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## **TALENT PROPERTY GROUP LIMITED**

**新天地產集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 760)**

### **2022 ANNUAL RESULTS ANNOUNCEMENT**

#### **CHAIRMAN 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 2022.

#### **FINANCIAL RESULTS**

The consolidated revenue and gross profit for 2022 amounted to approximately RMB276.1 million (2021: RMB344.0 million) and RMB98.6 million (2021: RMB133.9 million), respectively. The revenue for the year mainly includes the revenue recognized from sales of villas of Xintian Banshan and delivery of pre-sold units of the Yangzhou project. Change in revenue composition resulted in a decrease in gross profit margin. Loss before taxation was RMB1.4 million (2021: profit before taxation of RMB197.2 million) before taking into account the fair value changes of investment properties and reversal of impairment loss of properties under development. During the year, recurring outbreak of pandemic and preventive measures brought about by Zero-COVID Policy adversely affected the construction progress, rental and selling activities of the Group’s projects. Unfavourable fair value changes of RMB49.4 million (2021: RMB12.0 million) were recorded for the investment properties. Whereas, a net reversal of impairment loss of properties under development of RMB45.5 million (2021: RMB12.0 million) was recorded as a result of reversal of impairment loss for Xuzhou project exceeded the provision for Yangzhou project.

\* For identification purposes only

After taking into the above factors, reduction of contribution from the associate and certain one-off gains recorded in last year, the Group recorded a net loss of RMB39.1 million in 2022 (2021: profit of RMB164.0 million).

## **REVIEW AND OUTLOOK**

In 2022, the post-pandemic economic rebound slowed down across the globe due to factors such as escalating geopolitical conflicts, high inflation, and accelerating interest rate hikes. In addition to external risks, the Chinese economy faced interruptions in commercial and activities of daily living due to sporadic COVID-19 outbreaks, suppressed productivity and consumer sentiment. In the context where home buyers exercised caution amid an economic slowdown, a number of incidents, including project suspension, mortgage defaults, and credit risks for real estate developers, occurred frequently, leading to a decline in property transaction volume and prices. The real estate industry in PRC heralded a period of deep adjustment. However, the government, in response to the market downturn and the requirement to stabilize the economy, implemented a series of measures to support the real estate industry on the basis of adhering to the principle of “housing is for living, not for speculation”. Looking into 2023, the industry is expected to gradually enter a period of recovery in the midst of increasingly relaxed regulatory policies.

### **Xintian Banshan**

The Group’s flagship project Xintian Banshan (known as 新天半山) is located next to the South Lake 4A-grade tourist attraction in Baiyun District, Guangzhou City, which is built on hills commanding a magnificent view of cloud mountain and blue lake. The majority of the project’s high-rise residences at Zone D and Villas at Zone C has been sold. The villas (known as 新天•半山墅) at Zone B, which are built along the mountain slope, are currently available for sale and highly acclaimed by the market. Boasting the most superior mountaintop location, the rare villas (known as 新天•山頂道) at Zone E in the Greater Bay Area adopts Monte-Carlo’s aristocratic lifestyle, and is currently available for reservation and visitation, attracting many top-notch individuals from the society for appreciation and sales negotiation. During the pandemic, the Group adopted a cherish strategy by making minor adjustments to selling prices. During the year, total subscription area and amount for Xintian Banshan amounted to approximately 2,000 sqm (2021: 5,200 sqm) and approximately RMB140 million (2021: RMB374 million). Due to the pandemic, low-density communities have manifested their advantages. Looking ahead to 2023, we have seen a recovery in the social and economic activities and business environment as the pandemic subsides. This recovery will help the Group continue to promote and sell rare top luxury villas in the Greater Bay Area, bringing in lucrative income for the Group in the future.

