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TALENT PROPERTY GROUP LIMITED

新天地产集团有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 760)

2023 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “Board”) of Talent Property Group Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2023 with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	3	413,234	136,992
Cost of sales and services		<u>(326,715)</u>	<u>(83,067)</u>
Gross profit		86,519	53,925
Other revenue	4	1,690	5,132
Distribution costs		(6,925)	(3,273)
Administrative and other operating expenses		(19,229)	(37,452)
Share of result of an associate		344	(5,051)
Impairment loss of properties under development		(15,165)	(34,080)
Impairment loss of completed properties held for sale		(17,602)	–
Net reversal of expected credit losses for trade receivables		39	18
Fair value changes on investment properties		(27,149)	(30,445)
Fair value changes on a financial asset		–	1,080
Finance costs	5	<u>(20,388)</u>	<u>(18,085)</u>
Loss before tax	6	(17,866)	(68,231)
Income tax expense	7	<u>(21,126)</u>	<u>(19,452)</u>
Loss for the period		<u>(38,992)</u>	<u>(87,683)</u>

* For identification purposes only

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

		Six months ended 30 June	
	<i>Notes</i>	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Loss for the period attributable to:			
Owners of the Company		(38,992)	(87,683)
Non-controlling interests		—	—
		<u>(38,992)</u>	<u>(87,683)</u>
Other comprehensive (loss)/income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		(422)	96
		<u>(422)</u>	<u>96</u>
Other comprehensive (loss)/income for the period		<u>(422)</u>	<u>96</u>
Total comprehensive loss for the period		<u>(39,414)</u>	<u>(87,587)</u>
Total comprehensive loss for the period attributable to:			
Owners of the Company		(39,414)	(87,587)
Non-controlling interests		—	—
		<u>(39,414)</u>	<u>(87,587)</u>
Loss per share			
Basic and diluted	8	<u>(0.379) cents</u>	<u>(0.852) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June	31 December
		2023	2022
Notes		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(audited)
ASSETS AND LIABILITIES			
Non-current assets			
		527,700	552,700
		7,604	7,818
		3,900	–
		2,632	3,509
		346,603	346,135
	10	354	354
		–	1,116
		888,793	911,632
Current assets			
		478,202	523,054
		2,064,758	2,352,041
	9	2,032	2,609
	10	133,096	133,483
		26,504	30,934
		76,201	76,860
		2,780,793	3,118,981
		2,780,793	3,118,981

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

		As at	
		30 June 2023	31 December 2022
	<i>Notes</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Current liabilities			
Trade payables	11	473,297	518,579
Accruals and other payables	12	105,524	100,984
Contract liabilities		667,345	765,802
Lease liabilities		1,873	1,729
Provision for tax		386,680	372,728
Borrowings	13	39,680	91,360
		<u>1,674,399</u>	<u>1,851,182</u>
Net current assets		<u>1,106,394</u>	<u>1,267,799</u>
Total assets less current liabilities		<u>1,995,187</u>	<u>2,179,431</u>
Non-current liabilities			
Lease liabilities		1,038	2,024
Borrowings	13	211,976	347,096
Deferred tax liabilities		151,451	160,175
		<u>364,465</u>	<u>509,295</u>
Net assets		<u><u>1,630,722</u></u>	<u><u>1,670,136</u></u>
EQUITY			
Share capital	14	37,628	37,628
Reserves		1,592,894	1,632,308
		<u>1,630,522</u>	<u>1,669,936</u>
Equity attributable to owners of Company		1,630,522	1,669,936
Non-controlling interests		200	200
		<u>1,630,722</u>	<u>1,670,136</u>
Total equity		<u><u>1,630,722</u></u>	<u><u>1,670,136</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with HKAS 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“the HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial asset, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022. Details of the changes in accounting policies are set out below.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
Amendments to HKAS 8	Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates
Amendments to HKAS 12	Income taxes: Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	Income taxes: International tax reform – Pillar Two model rules

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

3. SEGMENT INFORMATION

The executive directors have identified the Group's three (2022: three) products and service lines as operating segments as follows:

- (a) Property development consists of the sales of properties which were completed;
- (b) Property investment consists of the leasing of investment properties; and
- (c) Property management consists of the provision of property management services.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

For the six months ended 30 June 2023 (unaudited)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Total RMB'000
Reportable segment revenue				
External revenue	<u>400,077</u>	<u>7,744</u>	<u>5,413</u>	<u>413,234</u>
Reportable segment profit/(loss)	<u>38,712</u>	<u>(21,441)</u>	<u>470</u>	<u>17,741</u>
Share of result of an associate				344
Finance costs				(20,388)
Income tax expense				(21,126)
Unallocated expenses				(17,253)
Unallocated income				<u>1,690</u>
Loss for the period				<u><u>(38,992)</u></u>

