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## TALENT PROPERTY GROUP LIMITED

新天地产集团有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 760)

### 2021 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 2021 with comparative figures as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<b>Revenue</b>	3	<b>178,983</b>	114,043
Cost of sales and services		<u>(100,341)</u>	<u>(48,923)</u>
Gross profit		<b>78,642</b>	65,120
Other revenue	4	<b>5,570</b>	3,714
Distribution costs		<b>(6,541)</b>	(6,176)
Administrative and other operating expenses		<b>(20,704)</b>	(24,463)
Share of result of an associate		<b>88,384</b>	(9,711)
Impairment loss of properties under development		<b>(25,000)</b>	(125,000)
Gain on disposal of a subsidiary	5	<b>28,823</b>	–
Fair value changes on investment properties		<b>(12,040)</b>	(19,646)
Finance costs	6	<u><b>(20,139)</b></u>	<u>(31,134)</u>
<b>Profit/(loss) before tax</b>	7	<b>116,995</b>	(147,296)
Income tax expense	8	<u><b>(38,217)</b></u>	<u>(14,415)</u>
<b>Profit/(loss) for the period</b>		<u><b>78,778</b></u>	<u>(161,711)</u>

\* For identification purposes only

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

		<b>Six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Company		78,778	(97,703)
Non-controlling interests		—	(64,008)
		<u>78,778</u>	<u>(161,711)</u>
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		(326)	(17)
		<u>(326)</u>	<u>(17)</u>
<b>Other comprehensive loss for the period</b>		<u>(326)</u>	<u>(17)</u>
<b>Total comprehensive income/(loss) for the period</b>		<u>78,452</u>	<u>(161,728)</u>
<b>Total comprehensive income/(loss) for the period attributable to:</b>			
Owners of the Company		78,452	(97,720)
Non-controlling interests		—	(64,008)
		<u>78,452</u>	<u>(161,728)</u>
<b>Earnings/(loss) per share</b>	<i>9</i>		
Basic and diluted		<u>0.765 cents</u>	<u>(0.949) cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June 2021	31 December 2020
		<b>RMB'000</b>	<b>RMB'000</b>
Notes		<b>(unaudited)</b>	<b>(audited)</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
		586,000	598,000
	Investment properties		
	Plant and equipment	3,616	4,522
	Right-of-use assets	796	1,591
	Interests in an associate	440,982	351,546
	Pledged deposit	–	3,386
	Deferred tax assets	20,267	20,267
		<u>1,051,661</u>	<u>979,312</u>
<b>Current assets</b>			
	Properties under development	1,768,833	1,564,914
	Completed properties held for sale	733,758	820,851
	Trade receivables	5,502	6,796
	Prepayments, deposits and other receivables	227,441	174,344
	Contract costs	1,000	2,356
	Tax recoverable	17,960	10,311
	Pledged deposit	3,386	–
	Cash and cash equivalents	225,599	109,991
		<u>2,983,479</u>	<u>2,689,563</u>
	Asset classified as held for sale	55,706	597,823
		<u><u>3,039,185</u></u>	<u><u>3,287,386</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>Notes</i>	As at	
		30 June 2021 <i>RMB'000</i> (unaudited)	31 December 2020 <i>RMB'000</i> (audited)
<b>Current liabilities</b>			
Trade payables	13	436,583	475,628
Accruals and other payables	14	139,024	141,619
Contract liabilities		678,754	518,266
Lease liabilities		942	1,836
Provision for tax		363,807	342,039
Borrowings	15	245,677	125,437
		<b>1,864,787</b>	1,604,825
Liabilities associated with assets classified as held for sale		–	257,374
		<b>1,864,787</b>	1,862,199
<b>Net current assets</b>		<b>1,174,398</b>	1,425,187
<b>Total assets less current liabilities</b>		<b>2,226,059</b>	2,404,499
<b>Non-current liabilities</b>			
Borrowings	15	422,854	619,112
Deferred tax liabilities		179,829	187,777
		<b>602,683</b>	806,889
<b>Net assets</b>		<b>1,623,376</b>	1,597,610
<b>EQUITY</b>			
Share capital	16	37,628	37,628
Reserves		1,585,548	1,709,344
Equity attributable to owners of Company		<b>1,623,176</b>	1,746,972
Non-controlling interests		200	(149,362)
<b>Total equity</b>		<b>1,623,376</b>	1,597,610