## **Logistics Commercial Property Projects**

The Group ventured into logistics properties in the Yangtze River Delta region in 2017. Yangzhou Intelligent Living City (known as 揚州智慧生活城), with a site area of 81,000 sqm located in Guangling District, Yangzhou City, is developed in two phases, namely Zone A and Zone B. The areas of commercial and office units of Zone A are approximately 10,000 sqm and 80,000 sqm respectively. Despite the pandemic affecting the construction progress, 7 out of the 12 blocks of properties in Zone A were completed and continued to be sold and delivered. Due to the oversupply of similar products in the market and the impact of the pandemic on the economy, sales remained sluggish in 2022, with the subscription amount and area only amounting to approximately RMB14.8 million and 1,900 sqm respectively (2021: RMB24.2 million and 3,100 sqm). Xuzhou Linan Intelligent Industrial Park (known as 徐州林安智慧產業園), with a site area of 102,000 sqm in Yunlong District, Xuzhou City, the saleable area of commercial units and office units are of approximately 62,000 sqm and 41,000 sqm, respectively. The Group took advantage of the government's local development opportunities in previous years, achieving satisfactory presales results. Due to the city lockdown measures for pandemic control, local economic activities were suspended, which resulted in a delay in project construction and delivery. As at the end of 2022, subscription for commercial units and office units decreased significantly, with only approximately RMB13.0 million and 1,400 sqm (2021: RMB230.8 million and approximately 21,400 sqm) of subscription amount and area recorded, respectively. In early January of 2023, the Group finished the completion-based check and acceptance procedures, with the delivery procedures of sold units initiated. Looking ahead to 2023, we aim to reduce the inventory level of both projects by taking advantage of the economic rebound after the pandemic, and accelerate the delivery of sold units.

## **Talent Shoes Trading Center**

Business environment for Talent Shoes Trading Center (known as 天倫鞋業交易中心), a 10-storey commercial and office complex located in Liwan District, Guangzhou, has been adversely affected by the draconian lockdown measures repeatedly implemented by the government, which have mostly affected the Zhuhai District and Liwan District, in addition to industrial shift and international trade tension. Our tenants and staff in general experienced great challenges in their business operation and management. Package of solutions, including short-term rental and management fee concessions, was introduced to tide over the difficult time together. Following Chinese Lunar New Year in 2023, the market sentiment started to improve with tenants returning. It is expected that the investment and rental of this property will return to normal in the future.

## **Linhe Cun Redevelopment Project**

The Linhe Cun Redevelopment Project is the Group's joint development project with Sun Hung Kai Properties Group, which is located in the CBD of Tianhe District in Guangzhou, near Guangzhou East Railway station. During previous years, all residential units of the project were sold out and delivered, with a few hundred parking spaces to be sold. The project company has accumulated a large amount of bank deposits, and dividends were paid to the shareholders within the year. The Group will continue to negotiate to expedite cash return from the joint venture company.

## **APPRECIATION**

In 2023, the Group will continue to persist in the strategy of product quality, keep track of sales collection, promote inventory turnover and ensure smooth delivery, in order to reciprocate the trust and support of all shareholders, customers, financing and business partners with our work results. We would also like to express our gratitude for the dedication and contribution of all employees.

**Zhang Gao Bin**

*Chairman and Executive Director*

Hong Kong, the PRC

31 March 2023

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

*For the year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue</b>	3, 4	<b>276,113</b>	343,992
Cost of sales and services		<u>(177,489)</u>	<u>(210,129)</u>
Gross profit		<b>98,624</b>	133,863
Other revenue	5	<b>9,452</b>	13,724
Distribution costs		<b>(9,576)</b>	(15,799)
Administrative and other operating expenses		<b>(60,178)</b>	(59,304)
Fair value changes on investment properties		<b>(49,445)</b>	(12,040)
Fair value changes on a financial asset at FVTPL		<b>3,294</b>	–
Reversal of impairment loss of properties under development		<b>45,456</b>	12,000
Reversal of/(allowance for) expected credit losses for trade receivables		<b>62</b>	(107)
Gain on disposal of a subsidiary		–	28,823
Share of result of an associate		<b>(4,427)</b>	129,710
Gain on losing control of a subsidiary		–	8,641
Finance costs	6	<u>(34,626)</u>	<u>(42,272)</u>
<b>(Loss)/profit before tax</b>	7	<b>(1,364)</b>	197,239
Income tax expense	8	<u>(37,784)</u>	<u>(33,209)</u>
<b>(Loss)/profit for the year</b>		<b><u>(39,148)</u></b>	<b><u>164,030</u></b>
<b>(Loss)/profit attributable to:</b>			
Owners of the Company		<b>(39,148)</b>	164,030
Non-controlling interests		<u>–</u>	<u>–</u>
		<b><u>(39,148)</u></b>	<b><u>164,030</u></b>

