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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: 00760)

2021 UNAUDITED 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 unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021.

FINANCIAL RESULTS

The consolidated revenue and gross profit for 2021 amounted to approximately RMB344.0 million (2020: RMB348.2 million) and RMB133.9 million (2020: RMB166.9 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. Profit before taxation was RMB197.3 million (2020: RMB97.8 million) before taking into account the fair value changes of investment properties and provision for impairment loss for properties under development. Provision for impairment loss was minimal in the current year following a prudent impairment charge in previous years. Unfavourable fair value changes of RMB12.0 million and reversal of impairment loss of RMB12.0 million, respectively, (2020: unfavourable fair value changes and impairment loss totaling RMB213.9 million) were recorded for the investment properties and the carrying value of logistics commercial projects under development with reference to independent appraisal after examining current market and development conditions. Income recognition from sales of residual properties by associated companies resulted in the Group’s increased share of profits from those companies. After taking into account the above factors and lower income tax expense, profit after tax attributable to the owners of the Company amounted to RMB164.0 million (2020: loss of RMB100.9 million).

* For identification purposes only

REVIEW AND OUTLOOK

Following the recession caused by the COVID-19 pandemic (the “Pandemic”) in 2020, thanks to accommodative monetary and fiscal policies maintained by governments, the countries worldwide saw their economies recover to varying degrees in 2021 despite the emergence of variants.

In the first half of 2021, China’s real estate market experienced higher regulatory restrictions on real estate financing, housing loans, and land transfers to suppress a renewed overheating of the real estate sector. However, with the ongoing tightening policies and the slowdown of overall economic growth, many large real estate developers experienced liquidity crises in the second half of the year and there has been a surge of credit defaults in the industry. This indicates that the “high turnover” and “excessive financialization” model of the real estate industry may have come to an end. The future business model will favor high quality growth, refined products and management.

Xintian Banshan

The Group’s flagship project Xintian Banshan 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 the city’s commercial center. 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 and currently available for sale, have been highly acclaimed by the market. The Group grasped the market trend and adjusted its pricing strategy in a timely manner to speed up cash recovery. During the year, total subscription area and amount for Xintian Banshan amounted to approximately 5,200 sqm (2020: 3,500 sqm) and approximately RMB374 million (2020: RMB237 million).

Going into 2022, with the weakness in the overall real estate market in the second half of 2021 and the successive outbreaks of credit events, the central government has signalled easing measures and accordingly the credit environment has improved slightly. In addition, the Pandemic has highlighted the advantages of a low-density community, which, along with the scarcity of top luxury villas in Guangzhou, will help the Group’s ongoing sale of villas in Zone B. On the other hand, villas in Zone E (known as 新天 • 山頂道), which are rare in the Great Bay Area, occupy the prime location of the project and adopt the design concept of Monte Carlo aristocratic living style, is now open for viewing by appointment since early 2022. It is expected to bring in a lucrative income for the Group in the future.

Logistics Commercial Property Projects

In order to diversify the Group's business, the Group ventured into logistics properties in the Yangtze River Delta region in 2017. Yangzhou Intelligent Life City, 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 saleable area of commercial and office units of Zone A are approximately 10,000 sqm and 80,000 sqm respectively. However, the Pandemic has affected the progress of the project, resulting in some of the pre-sold units not being delivered on time, and it is now planned that the project will be fully completed in mid-2022 for sale and delivery as completed units. Supply of similar products in Yangzhou City has exceeded demand in recent years and sales have not been satisfactory as a result. As at the end of 2021, the subscription amount and area were approximately RMB24.2 million and 3,100 sqm respectively (2020: RMB25.5 million and 3,200 sqm). Looking ahead to 2022, we will continue to expand effort in marketing and soliciting investors.

The disposal to the local government of Suzhong Demonstration City on Intelligent Agricultural Industry, located in Shatou Town, Yangzhou with a site area of 250,000 sqm, was completed during the year. Consideration for equity interests has been received and shareholder's loan has been settled, relieving the Group's cash needs and registering a gain on disposal of approximately RMB28.8 million.