For the six months ended 30 June 2022 (unaudited)

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

For the six months ended 30 June 2023 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Total <i>RMB'000</i>
Timing of revenue recognition for those within the scope of HKFRS 15				
A point in time	400,077	–	–	400,077
Over time	–	–	5,413	5,413
	400,077	–	5,413	405,490
Revenue from other source				
Rental income	–	7,744	–	7,744
Total	400,077	7,744	5,413	413,234

All the Group's revenue from external customers is derived from Mainland China for the six months ended 30 June 2022 and 2023.

For the six months ended 30 June 2022 (unaudited)

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

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

As at 30 June 2023 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment assets	2,687,894	533,427	4,710	3,226,031
Corporate assets				<u>443,555</u>
Group assets				<u><u>3,669,586</u></u>
Reportable segment liabilities	1,288,353	147,948	1,717	1,438,018
Corporate liabilities				<u>600,846</u>
Group liabilities				<u><u>2,038,864</u></u>

As at 31 December 2022 (audited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment assets	3,057,125	561,470	1,572	3,620,167
Corporate assets				<u>410,446</u>
Group assets				<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>
Group liabilities				<u><u>2,360,477</u></u>

4. OTHER REVENUE

	For the six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Other revenue		
Interest income on financial assets carried at amortised costs	1,308	3,023
Others	382	2,109
	<hr/>	<hr/>
Total	1,690	5,132
	<hr/> <hr/>	<hr/> <hr/>

5. FINANCE COSTS

	For the six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Interest on bank loans	3,607	8,225
Interest on lease liabilities	178	212
Interest on other secured loans	16,603	14,145
Less: amount capitalised to properties under development	–	(4,497)
	<hr/>	<hr/>
	20,388	18,085
	<hr/> <hr/>	<hr/> <hr/>

6. LOSS BEFORE TAX

	For the six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Loss before income tax is arrived at after charging/(crediting):		
Cost of properties sold	312,797	75,246
Cost of services for property investment	1,369	1,454
Cost of services for property management	4,796	4,683
Tax and other levies	7,753	1,684
Depreciation on plant and equipment	1,715	1,792
Depreciation on right-of-use assets	877	877
Lease charges in respect of land and buildings:		
– for short term lease	302	297
Net reversal of expected credit losses of trade receivables	(39)	(18)
Rental income from investment properties less direct outgoings	(6,375)	(4,563)
	<hr/>	<hr/>
	(6,375)	(4,563)
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
The PRC – Corporate Income Tax – Tax for the period	5,178	6,973
The PRC – Land Appreciation Tax – Tax for the period	23,567	22,639
	<u>28,745</u>	<u>29,612</u>
Deferred tax		
– Credit for the period	(7,619)	(10,160)
	<u>(7,619)</u>	<u>(10,160)</u>
Total income tax expense	21,126	19,452

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

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the rate of 25% (30 June 2022: 25%) on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

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

Furthermore, in accordance with the Detailed Implementation Regulations for implementation of the new Corporate Income Tax Law issued on 6 December 2007, a 10% withholding tax shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. Dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding tax. As at 30 June 2023, the Group has not accrued any withholding income tax for the earnings of its PRC subsidiaries, because the Group does not have an immediate plan to distribute earnings from its PRC subsidiaries generated in the foreseeable future.

8. LOSS PER SHARE

Basic loss per share

The calculation of loss per share is based on the loss attributable to the owners of the Company of approximately RMB38,992,000 (30 June 2022: RMB87,683,000) and on the weighted average of 10,293,136,554 (30 June 2022: 10,293,136,554) ordinary shares in issue during the period.

Diluted loss per share

There were no potential dilutive ordinary shares in existence during the six months’ period ended 30 June 2023 and 2022 and hence the diluted loss per share is the same as the basic loss per share.

9. TRADE RECEIVABLES

	As at	
	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade receivables	2,168	2,784
Less: Allowance for expected credit losses	<u>(136)</u>	<u>(175)</u>
Trade receivables – net	<u><u>2,032</u></u>	<u><u>2,609</u></u>

The directors considered that the fair value of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods in their inspection.