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 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 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2020. 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 the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

#### 2.1 Impacts and accounting policies on application of Amendment to HKFRS 16 “Covid-19 – Related Rent Concessions”

##### 2.1.1 Accounting policies

###### *Leases*

###### Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

During the period ended 30 June 2021, no rent concession granted by the lessors as a result of the COVID-19 pandemic. Accordingly, there has been no impact upon initial application.

### 3. SEGMENT INFORMATION

The executive directors have identified the Group's three (2020: 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; and
- (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 2021 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Reportable segment revenue</b>				
External revenue	<u>167,447</u>	<u>6,359</u>	<u>5,177</u>	<u>178,983</u>
<b>Reportable segment profit/(loss)</b>	<u>40,461</u>	<u>(7,857)</u>	<u>(191)</u>	<u>32,413</u>
Share of result of an associate				88,384
Gain on disposal of a subsidiary				28,823
Finance costs				(20,139)
Income tax expense				(38,217)
Unallocated expenses				(17,997)
Unallocated income				<u>5,511</u>
Profit for the period				<u><u>78,778</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>
<b>Reportable segment revenue</b>				
External revenue	<u>102,886</u>	<u>6,251</u>	<u>4,906</u>	<u>114,043</u>
<b>Reportable segment (loss)/profit</b>	<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 2021 (unaudited)**

	<b>Property development <i>RMB'000</i></b>	<b>Property investment <i>RMB'000</i></b>	<b>Property management <i>RMB'000</i></b>	<b>Total <i>RMB'000</i></b>
<b>Timing of revenue recognition for those within the scope of HKFRS 15</b>				
A point in time	167,447	–	–	167,447
Over time	–	–	5,177	5,177
	<u>167,447</u>	<u>–</u>	<u>5,177</u>	<u>172,624</u>
<b>Revenue from other source</b>				
Rental income	–	6,359	–	6,359
<b>Total</b>	<b><u>167,447</u></b>	<b><u>6,359</u></b>	<b><u>5,177</u></b>	<b><u>178,983</u></b>

**For the six months ended 30 June 2020 (unaudited)**

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

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

**As at 30 June 2021 (unaudited)**

	<b>Property development RMB'000</b>	<b>Property investment RMB'000</b>	<b>Property management RMB'000</b>	<b>Total RMB'000</b>
<b>Reportable segment assets</b>	<u>2,739,853</u>	<u>597,852</u>	<u>12,683</u>	<u>3,350,388</u>
<b>Assets classified as held for sale</b>				55,706
<b>Corporate assets</b>				<u>684,752</u>
<b>Group assets</b>				<u><u>4,090,846</u></u>
<b>Reportable segment liabilities</b>	<u>1,492,249</u>	<u>308,662</u>	<u>1,392</u>	<u>1,802,303</u>
<b>Corporate liabilities</b>				<u>665,167</u>
<b>Group liabilities</b>				<u><u>2,467,470</u></u>

**As at 31 December 2020 (audited)**

	<b>Property development RMB'000</b>	<b>Property investment RMB'000</b>	<b>Property management RMB'000</b>	<b>Total RMB'000</b>
<b>Reportable segment assets</b>	<u>2,647,466</u>	<u>616,142</u>	<u>4,890</u>	<u>3,268,498</u>
<b>Assets classified as held for sale</b>				597,823
<b>Corporate assets</b>				<u>400,377</u>
<b>Group assets</b>				<u><u>4,266,698</u></u>
<b>Reportable segment liabilities</b>	<u>1,435,275</u>	<u>323,576</u>	<u>1,506</u>	<u>1,760,357</u>
<b>Liabilities associated with assets classified as held for sale</b>				257,374
<b>Corporate liabilities</b>				<u>651,357</u>
<b>Group liabilities</b>				<u><u>2,669,088</u></u>

