TALENT PROPERTY GROUP LIMITED
新天地產集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 760)

2018 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 called the "Group") for the six months ended 30 June 2018 with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**For the six months ended 30 June 2018** *RMB'000* **(unaudited)**	2017 *RMB'000* (unaudited)
Revenue	*3*	**173,572**	365,734
Cost of sales and income		**(116,385)**	(287,624)
Gross profit		**57,187**	78,110
Other revenue and net income/(loss)	*4*	**10,475**	16,588
Distribution costs		**(11,802)**	(5,510)
Administrative and other operating expenses		**(22,497)**	(27,914)
Share of result of an associate		**29,444**	19,219
Reversal of impairment loss of properties under development		**105,801**	36,796
Fair value changes on investment properties		**(39,000)**	(4,418)
Loss on disposal of investment properties		**–**	(10,948)
Finance costs	*5*	**(7,126)**	(9,250)
Profit before tax	*6*	**122,482**	92,673
Income tax expenses	*7*	**(48,732)**	(68,078)
Profit for the period		**73,750**	24,595

* *For identification purposes only*

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

	Notes	For the six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Profit for the period attributable to:			
– Owners of the Company		**78,742**	26,058
– Non-controlling interests		**(4,992)**	(1,463)
		73,750	24,595
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of financial statements of foreign operations		**(5,170)**	(13,407)
Items that will not be reclassified to profit or loss:			
– Fair value loss on investments in equity instruments at fair value through other comprehensive income		**(1,000)**	–
Other comprehensive loss for the period		**(6,170)**	(13,407)
Total comprehensive income for the period		**67,580**	11,188
Total comprehensive income for the period attributable to:			
– Owners of the Company		**72,572**	12,651
– Non-controlling interests		**(4,992)**	(1,463)
		67,580	11,188
Earnings per share	*8*		
– Basic		**0.765 cents**	0.253 cents
– Diluted		**0.765 cents**	0.253 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Non-current assets			
Investment properties		**702,000**	741,000
Plant and equipment		**3,748**	2,903
Interests in an associate		**503,540**	474,096
Available-for-sale financial assets		**–**	1,000
Deferred tax assets		**24,684**	45,219
		1,233,972	1,264,218
Current assets			
Properties under development		**1,759,328**	1,286,634
Completed properties held for sale		**281,759**	347,154
Trade receivables	*9*	**6,357**	12,246
Prepayments, deposits and other receivables	*10*	**48,235**	318,651
Contract costs	*11*	**4,277**	–
Tax recoverable		**17,906**	17,709
Cash and cash equivalent		**32,517**	51,098
		2,150,379	2,033,492
Current liabilities			
Trade payables	*12*	**207,770**	132,998
Accruals and other payables	*13*	**244,476**	488,442
Contract liabilities		**204,645**	–
Provision for tax		**237,113**	263,215
Borrowings		**285,854**	271,854
		1,179,858	1,156,509
Net current assets		**970,521**	876,983
Total assets less current liabilities		**2,204,493**	2,141,201

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Non-current liability			
Deferred tax liability		**237,908**	246,628
Net assets		**1,966,585**	1,894,573
Equity			
Share capital	*14*	**37,628**	37,628
Reserves		**1,914,010**	1,837,006
Equity attributable to owners of the Company		**1,951,638**	1,874,634
Non-controlling interests		**14,947**	19,939
Total equity		**1,966,585**	1,894,573

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 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 instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and 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 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017. Details of the changes in accounting policies are set out below.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1. Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources:

(i) Property development consists of the sales of properties which were completed;

(ii) Property investment consists of the leasing of investment properties;

(iii) Property management consists of the provision of property management services.

2.1.1. Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

2.1.2. Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on accumulated losses at 1 January 2018.

	Note	**Impact of adopting HKFRS 15 as 1 January 2018** *RMB'000*
Accumulated losses		
Recognition of contract cost	*(a)*	5,909
Tax effect	*(a)*	(1,477)
Impact at 1 January 2018		4,432

The following table summarises the impact of transition to HKFRS 15 on completed properties held for sale at 1 January 2018.

	Note	**Completed properties held for sale** *RMB'000*	**Accruals and other payables** *RMB'000*	**Contract liabilities** *RMB'000*
Closing balance at 31 December 2017		347,154	(488,442)	–
Effect arising from initial application of HKFRS 15:				
Reclassification	*(b)*	–	230,361	(230,361)
Capitalization of interest expenses	*(b)*	6,969	–	(6,969)
Opening balance at 1 January 2018		354,123	258,081	(237,330)

Notes:

(a) The Group incurred incremental commission paid/payable to employees in connection with obtaining sales of properties contracts with customers. These amounts were previously expensed as incurred. At the date of initial application of HKFRS 15, incremental costs of obtaining contracts and the related deferred tax of RMB5,909,000 and RMB1,477,000 respectively were recognised with corresponding adjustments to accumulated losses.