	<i>Notes</i>	<b>2022</b> <b><i>RMB'000</i></b>	2021 <i>RMB'000</i>
<b>Other comprehensive income/(loss) for the year</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		<u>697</u>	<u>(367)</u>
<b>Other comprehensive income/(loss) for the year</b>		<u>697</u>	<u>(367)</u>
<b>Total comprehensive (loss)/income for the year</b>		<u><b>(38,451)</b></u>	<u>163,663</u>
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of the Company		(38,451)	163,663
Non-controlling interests		<u>–</u>	<u>–</u>
		<u><b>(38,451)</b></u>	<u>163,663</u>
		<i>RMB</i>	<i>RMB</i>
<b>(Loss)/earnings per share</b>	9		
Basic and diluted		<u><b>(0.380) cent</b></u>	<u>1.594 cent</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		2022	2021
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties		552,700	585,960
Plant and equipment		7,818	3,370
Right-of-use assets		3,509	5,264
Interests in an associate		346,135	482,539
Prepayments, deposits and other receivables	<i>11</i>	354	6,229
Deferred tax asset		1,116	7,047
		<u>911,632</u>	<u>1,090,409</u>
<b>Current assets</b>			
Properties under development		523,054	2,003,789
Completed properties held for sale		2,352,041	673,460
Trade receivables	<i>10</i>	2,609	4,681
Prepayments, deposits and other receivables	<i>11</i>	133,483	198,698
Contract costs		–	700
Tax recoverable		30,934	15,364
Financial asset at FVTPL		–	7,920
Pledged deposit		–	3,386
Cash and cash equivalent		76,860	222,250
		<u>3,118,981</u>	<u>3,130,248</u>

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Current liabilities</b>			
Trade payables	<i>12</i>	<b>518,579</b>	456,049
Accruals and other payables	<i>13</i>	<b>100,984</b>	158,124
Contract liabilities	<i>14</i>	<b>765,802</b>	814,653
Lease liabilities		<b>1,729</b>	1,511
Provision for tax		<b>372,728</b>	338,286
Borrowings		<b>91,360</b>	268,676
		<u><b>1,851,182</b></u>	<u>2,037,299</u>
<b>Net current assets</b>		<u><b>1,267,799</b></u>	<u>1,092,949</u>
<b>Total assets less current liabilities</b>		<u><b>2,179,431</b></u>	<u>2,183,358</u>
<b>Non-current liabilities</b>			
Lease liabilities		<b>2,024</b>	3,753
Borrowings		<b>347,096</b>	294,056
Deferred tax liability		<b>160,175</b>	176,962
		<u><b>509,295</b></u>	<u>474,771</u>
<b>Net assets</b>		<u><b>1,670,136</b></u>	<u>1,708,587</u>
<b>EQUITY</b>			
Share capital		<b>37,628</b>	37,628
Reserves		<b>1,632,308</b>	1,670,759
Equity attributable to the owners of Company		<b>1,669,936</b>	1,708,387
Non-controlling interests		<b>200</b>	200
<b>Total equity</b>		<u><b>1,670,136</b></u>	<u>1,708,587</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 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 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 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 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 year has had no material impact on the Group’s financial positions and performance for the current and prior years and/on the disclosures set out in these consolidated financial statements.

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current year.