**4. OTHER REVENUE**

	<b>For the six months ended 30 June</b>	
	<b>2021 RMB'000 (unaudited)</b>	<b>2020 RMB'000 (unaudited)</b>
<b>Other revenue</b>		
Interest income on financial assets carried at amortised costs	1,866	679
Others	<u>3,704</u>	<u>3,035</u>
<b>Total</b>	<u><u>5,570</u></u>	<u><u>3,714</u></u>



## 5. DISPOSAL OF A SUBSIDIARY

As referred to in note 12, a subsidiary of the Company has disposed of one of the subsidiaries under the property development segment with a cash consideration of RMB297,706,000 and a balance receivable from the disposing subsidiary of RMB42,878,000. The net assets of disposing subsidiary on 8 January 2021, which was the date of disposal, were as follows:

	<i>RMB'000</i>
<b>Cash consideration received and receivables:</b>	
Cash received	242,000
Deferred cash consideration ( <i>note 12</i> )	<u>55,706</u>
Total cash consideration received and receivables	<u><u>297,706</u></u>
<b>Analysis of assets and liabilities over which control was lost:</b>	
Plant and equipment	39
Properties under development	589,731
Prepayments, deposits and other receivables	13,187
Cash and cash equivalents	4
Trade payables	(197,592)
Accruals and other payables	(42,887)
Borrowings	<u>(64,913)</u>
Net assets disposed of	<u><u>297,569</u></u>
<b>Gain on disposal of a subsidiary:</b>	
Cash consideration received and receivables	297,706
Net assets disposed of	(297,569)
Net assets attributable to non-controlling interest of the subsidiary	<u>28,686</u>
Gain on disposal of a subsidiary	<u><u>28,823</u></u>
<b>Net cash inflow arising on disposal:</b>	
Cash consideration	242,000
Less: bank balances and cash disposed of	<u>(4)</u>
	<u><u>241,996</u></u>

## 6. FINANCE COSTS

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Interest on bank loans	11,114	14,347
Interest on lease liabilities	77	161
Interest on other unsecured loans	–	6,829
Interest on other secured loans	22,655	29,981
Less: amount capitalised to properties under development	(13,707)	(20,184)
	<u>20,139</u>	<u>31,134</u>

## 7. PROFIT/(LOSS) BEFORE TAX

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Profit/(loss) before income tax is arrived at after charging/(crediting):		
Cost of properties sold	91,708	42,224
Cost of for property investment	1,404	1,375
Cost of service for property management	5,136	4,087
Tax and other levies	2,093	1,237
Depreciation on plant and equipment	906	928
Depreciation on right-of-use assets	795	796
Lease charges in respect of land and buildings: – for short term lease	315	250
(Reversal of)/allowance for expected credit loss	(59)	70
Rental income from investment properties less direct outgoings	(4,955)	(4,876)
	<u>91,708</u>	<u>42,224</u>

## 8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<b>Current tax</b>		
The PRC – Corporate Income Tax		
– Tax for the period	18,614	4,760
The PRC – Land Appreciation Tax		
– Tax for the period	27,549	16,419
	<u>46,163</u>	<u>21,179</u>
<b>Deferred tax</b>		
– Credit for the period	(7,946)	(6,764)
	<u>(7,946)</u>	<u>(6,764)</u>
<b>Total income tax expense</b>	<u>38,217</u>	<u>14,415</u>

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising from the operations in Hong Kong.

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the rate of 25% (30 June 2020: 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% (30 June 2020: 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 2021, 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.

## 9. EARNINGS/(LOSS) PER SHARE

### Basic earnings/(loss) per share

The calculation of earnings/(loss) per share is based on the profit attributable to the owners of the Company of approximately RMB78,778,000 (30 June 2020: loss of approximately RMB97,703,000) and on the weighted average of 10,293,136,554 (30 June 2020: 10,293,136,554) ordinary shares in issue during the period.