(b) As at 1 January 2018, advances from customers of RMB230,361,000 in respect of some contracts previously included in accruals and other payables were reclassified to contract liabilities of which RMB63,350,000 were expected to be realised after 12 months of the reporting period. An interest expense was charged for the balance with an amount of RMB6,969,000 was recognised as contract liabilities and capitalised in completed properties held for sale.

2.2. Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities and 2) expected credit losses ("ECL") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

2.2.1. *Key changes in accounting policies resulting from application of HKFRS 9*

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Equity instruments designated as at fair value through other comprehensive income ("FVTOCI")

At the date of initial application, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income ("OCI") and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments and will be transferred to accumulated losses.

Equity instruments designated as at FVTOCI – continued

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other revenue and net income/(loss)" line item in profit or loss.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

As at 30 June 2018, the Group has applied the simplified approach and recorded lifetime ECLs on trade receivables, and general approach and recorded 12-month ECLs on financial assets included in prepayments, deposits and other receivables. The Group determined that there are no significant financial impact arising from these changes.

2.2.2. *Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the classification and measurement (including impairment) of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Note	**Available-for-sale financial assets** *RMB'000*	**Equity instrument at FVTOCI** *RMB'000*
Closing balance at 31 December 2017 – HKAS 39		1,000	-
Effect arising from initial application of HKFRS 9:			
Reclassification	*(a)*	(1,000)	1,000
Opening balance at 1 January 2018		-	1,000

Note:

(a) Available-for-sale financial assets ("AFS")

From AFS equity investment to FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale, of which RMB1,000,000 related to unquoted equity investment previously measured at cost less impairment under HKAS 39. This investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, RMB1,000,000 were reclassified from available-for-sale financial assets to equity instrument at FVTOCI, of which RMB1,000,000 related to unquoted equity investment previously measured at cost less impairment under HKAS 39. No fair value losses relating to that unquoted equity investment previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and FVTOCI reserve as at 1 January 2018.

Except as described above, the application of new and amendment to HKFRSs in the current period had no other material impact on the Group's financial performance and positions for the current and prior periods/years and/or on the disclosures set out in the condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The executive directors have identified the Group's three (2017: 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;

(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 2018 (unaudited)

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Total** *RMB'000*
Reportable segment revenue				
External revenue	**163,712**	**5,870**	**3,990**	**173,572**
Reportable segment profit/(loss)	**145,892**	**(36,155)**	**23**	**109,760**
Share of profit of an associate				**29,444**
Finance costs				**(7,126)**
Income tax expense				**(48,732)**
Unallocated expenses				**(19,241)**
Unallocated income				**9,645**
Profit for the period				**73,750**

For the six months ended 30 June 2017 (unaudited)

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Reportable segment revenue				
External revenue	350,744	11,375	3,615	365,734
Reportable segment profit/(loss)	91,438	(9,667)	62	81,833
Share of profit of an associate				19,219
Finance costs				(9,250)
Income tax expense				(68,078)
Unallocated expenses				(14,955)
Unallocated income				15,826
Profit for the period				24,595

For the six months ended 30 June 2018 (unaudited)

Timing of revenue recognition	**Property development** ***RMB'000***	**Property investment** ***RMB'000***	**Property management** ***RMB'000***	**Total** ***RMB'000***
A point in time	**163,712**	**–**	**–**	**163,712**
Over time	**–**	**5,870**	**3,990**	**9,860**
Total	**163,712**	**5,870**	**3,990**	**173,572**

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

As at 30 June 2018 (unaudited)

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Total** *RMB'000*
Reportable segment assets	**2,095,416**	**724,673**	**2,778**	**2,822,867**
Reportable segment liabilities	**(861,120)**	**(103,928)**	**(2,072)**	**(967,120)**

As at 31 December 2017 (audited)

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Reportable segment assets	1,944,501	751,187	8,495	2,704,183
Reportable segment liabilities	(649,590)	(273,100)	(5,263)	(927,953)

4. OTHER REVENUE AND NET INCOME/(LOSS)

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other revenue		
Interest income on financial assets carried at amortised costs	**1,031**	530
Interest income on loan to an associate	**–**	75
Other interest income	**–**	1,055
Management fee income	**–**	24
Others	**8,616**	843
Other net income/(loss)		
Exchange gain/(loss)	**(2)**	14,061
Reversal of impairment losses of completed properties held for sale	**830**	-
Total	**10,475**	16,588

5. FINANCE COSTS

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on bank loan	**4,341**	6,488
Interest on other loans wholly repayable within five years *(note (a))*	**10,379**	2,762
Less: amount capitalised to properties under development	**(7,594)**	–
Total	**7,126**	9,250

note:

(a) Interest on other loans included interest expense to an associate of approximately RMB1,217,000 (2017: RMB1,207,000).