Xuzhou Intelligent Industrial Town, with a site area of 102,000 sqm in Yunlong District, Xuzhou City, was originally scheduled for delivery of pre-sold units in late 2021, but construction was delayed due to the Pandemic and is now scheduled to be fully completed and delivered by mid-2022. The saleable area of commercial and office units of the project are approximately 62,000 sqm and 41,000 sqm respectively. The Group took advantage of the local government's local development plan and the opening of metro in the city to generate faster cash returns. As at the end of 2021, approximately RMB205.1 million and 17,300 sqm (2020: RMB284.8 million and approximately 28,400 sqm) of subscription amount and area, respectively, were recorded for commercial units, and approximately RMB25.7 million and 4,100 sqm (2020: RMB16.8 million and approximately 2,500 sqm) respectively, were recorded for office units. Looking ahead to 2022, we aim to complete the sale of the remaining commercial units of approximately 10,000 sqm and boost sale of office units.

Talent Shoes Trading Center

Business environment for Talent Shoes Trading Center (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 industrial shift, trade tension between the China and the US, slowdown of the domestic economy as well as the Pandemic and strict government control policies. Our tenants and staff in general experienced difficulty in their business operation and management, resulting in higher lost of office tenants in the second half of the year. In addition to the current offer of short-term rental concessions, we will optimize rental and customer mix in 2022.

Linhe Cun Redevelopment Project

During the year, residential units of the middle to upper floors in the last block of Forest Hills, a project namely Linhe Cun Redevelopment Project developed jointly with Sun Hung Kai Properties Group and located in the CBD of Tianhe District in Guangzhou, near Guangzhou East Railway station, were sold out. Only a few hundred parking spaces remain to be sold. The project has accumulated a large amount of bank deposits and the Group will negotiate to expedite cash return from the joint venture company.

APPRECIATION

Last but not least, on behalf of our board of directors, I would like to take this opportunity to thank all of our shareholders, clients, financing and business partners for their trust and support and our staff for their substantial contribution due to their hard work and dedication.

Zhang Gao Bin
Chairman and Executive Director
PRC Hong Kong

31 March 2022

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2021

	<i>Notes</i>	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Revenue	3,4	343,992	348,216
Cost of sales and services		<u>(210,129)</u>	<u>(181,348)</u>
Gross profit		133,863	166,868
Other revenue	5	13,724	12,868
Distribution costs		(15,799)	(20,821)
Administrative and other operating expenses		(59,304)	(44,866)
Fair value changes on investment properties		(12,040)	(45,930)
Reversal of impairment loss/(impairment loss) of properties under development		12,000	(168,000)
Allowance for expected credit losses for trade receivables		(107)	(1,231)
Gain on disposal of a subsidiary		28,823	–
Share of result of an associate		129,710	38,556
Gain on losing control of a subsidiary		8,641	–
Finance costs	6	<u>(42,272)</u>	<u>(53,576)</u>
Profit/(loss) before tax	7	197,239	(116,132)
Income tax expense	8	<u>(33,209)</u>	<u>(74,036)</u>
Profit/(loss) for the year		<u>164,030</u>	<u>(190,168)</u>
Profit/(loss) attributable to:			
Owners of the Company		164,030	(100,868)
Non-controlling interests		<u>–</u>	<u>(89,300)</u>
		<u>164,030</u>	<u>(190,168)</u>
Other comprehensive loss for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		<u>(367)</u>	<u>(245)</u>
Other comprehensive loss for the year		<u>(367)</u>	<u>(245)</u>
Total comprehensive income/(loss) for the year		<u>163,663</u>	<u>(190,413)</u>