### Diluted earnings/(loss) per share

There were no potential dilutive ordinary shares in existence during the six months' period ended 30 June 2021 and 2020 and hence the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share.

## 10. TRADE RECEIVABLES

	As at	
	30 June 2021 <i>RMB'000</i> (unaudited)	31 December 2020 <i>RMB'000</i> (audited)
Trade receivables	5,768	7,121
Less: Allowance for expected credit losses	<u>(266)</u>	<u>(325)</u>
Trade receivables – net	<u><u>5,502</u></u>	<u><u>6,796</u></u>

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.

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

	As at	
	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
0 to 90 days	5,203	6,186
91 to 180 days	57	124
181 to 365 days	242	486
	<b>5,502</b>	<b>6,796</b>
	<b>5,502</b>	<b>6,796</b>

## 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at	
	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Prepaid value-added tax	45,721	57,116
Other receivables, prepayment and deposits ( <i>note</i> )	181,720	117,228
	<b>227,441</b>	<b>174,344</b>
	<b>227,441</b>	<b>174,344</b>

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

*note:*

It mainly includes prepaid construction cost, residences maintenance fund, rental and sundry deposits. As at 30 June 2021, advance receipts from customers for the sale of properties under development of RMB106,219,000 (31 December 2020: RMB104,125,000) 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.

## 12. ASSET CLASSIFIED AS HELD FOR SALE

On 29 December 2020, a subsidiary of the Company entered an agreement to dispose of one of the subsidiaries under the property development segment with a cash consideration of RMB297,706,000 and a balance receivable from the disposing subsidiary of RMB42,878,000.

During the six-month period ended 30 June 2021, cash consideration with an amount of RMB242,000,000 was received. 43% and 30% equity interest of the subsidiary was transferred to the buyer as at 8 January 2021 and 19 February 2021 respectively.

The remaining 17% of equity interest was still holding by a subsidiary of the Company and the investment has become a financial asset which is expected to be sold within twelve months from the end of the reporting period and has been classified as an asset held for sale.

There was an amount of RMB42,878,000 receivable from the disposing subsidiary which was included in other receivables as at 30 June 2021.

Due to the outbreak of the COVID-19 in Yangzhou, the city has been locked down causing a delay in completing the disposal. The cash consideration of RMB55,706,000 has been received subsequently as at 2 July 2021 and the remaining 17% equity interest is still in progress to transfer to the buyer.

### 13. TRADE PAYABLES

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

	As at	
	30 June 2021 <i>RMB'000</i> (unaudited)	31 December 2020 <i>RMB'000</i> (audited)
0 to 90 days	435,994	473,626
91 to 180 days	148	1,156
Over 180 days	441	846
	<u>436,583</u>	<u>475,628</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.

### 14. ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2021 <i>RMB'000</i> (unaudited)	31 December 2020 <i>RMB'000</i> (audited)
Deposits and rentals received in advance from tenants	9,038	11,193
Tax and other levies	1,085	1,606
Amount due to an associate	112,219	112,219
Amount due to a director of the company	132	586
Other payables and accruals ( <i>note</i> )	16,550	16,015
	<u>139,024</u>	<u>141,619</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.

## 15. BORROWINGS

	As at	
	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Borrowings included in:		
Secured bank loans repayable (note (a))		
– within 1 year	25,877	26,437
– after 1 year but within 2 years	126,558	133,176
– after 2 years but within 5 years	52,800	50,160
– after 5 years	93,496	103,176
Other secured loans repayable (note (b))		
– within 1 year	219,800	99,000
– after 1 year but within 2 years	–	182,600
– after 2 years but within 5 years	150,000	150,000
Other unsecured loans repayable (note (c))		
– within 1 year	–	64,723
	<hr/>	<hr/>
Total borrowings	668,531	809,272
Less: Amount due within one year shown under current liabilities	(245,677)	(125,437)
Transfer to disposal group classified as held for sale	–	(64,723)
	<hr/>	<hr/>
Amounts shown under non-current liabilities	<b>422,854</b>	<b>619,112</b>

As at 30 June 2021 and 31 December 2020, 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 9 years (31 December 2020: 1 year to 10 years) and bearing interest at the People's Bank of China 5 years loan base interest rate multiply by 110.60% (31 December 2020: multiply by 70.60% to 110.60%) or plus 0.55% inflated rate. Interest is repriced annually.