6. PROFIT BEFORE TAX

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Cost of properties sold	**106,700**	275,913
Cost of property investment *(note (a))*	**1,531**	1,517
Cost of property management	**3,928**	3,210
Business tax and other levies	**4,226**	6,984
Depreciation on plant and equipment	**641**	20
Operating lease charges in respect of land and buildings	**1,133**	1,171
Allowance for bad and doubtful debts	**2,784**	318
Rental income from investment properties *(note (a))*	**(5,870)**	(11,375)

note:

(a) Rental income from investment properties

Direct outgoings incurred for rental income from investment properties amounted to approximately RMB1,531,000 (2017: RMB1,517,000).

7. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax		
The PRC – Corporate Income Tax		
– Tax for the period	**14,351**	66,079
– Under provision in respect of prior years	**435**	–
	14,786	66,079
The PRC – Land Appreciation Tax		
– Tax for the period	**23,611**	75,522
Deferred tax charged/(credit)		
– Tax for the period	**10,335**	(73,523)
Total income tax expense	**48,732**	68,078

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the period.

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the rate of 25% (2017: 25%) on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all properties development expenditures.

Furthermore, in accordance with the Detailed Implementation Regulations for implementation of the new Corporate Income Tax Law issued on 6 December 2007, a 10% withholding tax shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. Dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding tax. As at 30 June 2018, 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. EARNINGS PER SHARE

Basic earnings per share

The calculation of earnings per share is based on the profit attributable to the owners of the Company of approximately RMB78,742,000 (2017: profit of approximately RMB26,058,000) and on the weighted average of 10,293,136,554 (2017: 10,293,136,554) ordinary shares in issue during the period.

Diluted earnings per share

There were no potential dilutive ordinary shares in existence during the period ended 30 June 2018 and 2017 and hence the diluted earnings per share is the same as the basic earnings per share.

9. TRADE RECEIVABLES

	As at 30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade receivables	**10,641**	13,746
Less: Allowance for bad and doubtful debts	**(4,284)**	(1,500)
Trade receivables – net	**6,357**	12,246

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

The credit terms given to each individual customer were in accordance with the payment terms stipulated in the relevant contracts. The following is an analysis of trade receivables by age, presented based on the related tenancy agreements and sales and purchases agreements, which approximated the revenue recognition date:

	As at 30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
0 to 90 days	**4,696**	7,233
91 to 180 days	**34**	66
181 to 365 days	**1,627**	4,947
	6,357	12,246

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Prepayments *(note (a))*	**8,528**	289,161
Deposit	**11,661**	1,184
Other receivables	**28,046**	28,306
	48,235	318,651

note:

(a) On 19 December 2017, the Group entered into an agreement with Xuzhou City Land Resources Bureau for the acquisition of land use rights located in Xuzhou City of the Jiangsu Province through an indirect non-wholly owned subsidiary Xuzhou Shiyou Logistics Development Co., Ltd. ("Xuzhou Shiyou") for development of properties for sale. As at 31 December 2017, the amount of prepayments included an amount of RMB266,800,000 which was paid to Xuzhou City Land Resources Bureau. The right of the land was transferred to Xuzhou Shiyou on 12 February 2018 and the prepayments were released. Detail of this acquisition were set out in the circular dated on 14 February 2018.

11. CONTRACT COSTS

	As at 30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Commission expenses	**4,277**	–

12. TRADE PAYABLES

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

	As at 30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
0 to 90 days	**207,623**	132,641
91 to 180 days	**147**	357
	207,770	132,998

All amounts are short term and hence the carrying values of trade payables are considered to be a reasonable approximation of fair value.

13. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Deposits received	**8,560**	8,845
Receipts in advance from customers in relation to rental income and sales of property *(note (d))*	**1,478**	231,739
Accruals	**16,227**	30,652
Amount due to an associate *(note (a))*	**181,305**	180,088
Other payables *(note (b) and (c))*	**36,906**	37,118
	244,476	488,442

notes:

(a) This amount was unsecured, interest free and no repayment term except for the approximate amount of RMB60,000,000 (31 December 2017: RMB60,000,000) was charged at 4% per annum and repayable on demand.