	<i>Notes</i>	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Audited)</i>
Total comprehensive income/(loss) attributable to:			
Owners of the Company		163,663	(101,113)
Non-controlling interests		<u>–</u>	<u>(89,300)</u>
		<u>163,663</u>	<u>(190,413)</u>
		<i>RMB</i>	<i>RMB</i>
Earnings/(loss) per share			
Basic and diluted	<i>9</i>	<u>1.594 cent</u>	<u>(0.980) cent</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		585,960	598,000
Plant and equipment		3,370	4,522
Right-of-use assets		5,264	1,591
Interests in an associate		482,539	351,546
Prepayments, deposits and other receivables	<i>11</i>	6,229	–
Pledged deposit		–	3,386
Deferred tax asset		7,047	20,267
		<u>1,090,409</u>	<u>979,312</u>
Current assets			
Properties under development		2,003,789	1,564,914
Completed properties held for sale		673,460	820,851
Trade receivables	<i>10</i>	4,681	6,796
Prepayments, deposits and other receivables	<i>11</i>	198,698	174,344
Contract costs		700	2,356
Tax recoverable		15,364	10,311
Financial asset at FVTPL		7,920	–
Pledged deposit		3,386	–
Cash and cash equivalent		222,250	109,991
		<u>3,130,248</u>	<u>2,689,563</u>
Assets classified as held for sale		<u>–</u>	<u>597,823</u>
		<u>3,130,248</u>	<u>3,287,386</u>

	<i>Notes</i>	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Audited)</i>
Current liabilities			
Trade payables	<i>12</i>	456,049	475,628
Accruals and other payables	<i>13</i>	158,124	141,619
Contract liabilities	<i>14</i>	814,653	518,266
Lease liabilities		1,511	1,836
Provision for tax		338,286	342,039
Borrowings		268,676	125,437
		<u>2,037,299</u>	<u>1,604,825</u>
Liabilities associated with assets classified as held for sale		<u>–</u>	<u>257,374</u>
		<u>2,037,299</u>	<u>1,862,199</u>
Net current assets		<u>1,092,949</u>	<u>1,425,187</u>
Total assets less current liabilities		<u>2,183,358</u>	<u>2,404,499</u>
Non-current liabilities			
Lease liabilities		3,753	–
Borrowings		294,056	619,112
Deferred tax liability		176,962	187,777
		<u>474,771</u>	<u>806,889</u>
Net assets		<u>1,708,587</u>	<u>1,597,610</u>
EQUITY			
Share capital		37,628	37,628
Reserves		1,670,759	1,709,344
Equity attributable to the owners of Company		<u>1,708,387</u>	<u>1,746,972</u>
Non-controlling interests		200	<u>(149,362)</u>
Total equity		<u>1,708,587</u>	<u>1,597,610</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. BASIS OF PREPARATION

The unaudited 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 unaudited consolidated financial statements, information is considered material if such information is reasonably expected to influence decision made by primary users. These unaudited 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 2021 for the preparation of the unaudited 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

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 unaudited 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	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Definition of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

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

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

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

⁴ Effective for annual periods beginning on or after 1 April 2021.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the unaudited consolidated financial statements in the foreseeable future.

3. SEGMENT INFORMATION

The Group is organised into three (2020: 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 2021 (Unaudited)

	Property development <i>RMB'000</i> <i>(Unaudited)</i>	Property investment <i>RMB'000</i> <i>(Unaudited)</i>	Property management <i>RMB'000</i> <i>(Unaudited)</i>	Total <i>RMB'000</i> <i>(Unaudited)</i>
Reportable segment revenue				
Revenue	<u>316,584</u>	<u>15,336</u>	<u>12,072</u>	<u>343,992</u>
Timing of revenue recognition for those within the scope of HKFRS 15				
A point in time	316,584	–	–	316,584
Over time	–	–	12,072	12,072
Revenue from other source				
Rental income	<u>–</u>	<u>15,336</u>	<u>–</u>	<u>15,336</u>
Total	<u><u>316,584</u></u>	<u><u>15,336</u></u>	<u><u>12,072</u></u>	<u><u>343,992</u></u>
Reportable segment profit/(loss)	<u><u>102,089</u></u>	<u><u>(1,138)</u></u>	<u><u>1,322</u></u>	<u><u>102,273</u></u>
Share of result of an associate				129,710
Finance costs				(42,272)
Income tax expenses				(33,209)
Unallocated expenses				(40,660)
Unallocated income				<u>48,188</u>
Profit for the year				<u><u>164,030</u></u>
Reportable segment assets	2,915,902	593,326	1,512	3,510,740
Corporate assets				<u>709,917</u>
Group assets				<u><u>4,220,657</u></u>
Reportable segment liabilities	1,585,202	287,035	1,682	1,873,919
Corporate liabilities				<u>638,151</u>
Group liabilities				<u><u>2,512,070</u></u>