## New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

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 (2021: 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 2022

	<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 revenue</b>				
Revenue	<u>253,557</u>	<u>11,125</u>	<u>11,431</u>	<u>276,113</u>
<b>Timing of revenue recognition for those within the scope of HKFRS 15</b>				
A point in time	253,557	–	–	253,557
Over time	–	–	11,431	11,431
<b>Revenue from other source</b>				
Rental income	<u>–</u>	<u>11,125</u>	<u>–</u>	<u>11,125</u>
<b>Total</b>	<u><u>253,557</u></u>	<u><u>11,125</u></u>	<u><u>11,431</u></u>	<u><u>276,113</u></u>
<b>Reportable segment profit/(loss)</b>	<u><u>104,196</u></u>	<u><u>(42,368)</u></u>	<u><u>1,049</u></u>	<u><u>62,877</u></u>
Share of result of an associate				(4,427)
Finance costs				(34,626)
Income tax expenses				(37,784)
Unallocated expenses				(37,934)
Unallocated income				<u>12,746</u>
<b>Loss for the year</b>				<u><u>(39,148)</u></u>
Reportable segment assets	3,057,125	561,470	1,572	3,620,167
Corporate assets				<u>410,446</u>
<b>Group assets</b>				<u><u>4,030,613</u></u>
Reportable segment liabilities	1,620,367	147,298	1,539	1,769,204
Corporate liabilities				<u>591,273</u>
<b>Group liabilities</b>				<u><u>2,360,477</u></u>

For the year ended 31 December 2021

	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>				
Revenue	316,584	15,336	12,072	343,992
<b>Timing of revenue recognition for those within the scope of HKFRS 15</b>				
A point in time	316,584	–	–	316,584
Over time	–	–	12,072	12,072
<b>Revenue from other source</b>				
Rental income	–	15,336	–	15,336
<b>Total</b>	<b>316,584</b>	<b>15,336</b>	<b>12,072</b>	<b>343,992</b>
<b>Reportable segment profit/(loss)</b>				
	102,089	(1,138)	1,322	102,273
Share of result of an associate				129,710
Finance costs				(42,272)
Income tax expenses				(33,209)
Unallocated expenses				(40,660)
Unallocated income				48,188
<b>Profit for the year</b>				<b>164,030</b>
Reportable segment assets	2,915,902	593,326	1,512	3,510,740
Corporate assets				709,917
<b>Group assets</b>				<b>4,220,657</b>
Reportable segment liabilities	1,585,202	287,035	1,682	1,873,919
Corporate liabilities				638,151
<b>Group liabilities</b>				<b>2,512,070</b>

The measure used for reporting segment profits or losses is adjusted (losses)/profits before interest and taxes. To arrive at adjusted (losses)/profits, the Group's (losses)/profits 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 allocated income and corporate administration costs.

Segment assets consist primarily of investment properties, certain 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 certain 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 2022 is as follows:

	<b>Property development</b>	<b>Property investment</b>	<b>Property management</b>	<b>Unallocated</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other segment information:					
Addition to non-current segment assets during the year	7,756	485	–	31	8,272
Reversal of expected credit losses for trade receivables	–	62	–	–	62
Depreciation	(4,215)	–	–	(879)	(5,094)
Fair value changes on investment properties	–	(49,445)	–	–	(49,445)
Reversal of impairment loss of properties under development	<u>45,456</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>45,456</u>

Other segment information for the year ended 31 December 2021 is as follows:

	Property development	Property investment	Property management	Unallocated	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other segment information:					
Addition to non-current segment assets during the year	5,664	199	–	–	5,863
Allowance for expected credit losses for trade receivables	–	(107)	–	–	(107)
Depreciation	(3,237)	–	–	(105)	(3,342)
Fair value changes on investment properties	–	(12,040)	–	–	(12,040)
Reversal of impairment loss of properties under development	<u>12,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>12,000</u>

There were four (2021: nil) customers from property development segment individually contributed over 10% of the Group's total revenue during the year ended 31 December 2022.

