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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)

2022 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 2022 with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	3	136,992	178,983
Cost of sales and services		(83,067)	(100,341)
Gross profit		53,925	78,642
Other revenue	4	5,132	5,511
Distribution costs		(3,273)	(6,541)
Administrative and other operating expenses		(37,452)	(20,704)
Share of result of an associate		(5,051)	88,384
Impairment loss of properties under development		(34,080)	(25,000)
Net reversal of expected credit losses for trade receivable		18	59
Gain on disposal of a subsidiary	5	–	28,823
Fair value changes on investment properties		(30,445)	(12,040)
Fair value changes on a financial asset		1,080	–
Finance costs	6	(18,085)	(20,139)
(Loss)/profit before tax	7	(68,231)	116,995
Income tax expense	8	(19,452)	(38,217)
(Loss)/profit for the period		(87,683)	78,778

* For identification purposes only

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

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(unaudited)
(Loss)/profit for the period attributable to:			
Owners of the Company		(87,683)	78,778
Non-controlling interests		—	—
		<u>(87,683)</u>	<u>78,778</u>
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		96	(326)
		<u>96</u>	<u>(326)</u>
Other comprehensive income/(loss) for the period		<u>96</u>	<u>(326)</u>
Total comprehensive (loss)/income for the period		<u>(87,587)</u>	<u>78,452</u>
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(87,587)	78,452
Non-controlling interests		—	—
		<u>(87,587)</u>	<u>78,452</u>
(Loss)/earnings per share	<i>9</i>		
Basic and diluted		<u>(0.852) cents</u>	<u>0.765 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at	
	30 June 2022 <i>RMB'000</i> <i>(unaudited)</i>	31 December 2021 <i>RMB'000</i> <i>(audited)</i>
<i>Notes</i>		
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	556,000	585,960
Plant and equipment	7,592	3,370
Right-of-use assets	4,387	5,264
Interests in an associate	417,502	482,539
Prepayments, deposits and other receivables	354	6,229
Deferred tax assets	7,047	7,047
	992,882	1,090,409
Current assets		
Properties under development	2,053,804	2,003,789
Completed properties held for sale	620,999	673,460
Trade receivables	10 3,729	4,681
Prepayments, deposits and other receivables	11 167,898	198,698
Contract costs	700	700
Tax recoverable	34,141	15,364
Financial asset at FVTPL	–	7,920
Pledged deposit	–	3,386
Cash and cash equivalents	131,832	222,250
	3,013,103	3,130,248

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>Notes</i>	As at	
		30 June 2022 <i>RMB'000</i> (unaudited)	31 December 2021 <i>RMB'000</i> (audited)
Current liabilities			
Trade payables	12	387,562	456,049
Accruals and other payables	13	164,703	158,124
Contract liabilities		767,930	814,653
Lease liabilities		1,594	1,511
Provision for tax		357,939	338,286
Borrowings	14	118,718	268,676
		1,798,446	2,037,299
Net current assets		1,214,657	1,092,949
Total assets less current liabilities		2,207,539	2,183,358
Non-current liabilities			
Lease liabilities		2,911	3,753
Borrowings	14	416,816	294,056
Deferred tax liabilities		166,812	176,962
		586,539	474,771
Net assets		1,621,000	1,708,587
EQUITY			
Share capital	15	37,628	37,628
Reserves		1,583,172	1,670,759
		1,620,800	1,708,387
Equity attributable to owners of Company		1,620,800	1,708,387
Non-controlling interests		200	200
Total equity		1,621,000	1,708,587

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021. 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 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19 Related Rent Concession beyond 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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.

3. SEGMENT INFORMATION

The executive directors have identified the Group's three (2021: 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 2022 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue				
External revenue	<u>125,471</u>	<u>6,017</u>	<u>5,504</u>	<u>136,992</u>
Reportable segment (loss)/profit	<u>(5,564)</u>	<u>(26,532)</u>	<u>621</u>	<u>(31,475)</u>
Share of result of an associate				(5,051)
Finance costs				(18,085)
Income tax expense				(19,452)
Unallocated expenses				(19,832)
Unallocated income				<u>6,212</u>
Loss for the period				<u><u>(87,683)</u></u>

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>
Reportable segment revenue				
External revenue	<u>167,447</u>	<u>6,359</u>	<u>5,177</u>	<u>178,983</u>
Reportable segment profit/(loss)	<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 2022 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Total <i>RMB'000</i>
Timing of revenue recognition for those within the scope of HKFRS 15				
A point in time	125,471	–	–	125,471
Over time	–	–	5,504	5,504
	125,471	–	5,504	130,975
Revenue from other source				
Rental income	–	6,017	–	6,017
Total	125,471	6,017	5,504	136,992

