019: RMB607 million) and RMB204.6 million (31 December 2019: RMB187.3 million) were pledged to secure general banking facilities. Completed properties held for sale, properties under development and deposit with the approximate value of RMB323.6 million (31 December 2019: RMB267.9 million), RMB370.5 million (31 December 2019: RMB538.3 million) and RMB3.4 million (31 December 2019: RMB4.2 million) respectively were pledged to secure other borrowings.

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 31 December 2020, the Group had approximately 216 (31 December 2019: 213) employees, with about 211 in the Mainland China and 5 in Hong Kong. All employees are remunerated based on industry practice and in accordance with prevailing labor law. In Hong Kong, apart from basic salary, staff benefits including medical insurance, performance related bonus, and mandatory provident fund would be provided by the Group.

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

CORPORATE GOVERNANCE

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

CG Code Provision A.2.1

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

EVENT AFTER THE REPORTING PERIOD

In January 2021, the Group entered into the an equity transfer agreement to purchase 49% equity interests of Guangzhou Guoyou Logistics Co., Ltd. ("Guangzhou Guoyou") held by a minority shareholder at a consideration of RMB24 million. By the date of this announcement, the transaction was already completed and Guangzhou Guoyou is now a wholly-owned subsidiary of the Company of the Group. Details of the transaction were shown in the announcement of the Company published on 20 January 2021.

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 2020 and reviewed the Group's annual results for 2019 and interim results for 2020; 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 2020 of the Company have been reviewed by the Audit Committee.

For the year ended 31 December 2020, the fees paid/payable to the auditor of the Company in respect of the audit services and non audit services in 2020 were amounted to approximately RMB0.8 million and RMB0.5 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 2020, 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 2020 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 2020 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 2021

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.