	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	<b>34,286</b>	–
Customer B	<b>34,286</b>	–
Customer C	<b>33,333</b>	–
Customer D	<u><b>31,429</b></u>	<u>–</u>

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:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Hong Kong (domicile) ( <i>note</i> )	–	–
Mainland China	<u>910,162</u>	<u>1,077,133</u>
	<u><b>910,162</b></u>	<u><b>1,077,133</b></u>

*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 and (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:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Sales of properties	<b>253,557</b>	316,584
Properties management fees	<u>11,431</u>	<u>12,072</u>
<b>Revenue from contracts with customers (within the scope of HKFRS 15)</b>	<b>264,988</b>	328,656
Gross rental income from investment properties (outside the scope of HKFRS 15)	<u>11,125</u>	<u>15,336</u>
<b>Total</b>	<u><b>276,113</b></u>	<u><b>343,992</b></u>

### 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 2022 and 2021 allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and 2021 and the expected timing of recognising revenue are as follows:

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Within one year	<u>768,814</u>	<u>874,262</u>

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.

### Leases

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Rental income under operating leases:		
Lease payments that are fixed	<u>11,125</u>	<u>15,336</u>
<b>Total revenue arising from leases</b>	<b><u>11,125</u></b>	<b><u>15,336</u></b>

## 5. OTHER REVENUE

	2022	2021
	RMB'000	RMB'000
<b>Other revenue</b>		
Interest income on financial assets carried at amortised costs	6,079	3,743
Interest income on loan to an associate	17	973
Management fee income from an associate	6	310
Others ( <i>note</i> )	<u>3,350</u>	<u>8,698</u>
	<b><u>9,452</u></b>	<b><u>13,724</u></b>

*note:* It represents certain one-off items including forfeiture of customer's deposit for the year ended 31 December 2021.

## 6. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on secured bank loans	12,859	23,181
Interest on lease liabilities	430	105
Interest on other secured loans	32,607	41,782
Interest on contract liabilities	60,452	38,900
Less: amount capitalised to properties under development	<u>(71,722)</u>	<u>(61,696)</u>
	<b><u>34,626</u></b>	<b><u>42,272</u></b>

## 7. (LOSS)/PROFIT BEFORE TAX

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(Loss)/profit before income tax is arrived at after charging/ (crediting):		
Cost of properties sold	158,400	191,742
Cost of service for property management	9,931	10,246
(Reversal of)/allowance for expected credit losses for trade receivables	(62)	107
Tax and other levies	6,510	5,226
Depreciation of plant and equipment ( <i>note (a)</i> )	3,339	1,751
Depreciation of right-of-use assets	1,755	1,591
Auditors' remuneration		
– Audit services	732	705
– Non-audit services		
– Interim review	172	332
Reversal of impairment loss of properties under development	(45,456)	(12,000)
Rental income from investment properties less direct outgoings ( <i>note (b)</i> )	<u>(8,477)</u>	<u>(12,406)</u>

*notes:*

### (a) Depreciation expenses

Depreciation expenses of approximately RMB3,339,000 (2021: approximately RMB1,751,000) have been included in administrative expenses.

### (b) Rental income from investment properties

Direct outgoings incurred for rental income from investment properties amounted to approximately RMB2,648,000 (2021: approximately RMB2,930,000).



## 8. INCOME TAX EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Current tax</b>		
The PRC – Enterprise Income Tax		
– Tax for the year	<u>10,180</u>	<u>21,210</u>
The PRC – Land Appreciation tax		
– Current year	38,481	43,597
– Over provision in respect of prior years ( <i>note</i> )	<u>–</u>	<u>(34,010)</u>
	<u>38,481</u>	<u>9,587</u>
<b>Deferred tax</b>		
– (Credit)/charge for the year	<u>(10,877)</u>	<u>2,412</u>
<b>Total income tax expense</b>	<u><u>37,784</u></u>	<u><u>33,209</u></u>