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>
Timing of revenue recognition for those within the scope of HKFRS 15				
A point in time	167,447	–	–	167,447
Over time	–	–	5,177	5,177
	167,447	–	5,177	172,624
Revenue from other source				
Rental income	–	6,359	–	6,359
Total	167,447	6,359	5,177	178,983

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

As at 30 June 2022 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment assets	<u>2,866,946</u>	<u>564,476</u>	<u>2,899</u>	<u>3,434,321</u>
Corporate assets				<u>571,664</u>
Group assets				<u><u>4,005,985</u></u>
Reportable segment liabilities	<u>1,485,548</u>	<u>246,001</u>	<u>1,560</u>	<u>1,733,109</u>
Corporate liabilities				<u>651,876</u>
Group liabilities				<u><u>2,384,985</u></u>

As at 31 December 2021 (audited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment assets	<u>2,915,902</u>	<u>593,326</u>	<u>1,512</u>	<u>3,510,740</u>
Corporate assets				<u>709,917</u>
Group assets				<u><u>4,220,657</u></u>
Reportable segment liabilities	<u>1,585,202</u>	<u>287,035</u>	<u>1,682</u>	<u>1,873,919</u>
Corporate liabilities				<u>638,151</u>
Group liabilities				<u><u>2,512,070</u></u>

4. OTHER REVENUE

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (unaudited)	2021 <i>RMB'000</i> (unaudited)
Other revenue		
Interest income on financial assets carried at amortised costs	3,023	1,866
Others	2,109	3,645
	<hr/>	<hr/>
Total	5,132	5,511
	<hr/> <hr/>	<hr/> <hr/>

5. GAIN ON DISPOSAL OF A SUBSIDIARY

For the six months ended 30 June 2021, 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 disposed subsidiary of RMB42,878,000. The net assets of the disposed subsidiary on 8 January 2021, which was the date of disposal, were as follows:

	<i>RMB'000</i>
Cash consideration received and receivables:	
Cash received	242,000
Deferred cash consideration	55,706
	<hr/>
Total cash consideration received and receivables	297,706
	<hr/> <hr/>
Analysis of assets and liabilities over which control was lost:	
Plant and equipment	40
Properties under development	589,731
Prepayments, deposits and other receivables	13,186
Cash and cash equivalents	4
Trade payables	(197,592)
Accruals and other payables	(42,887)
Borrowings	(64,913)
	<hr/>
Net assets disposed of	297,569
	<hr/> <hr/>
Gain on disposal of a subsidiary:	
Cash consideration received and receivables	297,706
Net assets disposed of	(297,569)
Net assets attributable to non-controlling interest of the subsidiary	28,686
	<hr/>
Gain on disposal of a subsidiary	28,823
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash consideration received	242,000
Less: bank balances and cash disposed of	(4)
	<hr/>
	241,996
	<hr/> <hr/>

6. FINANCE COSTS

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Interest on bank loans	8,225	11,114
Interest on lease liabilities	212	77
Interest on other secured loans	14,145	22,655
Less: amount capitalised to properties under development	(4,497)	(13,707)
	<u>18,085</u>	<u>20,139</u>

7. (LOSS)/PROFIT BEFORE TAX

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
(Loss)/profit before income tax is arrived at after charging/(crediting):		
Cost of properties sold	75,246	91,708
Cost of services for property investment	1,454	1,404
Cost of services for property management	4,683	5,136
Tax and other levies	1,684	2,093
Depreciation on plant and equipment	1,792	906
Depreciation on right-of-use assets	877	795
Lease charges in respect of land and buildings: – for short term lease	297	315
Net reversal of expected credit loss	(18)	(59)
Rental income from investment properties less direct outgoings	(4,563)	(4,955)
	<u>(4,563)</u>	<u>(4,955)</u>

8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
The PRC – Corporate Income Tax		
– Tax for the period	6,973	18,614
The PRC – Land Appreciation Tax		
– Tax for the period	22,639	27,549
	<u>29,612</u>	<u>46,163</u>
Deferred tax		
– Credit for the period	(10,160)	(7,946)
	<u>19,452</u>	<u>38,217</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 2021: 25%) on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

Land Appreciation Tax (“LAT”) is levied at the properties developed by the Group for sale in the PRC. LAT is charged on the appreciated amount at progressive rates ranged from 30% to 60%.

9. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of (loss)/earnings per share is based on the loss attributable to the owners of the Company of approximately RMB87,683,000 (30 June 2021: profit of approximately RMB78,778,000) and on the weighted average of 10,293,136,554 (30 June 2021: 10,293,136,554) ordinary shares in issue during the period.

Diluted (loss)/earnings per share

There were no potential dilutive ordinary shares in existence during the six months’ period ended 30 June 2022 and 2021 and hence the diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share.

10. TRADE RECEIVABLES

	As at	
	30 June 2022 <i>RMB'000</i> (unaudited)	31 December 2021 <i>RMB'000</i> (audited)
Trade receivables	3,987	4,957
Less: Allowance for expected credit losses	<u>(258)</u>	<u>(276)</u>
Trade receivables – net	<u>3,729</u>	<u>4,681</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 2022 <i>RMB'000</i> (unaudited)	31 December 2021 <i>RMB'000</i> (audited)
0 to 90 days	<u>3,729</u>	<u>4,681</u>

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at	
	30 June 2022 <i>RMB'000</i> (unaudited)	31 December 2021 <i>RMB'000</i> (audited)
Prepaid value-added tax	55,065	59,969
Prepaid withholding tax recoverable (<i>note (a)</i>)	–	9,001
Other receivables, prepayment and deposits (<i>note (b)</i>)	<u>113,187</u>	<u>135,957</u>
	168,252	204,927
Less: Non-current portion	<u>(354)</u>	<u>(6,229)</u>
Current portion	<u><u>167,898</u></u>	<u><u>198,698</u></u>

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

note:

- (a) The amount represented the prepaid withholding tax of deregistration of an indirectly wholly owned subsidiary, Guangzhou Kinyang Real Estate Development Co., Ltd. upon the re-investment made to a new company registered in the PRC, the amount prepaid would refund to the Group which agreed with the tax bureau. During the six months' ended 30 June 2022, it was fully refunded.
- (b) It mainly includes advance receipts from customers placed in government authority, advances made to entities, prepaid construction cost, residences maintenance fund, rental and sundry deposits. As at 30 June 2022, advance receipts from customers for the sale of properties under development of RMB73,351,000 (31 December 2021: RMB113,596,000) 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. Advances of RMB26 million had been made to independent entities. Of which, advances totaling RMB16 million are unsecured and carry interest rate at 14% per annum. Whereas advances totaling RMB10 million are personal guaranteed and carry interest rate at 16.8% per annum. These advances are repayable on or before 31 December 2022.

12. TRADE PAYABLES

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

	As at	
	30 June 2022 <i>RMB'000</i> (unaudited)	31 December 2021 <i>RMB'000</i> (audited)
0 to 90 days	382,983	454,261
91 to 180 days	2,795	929
Over 180 days	1,784	859
	<u>387,562</u>	<u>456,049</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.

13. ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2022 <i>RMB'000</i> (unaudited)	31 December 2021 <i>RMB'000</i> (audited)
Rentals received in advance from tenants and other deposits	7,568	11,483
Tax and other levies	1,011	1,157
Amount due to an associate	112,173	112,173
Amount due to a director of the company	3,567	1,533
Amount due to former subsidiary under winding up process	–	2,050
Other payables and accruals (<i>note</i>)	40,384	29,728
	<u>164,703</u>	<u>158,124</u>

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

note:

It included provision of compensation for delay delivery of RMB25,334,000 (31 December 2021: RMB14,778,000), accrued salaries, administrative expenses, finance costs and sundry creditors.

14. BORROWINGS

	As at	
	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Borrowings included in:		
Secured bank loans repayable (note (a))		
– within 1 year	102,718	133,176
– after 1 year but within 2 years	15,840	14,960
– after 2 years but within 5 years	80,960	55,440
– after 5 years	40,216	73,656
Other secured loans repayable (note (b))		
– within 1 year	16,000	135,500
– after 1 year but within 2 years	111,800	–
– after 2 years but within 5 years	168,000	150,000
Total borrowings	535,534	562,732
Less: Amount due within one year shown under current liabilities	(118,718)	(268,676)
Amounts shown under non-current liabilities	416,816	294,056

As at 30 June 2022 and 31 December 2021, 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 8 years (31 December 2021: 1 year to 9 years) and bearing interest at the People's Bank of China 5 years loan base interest rate multiply by 110.60% or plus 0.55% inflated rate. Interest is repriced annually.