For the year ended 31 December 2020 (Audited)

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

The measure used for reporting segment profits or losses is adjusted profits/(losses) before interest and taxes. To arrive at adjusted profits/(losses), the Group's profits/(losses) are further adjusted for items not specifically attributed to individual segments, such as share of results of an associate, finance costs, income tax expenses, interest and other unallocated income and corporate administration costs.

Segment assets consist primarily of investment properties, plant and equipment, right-of-use assets, prepayments, certain deposits and other receivables, pledged deposit, properties under development, completed properties held for sales, trade receivables, contract costs and cash and cash equivalent.

Segment liabilities consists primarily of trade payables, certain accruals and other payables, contract liabilities, lease liabilities and borrowings.

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

	Property development <i>RMB'000</i> <i>(Unaudited)</i>	Property investment <i>RMB'000</i> <i>(Unaudited)</i>	Property management <i>RMB'000</i> <i>(Unaudited)</i>	Unallocated <i>RMB'000</i> <i>(Unaudited)</i>	Total <i>RMB'000</i> <i>(Unaudited)</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 and amortisation	(3,237)	–	–	(105)	(3,342)
Fair value changes on investment properties	–	(12,040)	–	–	(12,040)
Reversal of impairment loss of properties under development	12,000	–	–	–	12,000
	<u>12,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>12,000</u>

Other segment information for the year ended 31 December 2020 (Audited) is as follows:

	Property development <i>RMB'000</i> <i>(Audited)</i>	Property investment <i>RMB'000</i> <i>(Audited)</i>	Property management <i>RMB'000</i> <i>(Audited)</i>	Unallocated <i>RMB'000</i> <i>(Audited)</i>	Total <i>RMB'000</i> <i>(Audited)</i>
Other segment information:					
Addition to non-current segment assets during the year	3,084	930	–	–	4,014
Allowance for expected credit losses for trade receivables	–	(1,231)	–	–	(1,231)
Depreciation and amortisation	(3,143)	–	–	(315)	(3,458)
Fair value changes on investment properties	–	(45,930)	–	–	(45,930)
Impairment loss of properties under development	(168,000)	–	–	–	(168,000)
	<u>(168,000)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(168,000)</u>

There was no (2020: two from property development segment) customer individually contributed over 10% of the Group's total revenue during the year ended 31 December 2021.

	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Audited)</i>
Customer A	–	35,238
Customer B	–	47,619
	<u>–</u>	<u>82,857</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:

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Hong Kong (domicile) (note)	–	–
Mainland China	<u>1,077,133</u>	<u>955,659</u>
	<u>1,077,133</u>	<u>955,659</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:

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Sales of properties	316,584	322,982
Properties management fees	<u>12,072</u>	<u>10,841</u>
Revenue from contracts with customers (within the scope of HKFRS 15)	328,656	333,823
Gross rental income from investment properties (outside the scope of HKFRS 15)	<u>15,336</u>	<u>14,393</u>
Total	<u>343,992</u>	<u>348,216</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 2021 and 2020 allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and 2020 and the expected timing of recognising revenue are as follows:

	For the year ended 31 December	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Within one year	874,262	555,738
More than one year but not more than two years	<u>–</u>	<u>71,938</u>
	<u>874,262</u>	<u>627,676</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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Rental income under operating leases:		
Lease payments that are fixed	<u>15,336</u>	<u>14,393</u>
Total revenue arising from leases	<u>15,336</u>	<u>14,393</u>

5. OTHER REVENUE

	For the year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Other revenue		
Interest income on financial assets carried at amortised costs	3,743	1,063
Interest income on loan to an associate	973	734
Management fee income from an associate	310	234
Others (<i>note</i>)	<u>8,698</u>	<u>10,837</u>
	<u>13,724</u>	<u>12,868</u>

note:

It represents certain one-off items which include certain receipt from customer's forfeiture of deposit in the amount of RMB3,000,000 for the year ended 31 December 2021 and reversal of over-provided expenses amounting to RMB4,600,000 for the year ended 31 December 2020.