*note:* Before completion of deregistration of a dormant and indirectly wholly owned subsidiary, Guangzhou Kinyang Real Estate Development Co., Ltd., a tax clearance was obtained from the tax bureau. It upheld and confirmed that a lower assessment rate of land appreciation tax was applicable to the properties project rather than the standard progressive rate as provided by the Group previously. Therefore, an amount of RMB34,010,000 for land appreciation tax was reversed in year 2021.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(Loss)/profit before taxation	<u>(1,364)</u>	<u>197,239</u>
Income tax at the PRC income tax rate of 25%	(341)	49,310
Tax effect of different taxation rates in other tax jurisdictions	127	(256)
Over provision in prior years	–	(34,010)
Tax effect of non-taxable revenue	(374)	(2,178)
Tax effect of non-deductible expenses	4,828	5,689
Tax effect of reversal of unrecognised deductible temporary differences	(11,364)	(3,000)
Tax effect of prior year's unrecognised tax losses utilised this year	(560)	(7,357)
Tax effect of unused tax losses not recognised	9,568	11,521
Tax effect of previously recognised allowable loss expired	936	6,608
Tax effect of share of result of an associate	1,107	(32,428)
Tax effect of reversal of previously recognised allowable loss	4,300	6,612
Tax effect of reversal of previously recognised deductible temporary differences	696	–
PRC land appreciation tax	38,481	43,597
Effect of PRC land appreciation tax	<u>(9,620)</u>	<u>(10,899)</u>
Income tax expense	<u><u>37,784</u></u>	<u><u>33,209</u></u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the 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% (2021: 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% (2021: 30% to 60%) on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all properties development expenditures.

## 9. (LOSS)/EARNINGS PER SHARE

### Basic (loss)/earnings per share

The calculation of (loss)/earnings per share is based on the loss attributable to the owners of the Company of approximately RMB39,148,000 (2021: profit of approximately RMB164,030,000) and on the weighted average of 10,293,136,554 (2021: 10,293,136,554) ordinary shares in issue during the year.

### Diluted (loss)/earnings per share

There was no difference between basic and diluted (loss)/earnings per share as the Company did not have any dilutive potential shares outstanding during the year ended 31 December 2022 and 2021.

## 10. TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables		
– from property investment	2,784	4,957
Less: allowance for expected credit losses	(175)	(276)
	<u>2,609</u>	<u>4,681</u>
Trade receivables – net	<u><u>2,609</u></u>	<u><u>4,681</u></u>

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 2022 and 31 December 2021, 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.

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:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
0 to 90 days	<b>2,609</b>	4,681

As at 31 December 2022, all of the Group's trade receivables are denominated in RMB (2021: RMB), no interest is charged on trade receivables.

#### 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Prepaid value-added tax	<b>49,295</b>	59,969
Prepaid withholding tax recoverable ( <i>note (a)</i> )	–	9,001
Other receivables, prepayments and deposits ( <i>note (b)</i> )	<b>84,542</b>	135,957
	<b>133,837</b>	204,927
Less: Non-current portion	<b>(354)</b>	(6,229)
Current portion	<b>133,483</b>	198,698

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

*notes:*

- (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 year 2022, the prepaid withholding tax was fully refunded.
- (b) It mainly includes prepaid construction cost, residences maintenance fund, rental and sundry deposits. As at 31 December 2022, advance receipts from customers for the sale of properties under development of approximately RMB69,565,000 (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 cost.

## 12. TRADE PAYABLES

Based on the invoice dates, the ageing analysis of the trade payables for construction from property development were as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 to 90 days	515,064	454,261
91 to 180 days	938	929
Over 180 days	2,577	859
	<u>518,579</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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Rental received in advance from tenants and other deposits	7,963	11,483
Tax and other levies	1,662	1,157
Amount due to an associate	40,422	112,173
Amount due to a director of the Company	4,676	1,533
Amount due to a former subsidiary under winding up process	–	2,050
Other payables and accruals ( <i>note</i> )	46,261	29,728
	<u>100,984</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 the accrued compensation for delay delivery of RMB25,539,000 (2021: RMB14,778,000), accrued salaries, administrative expenses, finance costs and sundry creditors.