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

	As at	
	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0 to 90 days	<u><u>2,032</u></u>	<u><u>2,609</u></u>

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at	
	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Prepaid value-added tax	24,159	49,295
Other receivables, prepayments and deposits (<i>note (a)</i>)	<u>109,291</u>	<u>84,542</u>
	133,450	133,837
Less: Non-current portion	<u>(354)</u>	<u>(354)</u>
Current portion	<u><u>133,096</u></u>	<u><u>133,483</u></u>

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

Note:

- (a) It mainly includes advance receipts from customers placed in government authority, advances made to entities, prepaid construction cost, residences maintenance fund, rental and sundry deposits. As at 30 June 2023, advance receipts from customers for the sale of properties under development of RMB63,380,000 (31 December 2022: RMB69,565,000) were placed in Xuzhou Real Estate Management Service Center, a PRC local government authority, for security purpose. The Group can request for withdrawal of the balances in accordance to agreed procedures for the payment of construction costs. Advances of RMB24 million had been made to independent entities. These advances are interest bearing of 14% per annum and repayable on or before 31 December 2023.

11. TRADE PAYABLES

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

	As at	
	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0 to 90 days	468,689	515,064
91 to 180 days	1,861	938
Over 180 days	2,747	2,577
	<u>473,297</u>	<u>518,579</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.

12. ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Rentals received in advance from tenants and other deposits	5,578	7,963
Tax and other levies	962	1,662
Amount due to an associate	40,422	40,422
Amount due to a director of the company	2,730	4,676
Other payables and accruals (<i>note</i>)	55,832	46,261
	<u>105,524</u>	<u>100,984</u>

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

Note: It included provision of compensation for delay delivery of RMB25,539,000 (31 December 2022: RMB25,539,000), accrued salaries, administrative expenses, finance costs and sundry creditors.

13. BORROWINGS

	As at	
	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Borrowings included in:		
Secured bank loans repayable (<i>note (a)</i>)		
– within 1 year	22,880	14,960
– after 1 year but within 2 years	17,600	16,720
– after 2 years but within 5 years	63,360	60,720
– after 5 years	37,416	48,856
Other secured loans repayable (<i>note (b)</i>)		
– within 1 year	16,800	76,400
– after 1 year but within 2 years	75,600	52,800
– after 2 years but within 5 years	18,000	168,000
Total borrowings	<u>251,656</u>	438,456
Less: Amount due within one year shown under current liabilities	<u>(39,680)</u>	(91,360)
Amounts shown under non-current liabilities	<u><u>211,976</u></u>	<u><u>347,096</u></u>

As at 30 June 2023 and 31 December 2022, the Group's borrowings were all denominated in RMB.

Notes:

- (a) The Group has variable-rate bank borrowings which are repayable within 1 year to 7 years (31 December 2022: 1 year to 8 years) and bearing interest at the People's Bank of China 5 years loan base interest rate plus 0.55% inflated rate. Interest is repriced annually.

As at 30 June 2023, the effective interest rates (which are also equal to contractual interest rates) on the Group's bank loans are 5% (31 December 2022: 5%) and secured by investment properties and completed properties held for sale. Furthermore bank borrowing amounting to RMB141,256,000 (31 December 2022: RMB141,256,000) was also secured by personal guarantee from a director, who is also a major shareholder of the Company.

- (b) As at 30 June 2023, the effective interest rates on Group's other secured borrowings of RMB16,800,000 and RMB93,600,000 (31 December 2022: RMB18,400,000 and RMB278,800,000) are fixed at 10.5% and 11.8% respectively (2022: 10.5% and 11.8% respectively). The borrowings were secured by completed properties held for sale and personal guarantee by a director of the Company. As at 31 December 2022, the borrowings were also secured by equity interest of Xuzhou Shiyou Logistics Development Co. Ltd., Guangzhou Xianzhuang Properties Development Limited and Yangzhou Shiyou Logistics Development Co. Ltd., corporate and personal guarantee provided by parties connected with the aforementioned director.

14. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.004 each:		
At 1 January 2022, 31 December 2022 (audited), 1 January 2023 and 30 June 2023 (unaudited)	125,000,000,000	500,000

	Number of shares	Amount <i>HK\$'000</i>	Equivalent to <i>RMB'000</i>
Issued and fully paid:			
Ordinary shares of HK\$0.004 each:			
At 1 January 2022, 31 December 2022 (audited), 1 January 2023 and 30 June 2023 (unaudited)	10,293,136,554	41,173	37,628

15. CAPITAL COMMITMENTS

	As at	
	30 June 2023 <i>RMB'000</i> (unaudited)	31 December 2022 <i>RMB'000</i> (audited)
Capital commitments (contracted but not provided for):		
Capital injection into an associate	26,249	26,249
Construction cost of properties under development	31,899	62,583
	<u>58,148</u>	<u>88,832</u>

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

During the six months ended 30 June 2023 (the “Reporting Period”), the Group recorded an unaudited consolidated revenue and gross profit of RMB413.2 million and RMB86.5 million, respectively, as compared to revenue of RMB137.0 million and gross profit of RMB53.9 million for the six months ended 30 June 2022 (the “Preceding Period”), respectively.