(b) Other payables included an amount of approximately RMB10,523,000 (31 December 2017: RMB17,091,000) due to Mr. Zhang Gao Bin ("Mr. Zhang"), an executive director of the Company, which was unsecured, interest-free and repayable on demand.

(c) Other payables included an amount of approximately RMB4,429,000 (31 December 2017: RMB3,639,000) due to a related company, Guangzhou Tianlun Property Management Limited, a company controlled by a close family member of an executive director, which was unsecured, interest-free and repayable on demand.

(d) As at 30 June 2018, the receipts in advance from customers in relation to sales of property were included in the balance of contract liabilities.

14. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.004 each:		
At 1 January, 2017, 30 June, 2017, 1 January, 2018 and 30 June, 2018	125,000,000,000	500,000

	Number of shares	Amount *HK$'000*	Equivalent to *RMB'000*
Issued and fully paid:			
Ordinary shares of HK$0.004 each:			
At 1 January, 2017, 30 June, 2017, 1 January, 2018 and 30 June, 2018	10,293,136,554	41,173	37,628

15. CAPITAL COMMITMENTS

	30 June 2018 ***RMB'000*** **(unaudited)**	31 December 2017 *RMB'000* (audited)
Capital commitments (contracted but not provided for):		
Capital injection into subsidiaries	**59,770**	59,770
Capital injection into an associate	**26,249**	26,249
Construction costs of properties under development and investment properties	**470,310**	316,566
	556,329	402,585

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 which, through its subsidiaries, holds interests in various real estate projects in the PRC (the "Previous Acquisition") from Talent Trend Holdings Limited ("Talent Trend"). In previous years, the Company and its subsidiaries (collectively "the Group") had undergone certain reorganisation of its businesses and projects with an objective to streamline its operations into a more property focused business in the PRC. The Group currently engages in the business of (i) real estate development, (ii) property investment and (iii) property management in the PRC.

Revenue and gross profit

During the six months ended 30 June 2018 (the "Reporting Period"), the Group recorded an unaudited consolidated revenue and gross profit of RMB173.6 million and RMB57.2 million, respectively, as compared to revenue of RMB365.7 million and gross profit of RMB78.1 million for the six months ended 30 June 2017 (the "Preceding Period").

During the Reporting Period, a revenue of RMB158.4 million (Preceding Period: RMB340.2 million) was recorded from the continual delivery of high rise residential units of Xintian Banshan (新天半山) with gross floor area of approximately 4,100 square meters ("sqm") (Preceding Period: 10,700 sqm). Whereas, revenue from selling of other properties held for sales was RMB5.4 million (Preceding Period: RMB10.5 million). Besides the sales of remaining high rise residential units, the luxury villas at Zone B were launched for sales. During the Reporting Period, subscription and contract sales totalling approximately RMB228.9 million (Preceding Period: RMB203.8 million) with gross floor area of approximately 3,000 sqm (Preceding Period: 4,900 sqm) was recorded.

During the Reporting Period, rental income and properties management fee income totaling RMB7.0 million (Preceding Period: RMB10.6 million) were recorded from our Talent Shoes Trading Center (天倫鞋業交易中心), a 10-storey complex building located at Zhan Xi Shoe Market.

Property management fee and rental income generated from other properties of the Group totaling RMB2.8 million (Preceding Period: RMB4.4 million) was recorded.

After taking into account the costs from Previous Acquisition, subsequent development cost, the net provision for impairment loss as well as higher unit price of properties delivered, a gross profit and overall gross profit margin of RMB57.2 million and 32.9% (Preceding Period: a gross profit of RMB78.1 million and gross profit margin of 21.4%), respectively, were recorded.

Distribution costs

Distribution costs of RMB11.8 million were recorded in the Reporting Period as compared to RMB5.5 million in the Preceding Period. More marketing effort had been made for promotion of the luxury villas of Xintian Banshan as well as the logistic project in Yangzhou.

Administrative and other operating expenses

Administrative expense of RMB22.5 million was recorded as compared to RMB27.9 million in the Preceding Period. It was the result of increased spending on newly startup logistic projects in the Reporting Period and the absent of old project compensation as recording in the Preceding Period.

Share of profit 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 first two phases of the project was completed in previous years. Substantial pre-sold residential units of block 5 and block 6 of "Forest Hills" were delivered during the Reporting Period. After taking into account the costs from Previous Acquisition, which is recalculated to reflect the remaining underlying assets available for sale, the Group recorded a share of profit of RMB29.4 million (Preceding Period: RMB19.2 million).