As at 30 June 2021, the effective interest rates (which are also equal to contractual interest rates) on the Group's bank loans are ranged from 5.2% to 10% (31 December 2020: 5.2% to 8.1%) and secured by investment properties, completed properties held for sale and properties under development. Furthermore bank borrowing amounting to RMB298,731,000 (31 December 2020: RMB312,949,000) was also secured by personal guarantee from a director, who is also a major shareholder of the Company, and a family member of a director.

- (b) As at 30 June 2021, the effective interest rates on Group's other secured borrowings of RMB219,800,000 and RMB150,000,000 (31 December 2020: RMB281,600,000 and RMB150,000,000) are fixed at 10.5% and 11.8% respectively (31 December 2020: 9.5% and 11.8% respectively). The borrowings were secured by pledged deposit, completed properties held for sale and properties under development, equity interest of Xuzhou Shiyou Logistics Development Co. Ltd., and Yangzhou Shiyou Logistics Development Co. Ltd. and personal and corporate guarantee from related parties.
- (c) As at 31 December 2020, Group's other unsecured borrowings are unsecured, interest free and repayable on demand.

## 16. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
<b>Authorised:</b>		
Ordinary shares of HK\$0.004 each:		
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	125,000,000,000	500,000

	Number of shares	Amount <i>HK\$'000</i>	Equivalent to <i>RMB'000</i>
<b>Issued and fully paid:</b>			
Ordinary shares of HK\$0.004 each:			
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	10,293,136,554	41,173	37,628

## 17. CAPITAL COMMITMENTS

	As at	
	30 June 2021 <i>RMB'000</i> (unaudited)	31 December 2020 <i>RMB'000</i> (audited)
<b>Capital commitments (contracted but not provided for):</b>		
Capital injection into subsidiaries	22,842	22,842
Capital injection into an associate	26,249	26,249
Construction costs of properties under development	97,599	283,133
	<b>146,690</b>	<b>332,224</b>

## 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 2021 (the “Reporting Period”), the Group recorded an unaudited consolidated revenue and gross profit of RMB179.0 million and RMB78.6 million, respectively, as compared to revenue of RMB114.0 million and gross profit of RMB65.1 million for the six months ended 30 June 2020 (the “Preceding Period”), respectively.

During the Reporting Period, a revenue of RMB146.7 million (Preceding Period: RMB35.2 million) was recorded from the delivery and sales of residential units and villas of Xintian Banshan with a gross floor area of approximately 2,400 square meters (“sqm”) (Preceding Period: 500 sqm). Revenue from sales of other properties was RMB20.8 million (Preceding Period: RMB67.6 million), which mainly made up of sales of villas of South Lake Village Phase 1.

In the first half of the year, first-tier and second-tier residential real estate markets across the country rebounded and thereafter followed by enhanced regulation and control by authorities in various aspects including against home buyers. The Group took advantage of the market trend and adopted price adjusting strategies to speed up the sales and cash return of Xintian Banshan, our flagship project. During the Reporting Period, subscription and contract sales totaling approximately RMB274 million (Preceding Period: RMB130 million) with gross floor area of approximately 3,800 sqm (Preceding Period: 1,700 sqm) was recorded for Xintian Banshan Villa (新天•半山墅) at Zone B.

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, increased to RMB7.8 million (Preceding Period: RMB7.7 million). Whereas rental income and properties management fee generated from other properties of the Group was RMB3.7 million in total (Preceding Period: RMB3.5 million).