During the Reporting Period, we commenced the delivery of Xuzhou Linan Intelligent Industrial Park. As such, a revenue of RMB237.7 million was recognised from the delivery of pre-sold units with a gross floor area (“GFA”) of approximately 23,500 square meters (“sqm”). A revenue of RMB47.2 million (Preceding Period: RMB10.0 million) with a GFA of approximately 4,400 sqm (Preceding Period: 1,200 sqm) was recognized upon sales and delivery of pre-sold units of our Yangzhou Intelligence Living City. A revenue of RMB102.6 million (Preceding Period: RMB114.2 million) was recorded from the delivery and sales of villas of Xintian Banshan with a GFA of approximately 1,600 sqm (Preceding Period: 1,600 sqm). Revenue from sales of other properties was RMB12.6 million (Preceding Period: RMB1.3 million).

After the lifting of pandemic control measures by the end of 2022, China’s economy was set to rebound with economic activities and citizens’ mobility picked up. The market sentiment improved obviously in first quarter of 2023. During the Reporting Period, subscription and contract sales totaling approximately RMB192 million (Preceding Period: RMB45 million) with GFA of approximately 2,400 sqm (Preceding Period: 800 sqm) was recorded for Xintian Banshan at Zone B.

During the Reporting Period, rental income and property management fee income from our Talent Shoes Trading Center, a 10-storey complex building located at Zhan Xi Shoe Market, increased to RMB8.2 million (Preceding Period: RMB7.3 million). Whereas rental income and property management fee generated from other properties of the Group was RMB4.9 million in total (Preceding Period: RMB4.2 million). It was the result of returning of tenants.

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 increased to RMB86.5 million while overall gross profit margin reduced to 20.9% (Preceding Period: RMB53.9 million and gross profit margin of 39.4%), respectively.

Distribution costs, administrative and other operating expenses

Distribution cost increased from RMB3.3 million in the Preceding Period to RMB6.9 million in the Reporting Period was primarily the result of commission expenses arising from contract sales of Xintian Banshan. Administrative and other operating expense reduced from RMB37.5 million in the Preceding Period to RMB19.2 million in the Reporting Period. The Group stayed cautious on cost control and no further provision of compensation for late delivery was required.

Share of result of an associate

The Linhe Cun Rebuilding project is an old village redevelopment project located in the CBD of Tianhe District in Guangzhou and it is adjacent to the Guangzhou East Railway station. The project is carried out by an associate which is 30% and 70% owned by the Group and Sun Hung Kai Properties Group, respectively. Development of the project was completed. All the remaining residential units were substantially sold and delivered in previous years. During the Reporting Period, increased revenue was arrived from the sales of car parking spaces. After taking into account the costs from Previous Acquisition, which is re-calculated to reflect the remaining underlying assets available for sale, the Group recorded a share of profit of RMB0.3 million (Preceding Period: share of loss of RMB5.1 million).

Fair value changes on investment properties and provision for impairment loss on properties under development and held for sale

Following the release of the pent-up demand for real estate caused by the pandemic as a result of the “temporary property upswing” during the first quarter, the momentum of recovery in the national real estate market noticeably waned in the second quarter, with the sideline sentiment further intensified in the market. It is believed that this phenomenon results from the obstacles to domestic economic recovery in 2023 and the significant pressure on the national employment conditions without any sign of significant improvement in residents’ income. These factors have contributed to a continued cautious attitude towards consumption and investment.

Our Yangzhou Intelligent Life City recorded subscription and contract sales of approximately RMB38 million (Preceding Period: RMB8 million) with GFA of approximately 2,400 sqm (Preceding Period: 1,100 sqm). These were substantially made in first quarter of the year. Regarding our Xuzhou Intelligent Industrial Town, major focus was made to drive the delivery of pre-sold units. No new subscription was recorded during the Reporting Period.