As at 30 June 2022, 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 2021: 5.2% to 10%) and secured by investment properties, completed properties held for sale and properties under development. Furthermore bank borrowing amounting to RMB239,734,000 (31 December 2021: RMB277,232,000) was also secured by personal guarantee from a director, who is also a major shareholder of the Company.

- (b) As at 30 June 2022, the effective interest rates on Group's other secured borrowings of RMB16,000,000 and RMB279,800,000 (31 December 2021: RMB135,500,000 and RMB150,000,000) are fixed at 10.5% and 11.8% respectively (2021: 10.5% and 11.8% respectively). The borrowings were secured by 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., personal guarantee by a director of the Company, corporate and personal guarantee provided by parties connected with the aforementioned director. As at 31 December 2021, the borrowings were also secured by pledged deposit.

15. SHARE CAPITAL

Number of shares **Amount**
HK\$'000

Authorised:

Ordinary shares of HK\$0.004 each:

At 1 January 2021, 30 June 2021,

1 January 2022 and 30 June 2022

125,000,000,000 500,000

Number of shares **Amount** **Equivalent to**
HK\$'000 *RMB'000*

Issued and fully paid:

Ordinary shares of HK\$0.004 each:

At 1 January 2021, 30 June 2021,

1 January 2022 and 30 June 2022

10,293,136,554 41,173 37,628

16. CAPITAL COMMITMENTS

As at
30 June 31 December
2022 2021
RMB'000 **RMB'000**
(unaudited) **(audited)**

Capital commitments (contracted but not provided for):

Capital injection into an associate

26,249 26,249

Construction costs of properties under development

142,264 185,730

168,513 **211,979**

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 2022 (the “Reporting Period”), the Group recorded an unaudited consolidated revenue and gross profit of RMB137.0 million and RMB53.9 million, respectively, as compared to revenue of RMB179.0 million and gross profit of RMB78.6 million for the six months ended 30 June 2021 (the “Preceding Period”), respectively.

During the Reporting Period, a revenue of RMB114.2 million (Preceding Period: RMB146.7 million) was recorded from the delivery and sales of residential units and villas of Xintian Banshan with a gross floor area of approximately 1,600 square meters (“sqm”) (Preceding Period: 2,400 sqm). A revenue of RMB10.0 million with a GFA of approximately 1,200 sqm was recognized upon delivery of pre-sold units of our Yangzhou Intelligence Living City commenced in second half of last year. Revenue from sales of other properties was RMB1.3 million (Preceding Period: RMB20.8 million).

In the first half of 2022, global economic environment remained uncertain and volatile. It has been impacted by resurgence of COVID, deglobalization, the raising of the US dollar interest rate, soaring global energy and food prices caused by the geopolitical conflicts. In addition to the aforementioned factors, strict COVID pandemic control measures have affected domestic economic activities, consumer demands and production chains further. With the weakening of growth expectations for the domestic economy and personal income, coupled with further debt defaults by property enterprises, the property sales in PRC declined prominently with price and volume fell.

During the Reporting Period, subscription and contract sales totaling approximately RMB45 million (Preceding Period: RMB274 million) with gross floor area of approximately 800 sqm (Preceding Period: 3,800 sqm) was recorded for Xintian Banshan at Zone B (新天•半山墅).

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, decreased to RMB7.3 million (Preceding Period: RMB7.8 million). Whereas rental income and properties management fee generated from other properties of the Group was RMB4.2 million in total (Preceding Period: RMB3.7 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 and changes in revenue mix, gross profit and overall gross profit margin reduced to RMB53.9 million and 39.4% (Preceding Period: RMB78.6 million and gross profit margin of 43.9%), respectively.

Distribution costs, administrative and other operating expenses

The Group stayed cautious on cost control. We reduced distribution costs to RMB3.3 million (Preceding Period: RMB6.5 million) in response to weakened market. Construction progress of our projects in Xuzhou and Yangzhou were affected and delayed by various quarantine restrictions. Further compensation of late delivery of presold properties units amounted RMB12.1 million (Preceding Period: Nil) had been paid and provided in accordance with the terms of relevant pre-sales documents and further re-scheduling of delivery date to fourth quarter of 2022. Other than such compensation, administrative and other expense of RMB25.3 million was recorded in the Reporting Period (Preceding Period: RMB20.7 million).