After taking into account the costs from Previous Acquisition subsequent development cost, the net provision for impairment loss as well as our price adjusting strategies, we recorded gross profit and overall gross profit margin of RMB78.6 million and 43.9% (Preceding Period: RMB65.1 million and gross profit margin of 57.1%), respectively.



## **Distribution costs, administrative and other operating expenses**

Distribution costs increased slightly to RMB6.5 million (Preceding Period: RMB6.2 million) for the continual marketing our logistic commercial projects during the Reporting Period. The Group stayed cautious on administrative expenses control. Administrative and other expense of RMB20.7 million was recorded in the Reporting Period (Preceding Period: RMB24.5 million).

## **Gain on disposal of a subsidiary**

The Group entered into an equity transfer agreement with the local government to sell its entire 90% equity interest in a commercial project located in Shatou Town of Yangzhou City in late 2020. Consideration of RMB297.7 million was fully received in early July and a gain on disposal of RMB28.8 million was recorded accordingly. The shareholder's loan of RMB42.9 million is expected to be received before the end of September upon finish of local administrative procedures for the transfer of remaining 17% equity interests of the subsidiary sold.

## **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. The associate kept marketing the last block of the residential units of "Forest Hills". Its sales in the Reporting Period was substantially derived from middle to upper floor units with almost tripled gross floor area and increased average selling price as compared to the sales of lower floor units in the Preceding Period. 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 RMB88.4 million (Preceding Period: a loss of RMB9.7 million).

## **Fair value changes on investment properties**

During the Reporting Period, the Sino-US friction and the COVID-19 pandemic (the "Pandemic") situation abroad did not show any improvement, and there were also sporadic resurgences of the Pandemic in China, which was immediately subject to strict prevention and control. An outbreak of the Pandemic occurred in Liwan District, Guangzhou in June. Pandemic prevention measures including suspension of operation, traffic and travel restrictions were extended for nearly three weeks, which placed heavy pressure on the economic and commercial activities of the district. The occupancy of our Talent Shoes Trading Center improved slightly as compared to the Preceding Period while we offered small rental concession to the tenants in June. Fair value deficits of RMB12.0 (Preceding Period: RMB19.6 million) were recorded, mainly from our Talent Shoes Trading Center, by reference to revaluation by the Company's independent property valuer.

## **Impairment loss of properties under development**

Our commercial projects in Yangzhou and Xuzhou were launched for presale in late 2019. Amid flattering of economic growth in China and the Pandemic, the traditional preference of local citizens on residential units and commercial workshops for earn a living rather than office units became more prominent in third tier cities.

During the Reporting Period, the sluggish commercial properties market in Yangzhou City shown no improvement. The city was subsequently locked-down in August because of outbreak of Pandemic. Subscription and contract sales of commercial units of our Yangzhou Intelligent Life City totaling approximately RMB15 million (Preceding Period: RMB14 million) with gross floor area of approximately 2,000 sqm (Preceding Period: 1,800 sqm) was recorded.

Regarding our Xuzhou Intelligent Industrial Town in Xuzhou City, we monitored and response promptly to local market development and theme. Subscription and contract sales of our Yangzhou Intelligent Life City totalling approximately RMB113 million (Preceding Period: RMB111 million) with gross floor area of approximately 11,500 sqm (Preceding Period: 13,000 sqm) was recorded which substantially contributed by the sales of commercial units.

After consideration of our current pre-sales record, development progress, future marketing strategies, impairment losses provided in previous years as well as references to valuation by the independent property valuer, provision of impairment loss totaling RMB25.0 million (Preceding Period: RMB125.0 million) had been made to the aforementioned logistic projects under development.

## **Finance cost**

Finance costs (before capitalisation) reduced to RMB33.8 million (Preceding Period: RMB51.3 million) during the Reporting Period upon continual repayment of various loans.

