新天地产
TALENT PROPERTY

TALENT PROPERTY GROUP LIMITED
新 天 地 產 集 團 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 760)

2019 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 2019 with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2019	2018
		RMB'000	*RMB'000*
	Notes	**(unaudited)**	(unaudited)
Revenue	*3*	**34,885**	173,572
Cost of sales and services		**(27,202)**	(116,385)
Gross profit		**7,683**	57,187
Other revenue and net income	*4*	**1,607**	10,475
Distribution costs		**(4,720)**	(11,802)
Administrative and other operating expenses		**(17,619)**	(22,497)
Share of result of an associate		**12,232**	29,444
Reversal of impairment loss of properties under development		**2,294**	105,801
Fair value changes on investment properties		**1,752**	(39,000)
Finance costs	*5*	**(10,285)**	(7,126)
(Loss)/profit before tax	*6*	**(7,056)**	122,482
Income tax expenses	*7*	**(1,185)**	(48,732)
(Loss)/profit for the period		**(8,241)**	73,750

* *For identification purposes only*

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

	Notes	For the six months ended 30 June **2019** ***RMB'000*** **(unaudited)**	2018 *RMB'000* (unaudited)
(Loss)/profit for the period attributable to:			
– Owners of the Company		**(4,848)**	78,742
– Non-controlling interests		**(3,393)**	(4,992)
		(8,241)	73,750
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of financial statements of foreign operations		**(70)**	(5,170)
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		**(70)**	(6,170)
Total comprehensive (loss) income for the period		**(8,311)**	67,580
Total comprehensive (loss) income for the period attributable to:			
– Owners of the Company		**(4,918)**	72,572
– Non-controlling interests		**(3,393)**	(4,992)
		(8,311)	67,580
(Loss)/earnings per share	*8*		
– Basic		**(0.047) cents**	0.765 cents
– Diluted		**(0.047) cents**	0.765 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At **30 June 2019** ***RMB'000*** **(unaudited)**	At 31 December 2018 *RMB'000* (audited)
Non-current assets			
Investment properties		**707,000**	704,000
Plant and equipment		**2,747**	2,899
Right-of-use assets		**3,979**	–
Interests in an associate		**423,747**	501,515
Prepayments, deposits and other receivables	*10*	**20,000**	20,000
Deferred tax assets		**39,348**	37,950
		1,196,821	1,266,364
Current assets			
Properties under development		**2,424,032**	1,860,035
Completed properties held for sale		**269,141**	288,038
Trade receivables	*9*	**6,946**	7,782
Prepayments, deposits and other receivables	*10*	**43,062**	106,939
Contract costs		**2,070**	2,273
Tax recoverable		**61,144**	42,647
Pledged deposit		**3,000**	3,000
Cash and cash equivalent		**23,568**	43,211
		2,832,963	2,353,925
Current liabilities			
Trade payables	*11*	**361,942**	279,251
Accruals and other payables	*12*	**220,406**	230,488
Contract liabilities		**279,626**	246,628
Lease liabilities		**1,445**	–
Provision for tax		**283,663**	285,256
Borrowings	*13*	**470,000**	381,854
		1,617,082	1,423,477
Net current assets		**1,215,881**	930,448
Total assets less current liabilities		**2,412,702**	2,196,812

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**At 30 June 2019** ***RMB'000*** **(unaudited)**	At 31 December 2018 *RMB'000* (audited)
Non-current liabilities			
Borrowings	*13*	**190,500**	**–**
Deferred tax liabilities		**233,784**	232,723
Lease liabilities		**2,640**	**–**
		426,924	232,723
Net assets		**1,985,778**	1,964,089
Equity			
Share capital	*14*	**37,628**	37,628
Reserves		**1,905,342**	1,910,260
Equity attributable to owners of the Company		**1,942,970**	1,947,888
Non-controlling interests		**42,808**	16,201
Total equity		**1,985,778**	1,964,089

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

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, which are measured at 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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018. 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 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

2.1. Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of land and building that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 *Transition and summary of effects arising from initial application of HKFRS 16*

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated loss and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of RMB4,774,000 and right-of-use assets of RMB4,774,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 11%.