## 14. CONTRACT LIABILITIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Receipt in advance from customers in respect of property development segment – current portion	<u>765,802</u>	<u>814,653</u>

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 2022, additions of receipt in advance from customers and interest expenses in respect of property development segment amounted to RMB67,669,000 (2021: RMB430,771,000) and RMB60,452,000 (2021: RMB38,900,000), respectively.

The revenue recognised in the current year in respect of contract liabilities brought forward was RMB176,972,000 (2021: RMB173,284,000).

## **FINAL DIVIDEND**

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022 and 2021.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS AND FINANCIAL REVIEW**

#### **Overview**

The principal activity of Talent Property Group Limited is investment holding. The Group engage in the businesses of (i) property development, (ii) property investment and (iii) property management in the PRC since the Group completed the acquisition of equity interests in various real estate projects in the PRC in 2011 (the “**Previous Acquisition**”).

#### **Revenue and gross profit**

For the year ended 31 December 2022, the Group recorded a revenue and gross profit of RMB276.1 million and RMB98.6 million, respectively, as compared to a revenue and gross profit of RMB344.0 million and RMB133.9 million, respectively, for the year ended 31 December 2021.

During the year, a revenue of RMB213.2 million (2021: RMB261.2 million) was recorded from the delivery and sales of residential units and villas of Xintian Banshan with a gross floor area (“**GFA**”) of approximately 3,000 square meters (“**sqm**”) (2021: 3,800 sqm). A revenue of RMB38.8 million (2021: RMB31.7 million) with a GFA of approximately 5,200 sqm (2021: 3,900 sqm) was recognized from the delivery of office units of our Yangzhou Intelligence Living City. Revenue from sales of other properties reduced to RMB1.6 million (2021: RMB23.7 million). Rental income and properties management fee income of RMB10.5 million (2021: RMB14.7 million) and RMB3.3 million (2021: RMB4.1 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 RMB8.7 million in total (2021: RMB8.6 million).

After taking into account the costs from Previous Acquisition, subsequent development cost, the net provision for impairment loss as well as changes in revenue mix, gross profit and overall gross profit margin reduced to RMB98.6 million and 35.7% (2021: RMB133.9 million and gross profit margin of 38.9%), respectively.

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

The Group stayed cautious on cost control. We reduced distribution costs to RMB9.6 million (2021: RMB15.8 million) in response to weakened market. Construction progress of our projects in Xuzhou and Yangzhou were affected and delayed by various quarantine restrictions against COVID-19. Further compensation of late delivery of presold properties units amounted RMB15.6 million (2021: RMB15.0 million) had been paid and provided in accordance with the terms of relevant presales documents. Delivery of presales properties in Xuzhou commenced in January 2023. Other than such compensation, administrative and other expense of RMB44.6 million (2021: RMB44.3 million) was recorded.

### **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 year, 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 RMB4.4 million (2021: share of profit of RMB129.7 million).

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

During the year, especially the second half of the year, stringent pandemic control caused prolonged locked down of various district in Guangzhou, which hampered all economic activities around that area. Consideration has made been to the overall weakened rental market in Guangzhou and lowered market yield in overall general commercial properties market, a fair value deficits of RMB49.4 million (2021: RMB12.0 million) were recorded, mainly from our Talent Shoes Trading Center, by reference to revaluation by the Company's independent property valuer.

### **Reversal of impairment loss of properties under development**

Our commercial projects in Yangzhou and Xuzhou were launched for presale in late 2019. Despite tight measures against properties market slightly loosened, recurrent outbreak of pandemic and flattering of economic growth especially in second and third tier cities, the sales of our commercial logistic projects in Yangzhou and Xuzhou were nearly halted.

After consideration of our current pre-sales record, development progress, future marketing strategies, completion and commencement of delivery of Xuzhou project in early 2023, impairment losses provided in previous years as well as references to valuation by the independent property valuer, a net reversal of impairment loss of RMB45.5 million (2021: RMB12.0 million) had been made to the logistic projects under development.