## **Income Tax Expense**

During the Reporting Period, income tax expenses amounted to RMB38.2 million (Preceding Period: RMB14.4 million). It was primarily the result of increased revenue and profit derived from sales of Xintian Banshan.

## **Profit/(Loss) for the Period Attributable to Owners of the Company**

Given the reduction of provision for impairment loss, share of result of an associate, gain on disposal of a subsidiary, a profit attributable to owners of the Company of RMB78.8 million was recorded for the Reporting Period instead of a loss of RMB97.7 million in the Preceding Period.

## **Prospect**

In the first half of 2021, following the market recovery in various cities, a series of regulatory policies to rein in property market have been rolled out. The policies mainly feature tightening measures including interview with the Ministry of Housing and Urban-Rural Development (MOHURD), rectification of property agents, caps on price of secondary property, curbs on operating loans, stricter review of the utilization of credit funds, control of land supply, encouragement for leasing, and crackdown against housing speculation in school districts, etc. It is estimated that the regulatory policies will become increasingly stringent in the second half of the year. Uneven development has been seen in the property market. In the first-tier and second-tier cities with industries and scarced resources, population inflow supports demand for housing, leading to the steadily rising of housing prices. On the contrary, in many third-tier and fourth-tier cities, it is hard to have factors that support the continuous growth of housing prices.

In the face of the slowdown of the overall domestic economic growth, the unstable pandemic situation, and the policies to regulate property market, the Group and the management will strive to destocking, including the control of marketing progress, with an aim of launching the mega villa in zone E of Xintian Banshan to the market during the year. As for the commercial property projects in Xuzhou and Yangzhou, the sales team continued to seek breakthroughs by accelerating the sales of office units of the projects, and strictly controlled the progress of the projects, so as to begin gradual property delivery at the end of the year. At the same time, the Group will broaden its financing channels to secure sufficient resources to develop existing projects while prudently select new projects or opportunities.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's total assets as at 30 June 2021 were approximately RMB4,090.8 million (31 December 2020: approximately RMB4,266.7 million) which were financed by the total equity and total liabilities of approximately RMB1,623.4 million (31 December 2020: approximately RMB1,597.6 million) and approximately RMB2,467.4 million (31 December 2020: approximately RMB2,669.1 million) respectively.

The Group borrowings were all denominated in Renminbi. Bank balances and cash were mainly denominated in Renminbi. As at 30 June 2021, 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 2021, the Group's gearing ratio was approximately 60.3% (31 December 2020: 62.6%), as computed by total liabilities divided by total assets. As at 30 June 2021, bank borrowings and other borrowings were amounted to RMB298.7 million and RMB369.8 million, respectively (31 December 2020 : RMB312.9 million and RMB431.6 million). Details of interest rate are as shown in note 15 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\$1.20081: RMB1 and HK\$1.20112: 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 2021, the carrying amounts of investment properties and completed properties held for sale of approximately RMB552 million and RMB205.0 million respectively, were pledged to secure general bank facilities (31 December 2020: approximately RMB563 million and RMB204.6 million respectively). Whereas, carrying amounts of properties under development, completed properties held for sale and cash deposit of approximately RMB143.1 million, RMB253.8 million and RMB3.4 million respectively, were pledged to secure other borrowings (31 December 2020: approximately RMB370.5 million, RMB323.6 million and RMB3.4 million respectively).

## **NUMBERS AND REMUNERATION OF EMPLOYEES**

As at 30 June 2021, the Group had approximately 214 (31 December 2020: 216) employees, with about 209 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 Reporting Period.

## **CAPITAL COMMITMENT**

Details of the capital commitment are set out in note 17 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 2021.

## **DIVIDEND**

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2021.

## **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 2021 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](http://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, 30 August 2021

*As at the date hereof, the Board comprises Mr. Zhang Gao Bin and Mr. Luo Zhanguan as Executive Directors and Mr. Lo Wai Hung, Mr. Mak Yiu Tong and Mr. Fok Chi Tat Michael as Independent Non-executive Directors.*