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. All the remaining residential units were substantially sold and delivered in previous years. During the Reporting Period, revenue was mainly arrived from sales of car parking spaces as well as interest income generated from spare cash of the associate. After taking into account the costs from Previous Acquisition, which is re-calculated to reflect the remaining underlying assets available for sale, as well as the tax provision of the associate, the Group recorded a share of loss of RMB5.1 million (Preceding Period: share of profit of RMB88.4 million).

Fair value changes on investment properties

During the Reporting Period, there was no signal of improvement in respect of Sino-US political friction. Given the recurrent outbreak of new cases of the Pandemic in PRC and overseas, there was also no significant sign of improvement in foreign trade aspect.

In view of continual weak rental market in Guangzhou and lowered market yield in overall general commercial properties market, a fair value deficits of RMB30.4 million (Preceding Period: RMB12.0 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. Despite tighten measures against properties market loosened, recurrent outbreak of Pandemic and flattering of economic growth especially in second and third tier cities, the sales of office units of our commercial logistic projects in Yangzhou Intelligence Living City and Xuzhou Intelligent Industrial Town were disappointing.

Subscription and contract sales of commercial units of our Yangzhou Intelligent Life City totaling approximately RMB8 million (Preceding Period: RMB15 million) with gross floor area of approximately 1,100 sqm (Preceding Period: 2,000 sqm) was recorded. Xuzhou suffered a lock down during the Reporting Period, as such, subscription and contract sales of our Xuzhou Intelligent Industrial Town totalling approximately RMB8 million (Preceding Period: RMB113 million) with gross floor area of approximately 800 sqm (Preceding Period: 11,500 sqm) was recorded.

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 RMB34.1 million (Preceding Period: RMB25.0 million) had been made to the aforementioned logistic projects under development.

Finance cost

Upon continual repayment of various loans, the Group maintained a lower average loan balances. As such, finance costs (before capitalisation) reduced to RMB22.6 million (Preceding Period: RMB33.8 million).

Income tax expenses

Income tax expenses reduced to RMB19.5 million (Preceding Period: RMB38.2 million) as a result of lower profitability during the Reporting Period.

(Loss)/profit for the period attributable to owners of the Company

Given the reduction of revenue, reduction of share of result of associate, absence of one-off gain and other aforementioned reasons, a loss attributable to owners of the Company of RMB87.7 million was recorded for the Reporting Period instead of a profit of RMB78.8 million in the Preceding Period.

Prospect

Looking ahead to the second half of 2022, domestic demand and investment could remain weak. Despite local governments of many cities provide supporting policies on the demand side to boost buying sentiment, it takes time to restore the confidence of creditors and home buyers. Confronted with the complex and changing situation, the Group's primary operating goals are to maintain financially healthy and liquid, destocking and stabilise debts. These enable the Group navigate through the current challenge and reposition ourselves for future development.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 June 2022 were approximately RMB4,006.0 million (31 December 2021: approximately RMB4,220.7 million) which were financed by the total equity and total liabilities of approximately RMB1,621.0 million (31 December 2021: approximately RMB1,708.6 million) and approximately RMB2,385.0 million (31 December 2021: approximately RMB2,512.1 million) respectively.

The Group borrowings were all denominated in Renminbi. Bank balances and cash were mainly denominated in Renminbi. As at 30 June 2022, 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 2022, the Group's gearing ratio was approximately 59.5% (31 December 2021: 59.5%), as computed by total liabilities divided by total assets. As at 30 June 2022, bank borrowings and other borrowings were amounted to RMB239.7 million and RMB295.8 million, respectively (31 December 2021: RMB277.2 million and RMB285.5 million). Details of interest rate are as shown in note 14 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\$1.20455: RMB1 and HK\$1.17076: 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 2022, an investment property and completed properties held for sale of the Group amounted approximately RMB524.0 million (31 December 2021: RMB552.0 million) and RMB175.8 million (31 December 2021: RMB205.5 million) were pledged to secure general banking facilities. Completed properties held for sale and properties under development with the approximate value of RMB175.6 million (31 December 2021: RMB153.7 million), RMB219.5 million (31 December 2021: RMB184.7 million) respectively were pledged to secure other borrowings. Deposits in the amount of RMB3.4 million were also pledged to secure other borrowings as at 31 December 2021.

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 30 June 2022, the Group had approximately 220 (31 December 2021: 213) employees, with about 215 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 16 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 2022.

DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2022.

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 2022 have been reviewed by the audit committee of the Company.

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

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

By Order of the Board
Zhang Gao Bin
Chairman

Hong Kong, 31 August 2022

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.