6. FINANCE COSTS

	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Audited)</i>
Interest on secured bank loans	23,181	25,790
Interest on lease liabilities	105	282
Interest on other unsecured loans	–	8,710
Interest on other secured loan	41,782	54,282
Less: amount capitalised to properties under development	<u>(22,796)</u>	<u>(35,488)</u>
	<u><u>42,272</u></u>	<u><u>53,576</u></u>

7. PROFIT/(LOSS) BEFORE TAX

	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Audited)</i>
Profit/(Loss) before income tax is arrived at after charging/(crediting):		
Cost of properties sold	191,742	166,782
Cost of service for property management	10,246	8,538
Allowance for expected credit losses for trade receivables	107	1,231
Tax and other levies	5,226	3,284
Depreciation of plant and equipment (<i>note (a)</i>)	1,751	1,866
Depreciation of right-of-use assets	1,591	1,592
Auditors' remuneration		
– audit services	705	845
– non-audit services		
– interim review	332	355
– others	–	133
(Reversal of impairment loss)/impairment loss of properties under development	(12,000)	168,000
Rental income from investment properties less direct outgoings (<i>note (b)</i>)	<u>(12,406)</u>	<u>(11,649)</u>

notes:

(a) Depreciation expenses

Depreciation expenses of approximately RMB1,751,000 (2020: approximately RMB1,866,000) have been included in administrative expenses.

(b) Rental income from investment properties

Direct outgoings incurred for rental income from investment properties amounted to approximately RMB2,930,000 (2020: RMB2,744,000).

8. INCOME TAX EXPENSE

	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Audited)</i>
Current tax		
The PRC — Enterprise Income Tax		
— Tax for the year	<u>21,210</u>	<u>30,317</u>
The PRC — Land appreciation tax		
— Current year	43,597	40,763
— Over provision in respect of prior years (<i>note</i>)	<u>(34,010)</u>	<u>—</u>
	<u>9,587</u>	<u>40,763</u>
Deferred tax		
— Charge for the year	<u>2,412</u>	<u>2,956</u>
Total income tax expense	<u>33,209</u>	<u>74,036</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 current year.

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

	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Audited)</i>
Profit/(loss) before taxation	<u>197,239</u>	<u>(116,132)</u>
Income tax at the PRC income tax rate of 25%	49,310	(29,033)
Tax effect of different taxation rates in other tax jurisdictions	(256)	422
Over provision in prior years	(34,010)	—
Tax effect of non-taxable revenue	(2,178)	(798)
Tax effect of non-deductible expenses	5,689	9,149
Tax effect of temporary differences not recognised	(3,000)	42,000
Tax effect of prior year's unrecognised tax losses utilised this year	(7,357)	(552)
Tax effect of unused tax losses not recognised	11,521	13,040
Tax effect of previously recognised allowable loss expired	6,608	18,874
Tax effect of share of result of an associate	(32,428)	(9,639)
Tax effect of reversal of previously recognised allowable loss	6,612	—
PRC land appreciation tax	43,597	40,763
Effect of PRC land appreciation tax	<u>(10,899)</u>	<u>(10,190)</u>
Income tax expense	<u>33,209</u>	<u>74,036</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% (2020: 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% (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.

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 RMB164,030,000 (2020: loss of approximately RMB100,868,000) and on the weighted average of 10,293,136,554 (2020: 10,293,136,554) ordinary shares in issue during the year.

Diluted earnings/(loss) per share

There was no difference between basic and diluted earnings/(loss) per share as the Company did not have any dilutive potential shares outstanding during the year ended 31 December 2021 and 2020.