## **Finance cost**

Upon continual repayment of various loans, the Group maintained a lower average loan balances. As such, finance costs from secured bank loans and other loans reduced to RMB45.5 million (2021: RMB65.0 million).

## **Income tax expense**

Income tax expense increased to RMB37.8 million (2021: RMB33.2 million). It was primarily because there was a one-off reversal of over-provided taxation in last year.

## **(Loss)/profit for the year attributable to owners of the Company**

Given the reduction of revenue, reduction of share of result of associate, absence of one-off gain on disposal and losing control of subsidiaries, unfavourable fair value changes on properties projects and off-setting effect by reversal of impairment loss of properties under development, a loss attributable to owners of the Company of RMB39.1 million was recorded instead of a profit of RMB164.0 million in 2021.

## **PROSPECT**

Although global economic stability is affected by Sino-US relations, Russia-Ukraine war and US rate hike, the China's economy is set to rebound in 2023 as mobility and activity pick up after the lifting of pandemic control measures. The Group will focus on the promotion of the sales of Xintian Banshan, monitor and maintain the liquidity of the Group, tightly control operating costs, and act prudently and reposition the Group for future growth and development.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's total assets as at 31 December 2022 were approximately RMB4,030.6 million (31 December 2021: approximately RMB4,220.7 million) which were financed by the total equity and total liabilities of approximately RMB1,670.1 million (31 December 2021: approximately RMB1,708.6 million) and approximately RMB2,360.5 million (31 December 2021: approximately RMB2,512.1 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 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 31 December 2022, the Group's gearing ratio then computed as total liabilities over total assets was approximately 58.6% (31 December 2021: 59.5%). As at 31 December 2022, bank borrowings amounted to RMB141.3 million (31 December 2021: RMB277.2 million) carry variable interest rate of the People's Bank of China 5 years loan base interest rate plus 0.55% inflated rate (31 December 2021: 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 RMB297.2 million (31 December 2021: RMB285.5 million) carry fixed rate with a range from 10.5% to 11.8% (31 December 2021: 10.5% to 11.8%) per annum.

## **EXPOSURE TO FOREIGN EXCHANGE**

The revenue and the cost of goods sold and of service of the Group are mainly denominated in Renminbi. Therefore, the Group is not exposed to any other material foreign currency exchange risk. An average rate and a closing rate of HK\$1.15995:RMB1 and HK\$1.12603:RMB1, respectively, were applied on consolidation of the financial statements for the year ended 31 December 2022. No hedging measure has been implemented by the Group.

## **CHARGES ON ASSETS**

As at 31 December 2022, an investment property amounted approximately RMB506.0 million (31 December 2021: RMB552.0 million) were pledged to secure general banking facilities. As at 31 December 2021, completed properties held for sale amounted of RMB205.5 million also pledged for the general banking facilities.

To secure other borrowings, completed properties held for sale amounted to RMB428.6 (31 December 2021: RMB153.7 million) were pledged as at 31 December 2022 whereas properties under development and deposit with the approximate value of RMB184.7 million and RMB3.4 million respectively were also pledged to secure other borrowings as at 31 December 2021.

## **NUMBERS AND REMUNERATION OF EMPLOYEES**

As at 31 December 2022, the Group had approximately 199 (31 December 2021: 213) employees, with about 196 in the Mainland China and 3 in Hong Kong. All employees are remunerated based on industry practice and in accordance with prevailing labor law. In Hong Kong, apart from basic salary, staff benefits including medical insurance, performance related bonus, and mandatory provident fund would be provided by the Group.

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

## **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 2022 and reviewed the Group’s annual results for 2021 and interim results for 2022; 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 2022 of the Company have been reviewed by the Audit Committee.

For the year ended 31 December 2022, the fees paid/payable to the auditor of the Company in respect of the audit services and non audit services in 2022 were amounted to approximately RMB0.7 million and RMB0.2 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 2022, 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 2022 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](http://www.hkexnews.hk)) and the Company ([www.760hk.com](http://www.760hk.com)) and the 2022 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

31 March 2023

*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.*