After consideration of the sudden weakened market sentiment, our current sales record, future marketing strategies as well as references to valuation conducted by the independent property valuer, a fair value deficits of RMB27.1 million (Preceding Period: RMB30.4 million) were recorded, mainly for our Talent Shoes Trading Center. Provision for impairment loss totalling RMB32.8 million (Preceding Period: RMB34.1 million) were provided for our logistics commercial projects in Xuzhou and Yangzhou in the Reporting Period.

Finance cost

Upon continual repayment of various loans, the Group maintained a lower average loan balances. As such, finance costs (before capitalisation) reduced to RMB20.4 million (Preceding Period: RMB22.6 million).

Income tax expenses

Income tax expenses increased to RMB21.1 million (Preceding Period: RMB19.5 million) as a result of higher operating profit during the Reporting Period.

Loss for the period attributable to owners of the Company

Given the increase of revenue and gross profit and tightened control of operating expenses, the loss attributable to owners of the Company narrowed from RMB87.7 million in the Preceding Period to RMB39.0 million in the Reporting Period.

PROSPECT

As of the date of this announcement, there has been no clear sign of economic recovery with a cautious market atmosphere overshadowing the real estate market. Looking into the future, the real estate industry may require continued policy relaxation with a reduction in credit defaults by real estate companies, which may lead to an improvement in the market sentiment and consumer confidence. In light of these, the Group will continue to navigate through the current market challenges smoothly by maintaining robust financial conditions and liquidity, exercising caution over business operations, and focusing on reducing inventories.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 June 2023 were approximately RMB3,669.6 million (31 December 2022: approximately RMB4,030.6 million) which were financed by the total equity and total liabilities of approximately RMB1,630.7 million (31 December 2022: approximately RMB1,670.1 million) and approximately RMB2,038.9 million (31 December 2022: approximately RMB2,360.5 million) respectively.

The Group borrowings were all denominated in Renminbi. Bank balances and cash were mainly denominated in Renminbi. As at 30 June 2023, there were no outstanding forward contracts in foreign currency committed by the Group that might involve it in significant foreign exchange risks and exposures.

CAPITAL STRUCTURE

As at 30 June 2023, the Group's gearing ratio was approximately 55.6% (31 December 2022: 58.6%), as computed by total liabilities divided by total assets. As at 30 June 2023, bank borrowings and other borrowings were amounted to RMB141.3 million and RMB110.4 million, respectively (31 December 2022: RMB141.3 million and RMB297.2 million). Details of interest rate are as shown in note 13 to the condensed consolidated financial statements.

EXPOSURE TO FOREIGN EXCHANGE

The revenue and the cost of sales and income of the Group are mainly denominated in Renminbi. Therefore, the Group is not exposed to any other material foreign currency exchange risk. An average rate and a closing rate of HK\$1.12540: RMB1 and HK\$1.08037: RMB1, respectively, were applied on the consolidation of the condensed financial statements for the Reporting Period. No hedging measure has been implemented by the Group.

CHARGE ON ASSETS

As at 30 June 2023, an investment property of the Group amounted approximately RMB484.0 million (31 December 2022: RMB506.0 million) was pledged to secure general banking facilities. Completed properties held for sale with the approximate value of RMB282.8 million (31 December 2022: RMB428.6 million) were pledged to secure other borrowings.

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 30 June 2023, the Group had approximately 204 (31 December 2022: 199) employees, with about 202 in the Mainland China and 2 in Hong Kong. All employees are remunerated based on industry practice and in accordance with prevailing labor law. In Hong Kong, apart from basic salary, staff benefits including medical insurance, performance related bonus, and mandatory provident fund would be provided by the Group.

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

CAPITAL COMMITMENT

Details of the capital commitment are set out in note 15 to the condensed consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months' period ended 30 June 2023.

DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Company's directors.

CORPORATE GOVERNANCE

The Board has been committed to maintaining the high level of corporate governance within the Group in order to enhance the transparency in disclosure of material information. The Board considers such commitment is essential for internal management, financial management and protection of shareholders' interests and believes that maintaining a high standard of corporate governance benefits all shareholders, investors, and its business as a whole. The Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, except for the following deviations.

CG Code Provision A.2.1

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

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

CHANGES IN INFORMATION OF A DIRECTOR

Mr. Lo Wai Hung, an independent non-executive director of the Company, resigned as an independent non-executive director of C Cheng Holdings Limited (stock code: 1486) with effect from 3 April 2023.

REVIEW OF ACCOUNTS

The unaudited condensed consolidated accounts of the Company and its subsidiaries for the six months ended 30 June 2023 have been reviewed by the audit committee of the Company.

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

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

By Order of the Board
Zhang Gao Bin
Chairman

Hong Kong, 31 August 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.