10. TRADE RECEIVABLES

	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Audited)</i>
Trade receivables		
– from property management	–	83
– from property investment	<u>4,957</u>	<u>7,038</u>
	4,957	7,121
Less: allowance for expected credit losses	<u>(276)</u>	<u>(325)</u>
Trade receivables – net	<u>4,681</u>	<u>6,796</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 2021 and 31 December 2020, 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 or property sales and purchase agreements, the ageing analysis of the trade receivables net of allowance for expected credit losses is as follows:

	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Audited)</i>
0 to 90 days	4,681	6,186
91 to 180 days	–	124
181 to 365 days	<u>–</u>	<u>486</u>
	<u>4,681</u>	<u>6,796</u>

As at 31 December 2021, all of the Group's trade receivables are denominated in RMB (2020: RMB), no interest is charged on trade receivables.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Audited)</i>
Prepaid value-added tax	59,969	57,116
Prepaid withholding tax recoverable	9,001	–
Other receivables, prepayment and deposits (<i>note</i>)	<u>135,957</u>	<u>117,228</u>
	204,927	174,344
Less: Non-current portion	<u>(6,229)</u>	–
Current portion	<u>198,698</u>	<u>174,344</u>

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 31 December 2021, advance receipts from customers for the sale of properties under development of approximately RMB113,596,000 (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 cost.

12. TRADE PAYABLES

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

	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Audited)</i>
0 to 90 days	454,261	473,626
91 to 180 days	929	1,156
Over 180 days	<u>859</u>	<u>846</u>
	<u>456,049</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.

13. ACCRUALS AND OTHER PAYABLES

	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Audited)</i>
Rental received in advance from tenants and other deposits	11,483	11,193
Tax and other levies	556	1,606
Amount due to an associate	112,173	112,219
Amount due to a director of the Company	1,533	586
Amount due to a former subsidiary under winding up process	2,050	–
Other payables and accruals <i>(note)</i>	<u>30,329</u>	<u>16,015</u>
	<u><u>158,124</u></u>	<u><u>141,619</u></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 RMB14,778,000, accrued salaries, administrative expenses, finance costs and sundry creditors..

14. CONTRACT LIABILITIES

	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Audited)</i>
Receipt in advance from customers in respect of property development segment – current portion	<u>814,653</u>	<u>518,266</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 2021, additions of receipt in advance from customers and interest expenses in respect of property development segment amounted to RMB430,771,000 (2020: RMB389,115,000) and RMB38,900,000 (2020: RMB19,264,000), respectively.

The revenue recognised in the current year in respect of contract liabilities brought forward was RMB173,284,000 (2020: RMB118,254,000).

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 and 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Overview

The principal activity of Talent Property Group Limited (the “Company”) is investment holding. On 10 December 2010, the Company completed the acquisition of Talent Central Limited from Talent Trend Holdings Limited (“Talent Trend”) which, through its subsidiaries, holds interests in various real estate projects in the PRC (the “Previous Acquisition”). The Group currently engages in the business of (i) real estate development, (ii) property investment and (iii) property management in the PRC.

Revenue and gross profit

For the year ended 31 December 2021, the Group recorded a revenue and gross profit of RMB344.0 million and RMB133.9 million, respectively, as compared to a revenue and gross profit of RMB348.2 million and RMB166.9 million, respectively, for the year ended 31 December 2020.

During the year, a revenue of RMB261.2 million (2020: RMB182.7 million) was recorded from the delivery and sales of residential units and villas of Xintian Banshan with a gross floor area (“GFA”) of approximately 3,800 square meters (“sqm”) (2020: 3,100 sqm). A revenue of RMB31.7 million with a GFA of approximately 3,900 sqm was recognized upon the commencement of delivery of office units of our Yangzhou Intelligence Living City during the year. Revenue from sales of other properties was RMB23.7 million (2020: RMB140.3 million), which mainly made up of sales of villas of South Lake Village Phase 1 and car parking spaces.