Reversal of impairment loss and fair value change on properties portfolio

Regarding our investment properties, a revaluation deficit amounting RMB39 million (Preceding Period: RMB4.4 million) was recorded which was attributed to our Talent Shoes Trading Center. Besides popularity of e-commence, the trade war between US and China casted further shadow against the nearby rental market. The modification of internal partition of the property was in progress with a view to optimize future income stream.

Concerning our residential project, Xintian Banshan, garden and landscape engineering around the grand-sized luxurious villas in zone B are ongoing. The external decoration of show flats of zone B was completed, opened for visit and for sale. After considering sentiment of property market in Guangzhou, pace and price of latest contract sales, further development costs to be incurred as well as the latest revaluation, a further reversal of previously provided impairment loss of RMB105.8 million (Preceding Period: RMB36.8 million) was recorded for our completed properties for sales and properties under development.

The above revaluation was conducted by an independent qualified professional valuer.

Finance cost

Finance costs arising from bank and other borrowings (before capitalisation) increased to RMB14.7 million (Preceding Period: RMB9.3 million). New borrowing had been made during the Reporting Period to fund the development of logistic projects of the Group.

Income Tax Expense

During the Reporting Period, income tax expenses amounted to RMB48.7 million (Preceding Period: RMB68.1 million). Of which, PRC corporate income tax and land appreciation tax reduced to RMB14.8 million (Preceding Period: RMB66.1 million) and RMB23.6 million (Preceding Period: RMB75.5 million), respectively. It was primarily the result of decreased recognition of revenue of Xintian Banshan. Deferred tax charge mainly attributed to the reversal of impairment loss on our properties portfolio.

Profit Of The Period Attributable To Owners Of The Company

As a result of the above, a profit attributable to owners of the Company of RMB78.7 million was recorded for the Reporting Period (Preceding Period: RMB26.1 million).

Prospect

During the Reporting Period, various tightening control and policies to curb speculation on resident property by PRC government were strengthened and expected to continue in the rest of the year. The luxury villas of Xintian Banshan were launched for sales and well achieved in the high-end property market. However, the recent cool down of market sentiment is expected to affect its pace of future contract sales. We continue carrying out differentiate and intimate relationship with potential buyers to appreciate and facilitate the sales of the masterpiece we proud of. On the other hand, main structure engineering of Yangzhou project and foundation work of the exhibition centers of Xuzhou project are underway. We expect to commence their pre-sale by the end of the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 June 2018 were approximately RMB3,384.3 million (31 December 2017: approximately RMB3,297.7 million) which were financed by the total equity and total liabilities of approximately RMB1,966.6 million (31 December 2017: approximately RMB1,894.6 million) and approximately RMB1,417.8 million (31 December 2017: approximately RMB1,403.1 million) respectively.

The Group borrowings were all denominated in Renminbi. Bank balances and cash were mainly denominated in Renminbi. As at 30 June 2018, 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 2018, the Group's gearing ratio was approximately 14.5% (31 December 2017: 14.3%), as computed by total borrowings divided by total equity. As at 30 June 2018, all bank loan were repaid and other borrowings were amounted to RMB285.9 million (31 December 2017: RMB170.0 million and RMB101.9 million, respectively). They carried fixed interest rate.

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$1.23114: RMB1 and HK$1.18472: 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 2018, no investment property of the Group was pledged to secure general banking facilities (31 December 2017: RMB702 million) and properties under development amounted to approximately RMB464 million were pledged to secure facilities from a financial institution.

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 30 June 2018, the Group had approximately 266 (31 December 2017: 254) employees, with about 263 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 Reporting Period.

CAPITAL COMMITMENT

Details of the capital commitment is 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 6 months' period ended 30 June 2018.

DIVIDEND

The board does not recommend payment of any interim dividend for the six months ended 30 June 2018.

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 report, 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.

REVIEW OF ACCOUNTS

The unaudited condensed consolidated accounts of the Company and its subsidiary companies for the six months ended 30 June 2018 have been reviewed by the Company's auditor, CHENG & CHENG LIMITED, in accordance with Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The unaudited condensed consolidated accounts of the Company and its subsidiary companies for the six months ended 30 June 2018 have also been reviewed by the Audit Committee of the Company.

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

The interim results announcement is published on the websites of the Company (www.760hk.com) 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 2018

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. Chan Chi Mong, Hopkins and Mr. Mak Yiu Tong as Independent Non-executive Directors.