	At 1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	5,979
Lease liabilities discounted at relevant incremental borrowing rates	5,201
Less: Recognition exemption – short-term leases	(427)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	4,774
Analysed as	
Current	1,371
Non-current	3,403
	4,774

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts reported at 31 December 2018	**Adjustments**	**1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Right-of-use assets	–	4,774	4,774
Current liabilities			
Leases liabilities	–	1,371	1,371
Non-current liabilities			
Leases liabilities	–	3,403	3,403

The application of HKFRS 16 as a lessor has no material impact on the Group's condensed consolidated statement of financial position as at 30 June 2019 and its condensed consolidated statement of profit or loss and other comprehensive income and cash flows for the current interim period.

3. SEGMENT INFORMATION

The executive directors have identified the Group's three (2018: 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 2019 (unaudited)

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Reportable segment revenue				
External revenue	**20,477**	**9,191**	**5,217**	**34,885**
Reportable segment (loss)/profit	**(3,150)**	**8,282**	**1,009**	**6,141**
Share of result of an associate				**12,232**
Finance costs				**(10,285)**
Income tax expense				**(1,185)**
Unallocated expenses				**(16,751)**
Unallocated income				**1,607**
Loss for the period				**(8,241)**

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 result 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 2019 (unaudited)

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Total** *RMB'000*
Timing of revenue recognition for those within the scope of HKFRS 15				
A point in time	**20,477**	**–**	**–**	**20,477**
Over time	**–**	**–**	**5,217**	**5,217**
	20,477	**–**	**5,217**	**25,694**
Revenue from other source				
Rental income	**–**	**9,191**	**–**	**9,191**
Total	**20,477**	**9,191**	**5,217**	**34,885**

All the Group's revenue from external customers is derived from Mainland China.

For the six months ended 30 June 2018 (unaudited)

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Timing of revenue recognition for those within the scope of HKFRS 15				
A point in time	163,712	–	–	163,712
Over time	–	–	3,990	3,990
	163,712	–	3,990	167,702
Revenue from other source				
Rental income	–	5,870	–	5,870
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 2019 (unaudited)

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Total** *RMB'000*
Reportable segment assets	**2,759,999**	**715,053**	**3,125**	**3,478,177**
Reportable segment liabilities	**(950,929)**	**(372,041)**	**(1,614)**	**(1,324,584)**

As at 31 December 2018 (audited)

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Reportable segment assets	2,267,194	738,806	3,382	3,009,382
Reportable segment liabilities	(830,339)	(30,285)	(3,508)	(864,132)

4. OTHER REVENUE AND NET INCOME

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other revenue		
Interest income on financial assets carried at amortised costs	**240**	1,031
Others	**1,367**	8,616
Other net income		
Exchange loss	**–**	(2)
Reversal for impairment losses of completed properties held for sale	**–**	830
Total	**1,607**	10,475

5. FINANCE COSTS

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on bank loan	**4,058**	4,341
Interest on lease liabilities	**192**	–
Interest on other loans wholly repayable within five years *(note (a))*	**22,718**	10,379
Less: amount capitalised to properties under development	**(16,683)**	(7,594)
Total	**10,285**	7,126

note:

(a) Interest on other loans included interest expense to an associate of approximately RMB1,207,000 (2018: RMB1,217,000).

6. (LOSS) PROFIT BEFORE TAX

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
(Loss)/profit before income tax is arrived at after charging/(crediting):		
Cost of properties sold	**19,070**	106,700
Cost of property investment *(note (a))*	**1,670**	1,531
Cost of service for property management	**4,049**	3,928
Tax and other levies	**2,413**	4,226
Depreciation on plant and equipment	**692**	641
Depreciation on right-of-use assets	**795**	–
Operating lease charges in respect of land and building:		
– for short term lease	**743**	–
– for all lease	**–**	1,133
Allowance for expected credit loss	**–**	2,784
Rental income from investment properties less direct outgoings *(note (a))*	**(7,521)**	(4,339)

note:

(a) Rental income from investment properties

Direct outgoings incurred for rental income from investment properties amounted to approximately RMB1,670,000 (2018: RMB1,531,000).

7. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax		
The PRC – Corporate Income Tax		
– Tax for the period	**–**	14,351
– Under provision in respect of prior years	**–**	435
	–	14,786
The PRC – Land Appreciation Tax		
– Tax for the period	**1,521**	23,611
Deferred tax		
– (Credit)/charge for the period	**(336)**	10,335
Total income tax expense	**1,185**	48,732

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.