Rental income and properties management fee income of RMB14.7 million (2020: RMB13.4 million) and RMB4.1 million (2020: RMB3.7 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 RMB8.6 million in total (2020: RMB8.1 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 RMB133.9 million and 38.9% (2020: RMB166.9 million and gross profit margin of 47.9%), respectively.

Distribution costs, administrative and other operating expenses

Distribution costs of RMB15.8 million were recorded in 2021 as compared to RMB20.8 million in 2020.

The Group stayed cautious on cost control. Before taking in the account of provision as mentioned below, administrative expenses (included impairment loss of trade receivables) of RMB44.4 million (2020: RMB46.1 million) was recorded. Construction progress of our projects in Xuzhou and Yangzhou were affected and delayed by various quarantine restrictions when new cases of COVID-19 were found there. Provision for compensation of late delivery of presold properties units amounted RMB15.0 million (2020: Nil) had been made in accordance with the terms of relevant pre-sales documents and re-scheduled delivery date in second quarter of 2022.

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. The equity transfer was completed during the year and a gain of RMB28.8 million was recorded.

Gain on losing control of a subsidiary

The Group applied voluntary winding up for a fully owned subsidiary of the Company, Guangzhou Huangpu Caming Real Estate Development Limited (“Caming”), according to applicable articles of Company Law of the PRC. Upon completion of disposal of remaining assets of Caming, a net gain after tax of RMB8.6 million would be 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 during the year. After taking into account the costs from Previous Acquisition, which is re-calculated to reflect the remaining underlying assets available for sale, and tax provision, the Group recorded a share of profit of RMB129.7 million (2020: RMB38.6 million).

Fair value changes on investment properties

During the year, the deepened Sino-US political friction and control measures on recurrent outbreak of new cases of the Pandemic in PRC and overseas placed pressure on local economy as well as foreign trade. In view of weak rental market of specialty market in Guangzhou, we continued offer short term rental concession to retain tenants in our Talent Shoes Trading Center. Fair value deficits of RMB12.0 million (2020: RMB45.9 million) were recorded, which were mainly from our Talent Shoes Trading Center, by reference to revaluation by the Company’s independent property valuer.

Impairment Loss of Properties under Development

Amid flattering of economic growth, recurrent outbreak of Pandemic, tighten measures against properties market in-force, the sales of office units of our commercial logistic projects in Yangzhou Intelligence Living City and Xuzhou Intelligent Industrial Town were still disappointing. On the other hand, the sales of shop units in the Xuzhou project were benefited from the tradition of local citizens earning a living in commercial workshops.

After consideration of our current pre-sales record, development progress, future marketing strategies, impairment losses provided in previous years as well as the valuation by the independent property valuer, reversal of impairment loss totaling RMB12.0 million (2020: provision of impairment loss RMB168.0 million) was made to the logistic projects under development.

Finance cost

Finance costs (before capitalisation) reduced to RMB65.1 million (2020: RMB89.1 million) during the year upon continual repayment of various loans.

Income Tax Expense

During the year, income tax expense totalling RMB33.2 million was recorded (2020: RMB74.0 million).

Before completion of cancellation of a dormant and fully 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, which was developed and sold-out in previous years, rather than the standard progressive rate as provided by the Group previously. A reversal was therefore recorded.

Profit/(Loss) for the Year Attributable to Owners of the Company

Given the reduction of provision for impairment losses and fair value changes on properties projects, increased share of result of an associate, gain on disposal of a subsidiary, a profit attributable to owners of the Company of RMB164.0 million was recorded instead of a loss of RMB100.9 million in 2020.