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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% (2018: 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% (2018: 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 2019, 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) EARNINGS PER SHARE

Basic (loss) earnings per share

The calculation of (loss) earnings per share is based on the loss attributable to the owners of the Company of approximately RMB4,848,000 (2018: profit of approximately RMB78,742,000) and on the weighted average of 10,293,136,554 (2018: 10,293,136,554) ordinary shares in issue during the period.

Diluted (loss) earnings per share

There were no potential dilutive ordinary shares in existence during the period ended 30 June 2019 and 2018 and hence the diluted (loss) earnings per share is the same as the basic (loss) earnings per share.

9. TRADE RECEIVABLES

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**7,399**	8,235
Less: Allowance for expected credit loss	**(453)**	(453)
Trade receivables – net	**6,946**	7,782

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.

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 2019** *RMB'000* **(unaudited)**	31 December 2018 *RMB'000* (audited)
0 to 90 days	**6,693**	7,566
91 to 180 days	**33**	195
181 to 365 days	**220**	21
	6,946	7,782

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at **30 June 2019** *RMB'000* **(unaudited)**	31 December 2018 *RMB'000* (audited)
Surety deposit paid for participating in listing-for-sale of land parcel	**–**	66,000
Performance deposit for commencement and completion of construction	**–**	5,000
Amount due from a non-controlling shareholder of a subsidiary *(note (a))*	**20,000**	20,000
Value-added tax recoverable	**30,653**	22,253
Other receivables, prepayment and deposits *(note (b))*	**12,409**	13,686
	63,062	126,939
Less: Non-current portion	**(20,000)**	(20,000)
Current portion	**43,062**	106,939

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

note:

(a) It represents advance made to an independent third party for the subscription of 40% registered capital of a non-wholly owned subsidiary namely, Yunnan Xin Tian Culture Travel Development Limited in previous years. During the current period, the Group entered into a letter of intent for the buy back of such shareholding at the same amount. No material gain or loss would be recorded.

(b) It included prepaid construction cost, residences maintenance fund, rental and sundry deposits.

11. TRADE PAYABLES

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

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 90 days	**359,912**	277,809
91 to 180 days	**1,543**	725
Over 180 days	**487**	717
	361,942	279,251

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

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

12. ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Deposits and rentals received in advance from tenants	**8,124**	10,704
Tax and other levies	**4,919**	4,922
Interest payable on loan from the controlling shareholder of an associate	**–**	2,852
Amount due to an associate	**184,739**	172,199
Amount due to a related company	**–**	790
Amount due to a director	**4,296**	2,861
Other payables and accruals *(note)*	**18,328**	36,160
	220,406	230,488

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

note:

It included accrued salaries, administrative expenses and sundry creditors.

13. BORROWINGS

	As at 30 June 2019 *RMB'000* (unaudited)	31 December 2018 *RMB'000* (audited)
Borrowings included in:		
Bank borrowings – secured *(note (a))*	**190,500**	–
Other borrowings – secured *(note (b))*	**300,000**	300,000
Other borrowings – unsecured *(note (c))*	**170,000**	81,854
	660,500	381,854
Less: current portion of other borrowings – secured *(note (b))*	**(300,000)**	(300,000)
current portion of other borrowings – unsecured *(note (c))*	**(170,000)**	(81,854)
Less: Amounts due within one year shown under current liabilities	**(470,000)**	(381,854)
Amounts shown under non-current liabilities	**190,500**	–

(a) The Group has variable-rate bank borrowings which are repayable in 10 years and carry the People's Bank of China over 5 years loan base interest rate plus 63.27% inflated rate. Interest is repriced annually.

As at 30 June 2019, the effective interest rates (which are also equal to contractual interest rates) on the Group's bank loans are 8% and secured by investment properties.

As at 30 June 2019, the Group's bank borrowings were all denominated in RMB.

(b) As at 30 June 2019 and 31 December 2018, the effective interest rates on Group's other secured borrowing of RMB300,000,000 is at fixed rate of 11% and repayable on demand. The secured borrowing has secured by pledged deposit and properties under development.