PROSPECT

Looking forward into 2022, the gradual withdrawal of quantitative easing, Sino-US relations, and the Russia-Ukraine war are among the major uncertainties affecting global economic stability. In China, it is expected that the general tone as to the regulatory control of the real estate industry will remain unchanged. The recurrence of Pandemic will continue to exert pressure on the economy and people's livelihood. Therefore, the business environment of the real estate market remains challenging. The Group and its management will continue to reduce inventories, maintain liquidity, tightly control operating costs, and act prudently while grasping any attractive opportunities to further drive the Group's future growth.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 December 2021 were approximately RMB4,220.7 million (31 December 2020: approximately RMB4,266.7 million) which were financed by the total equity and total liabilities of approximately RMB1,708.6 million (31 December 2020: approximately RMB1,597.6 million) and approximately RMB2,512.1 million (31 December 2020: approximately RMB2,669.1 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 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 31 December 2021, the Group's gearing ratio then computed as total liabilities over total assets was approximately 59.5% (31 December 2020: 62.6%). As at 31 December 2021, bank borrowings amounted to RMB277.2 million (31 December 2020: RMB312.9 million) carry variable interest rate of 110.6% (31 December 2020: 70.6% to 110.6%) multiply by the People's Bank of China 5 years loan base interest rate or plus 0.55% inflated rate. Other borrowings amounted to RMB285.5 million (31 December 2020: RMB431.6 million) carry fixed rate with a range from 10.5% to 11.8% (31 December 2020: 9.5% to 11.8%) per annum and no amount (31 December 2020: RMB64.7 million) were interest free.

EXPOSURE TO FOREIGN EXCHANGE

The revenue and the cost of goods sold and of service of the Group are mainly denominated in Renminbi. Therefore, the Group is not exposed to any other material foreign currency exchange risk. An average rate and a closing rate of HK\$1.20610: RMB1 and HK\$1.22356: RMB1, respectively, were applied on consolidation of the financial statements for the year ended 31 December 2021. No hedging measure has been implemented by the Group.

CHARGES ON ASSETS

As at 31 December 2021, an investment property and completed properties held for sale of the Group amounted approximately RMB552.0 million (31 December 2020: RMB563 million) and RMB205.5 million (31 December 2020: RMB204.6 million) were pledged to secure general banking facilities. Completed properties held for sale, properties under development and deposit with the approximate value of RMB153.7 million (31 December 2020: RMB323.6 million), RMB184.7 million (31 December 2020: RMB370.5 million) and RMB3.4 million (31 December 2020: RMB3.4 million) respectively were pledged to secure other borrowings.

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 31 December 2021, the Group had approximately 213 (31 December 2020: 216) employees, with about 208 in the Mainland China and 5 in Hong Kong. All employees are remunerated based on industry practice and in accordance with prevailing labor law. In Hong Kong, apart from basic salary, staff benefits including medical insurance, performance related bonus, and mandatory provident fund would be provided by the Group.

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

CORPORATE GOVERNANCE

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

CG Code Provision A.2.1

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for directors' securities transactions. Having 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 2021 and reviewed the Group's annual results for 2020 and interim results for 2021; 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.

For the year ended 31 December 2021, the fees paid/payable to the auditor of the Company in respect of the audit services and non audit services in 2021 were amounted to approximately RMB0.7 million and RMB0.3 million respectively.

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to travel, logistical and other prevention and control quarantine measures and restrictions related to the recent outbreak of novel coronavirus (COVID-19) in the People's Republic of China and Hong Kong, the Group's ability to gather necessary documents (including, among others, confirmations required from banks and financial institutions) has been severely restricted and the auditing process of the auditors of the Company (the "Auditors") has been adversely affected. The audit of the consolidated financial statements of the Group for the year ended 31 December 2021 has not been completed as of today. The unaudited annual results for the year ended 31 December 2021 contained herein have not been agreed with the Auditors as required under Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company expects to publish the audited annual results for the year ended 31 December 2021 upon completion of such reporting and audit processes after they have been agreed with the Auditors as soon as practicable. The unaudited annual results contained herein have been reviewed by the Audit Committee of the Company based on information currently available.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited annual results for the year ended 31 December 2021 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the register of members holding ordinary shares will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting (and the proposed arrangements relating to dividend payment, if any). In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

PUBLICATION OF THE 2021 UNAUDITED ANNUAL RESULTS ANNOUNCEMENT ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

This 2021 unaudited annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.760hk.com) and the 2021 audited annual results announcement and 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 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.