As at 30 June 2019 and 31 December 2018, the Group's other secured borrowings were all denominated in RMB.

(c) As at 30 June 2019, the effective interest rates on Group's other unsecured borrowings is at fixed rate of 11% (2018: Range from 5% to 11%) and repayable on demand.

As at 30 June 2019 and 31 December 2018, the Group's other unsecured borrowings were all denominated in RMB.

14. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.004 each:		
At 1 January, 2018, 30 June, 2018, 1 January, 2019 and 30 June, 2019	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, 2018, 30 June, 2018, 1 January, 2019 and 30 June, 2019	10,293,136,554	41,173	37,628

15. CAPITAL COMMITMENTS

	30 June 2019 ***RMB'000*** **(unaudited)**	31 December 2018 *RMB'000* (audited)
Capital commitments (contracted but not provided for):		
Capital injection into subsidiaries	**19,842**	19,842
Capital injection into an associate	**26,249**	26,249
Construction costs of properties under development	**491,360**	639,220
Consideration for acquisition of land use right	**–**	260,400
	537,451	945,711

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"). 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 2019 (the "Reporting Period"), the Group recorded an unaudited consolidated revenue and gross profit of RMB34.9 million and RMB7.7 million, respectively, as compared to revenue of RMB173.6 million and gross profit of RMB57.2 million for the six months ended 30 June 2018 (the "Preceding Period"), respectively.

During the Reporting Period, a revenue of RMB17.1 million (Preceding Period: RMB158.4 million) was recorded from the continual delivery of high-end residential units of Xintian Banshan (新天半山) with gross floor area of approximately 600 square meters ("sqm") (Preceding Period: 4,100 sqm). No new subscription or contract sales was recorded for villas of Xintian Banshan during the Reporting Period. We found customers' demand for high-end luxury residential properties deteriorated and took a wait-and-see attitude given ongoing US-China trade war. In addition, contracted sales recorded previously are expected to be delivered in second half of the financial year. As such, revenue therefrom reduced significantly. Whereas, revenue from selling of other properties held for sales was RMB3.4 million (Preceding Period: RMB5.4 million).

During the Reporting Period, rental income and properties management fee income totaling RMB10.2 million (Preceding Period: RMB7.0 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. After completion of refurbishment of certain floors of the property, we kept changing tenants mix and roll out incentive programs for new tenants as well as timely rental payment.

Property management fee and rental income generated from other properties of the Group totaling RMB4.2 million (Preceding Period: RMB2.8 million) was recorded.

After taking into account the costs from Previous Acquisition, subsequent development cost, the net provision for impairment loss as well as lower unit price of properties delivered, a gross profit and overall gross profit margin of RMB7.7 million and 22.0% (Preceding Period: a gross profit of RMB57.2 million and gross profit margin of 32.9%), respectively, were recorded.

Distribution costs, administrative and other operating expenses

During the Reporting Period, the Group has devoted its workforce and resources on the construction and promotion planning of its first project in Yangzhou. Distribution costs of RMB4.7 million were recorded in the Reporting Period as compared to RMB11.8 million in the Preceding Period. A reduction of administrative expense from RMB22.5 million in the Preceding Period to RMB17.6 million in the Reporting Period was also recorded. It was primarily the result of cost saving in Guangzhou headquarter in the Reporting 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 project was completed. During the Reporting Period, sales and delivery of completed units of Block 7 and car parking space of "Forest Hills" commenced. 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 RMB12.2 million (Preceding Period: RMB29.4 million).

Reversal of impairment loss and fair value change on properties portfolio

Regarding our investment properties, a slight revaluation surplus of RMB1.8 million (Preceding Period: deficit of RMB39.0 million) was recorded which was attributed to our Talent Shoes Trading Center and commercial units of Shangyu Garden.

Concerning our residential project, Xintian Banshan, garden and landscape engineering around the luxurious villas in zone B are almost completed. Whereas, the construction of main body of the mega villa at zone E was completed. The Group is formulating the internal and external decoration plan as well as its nearby garden engineering taking into consideration of the sales progress of villas at zone B.

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 RMB2.3 million (Preceding Period: RMB105.8 million) was recorded for our properties under development. Provision for impairment loss made in previous years was almost fully reversed.

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 RMB26.80 million (Preceding Period: RMB14.7 million). New borrowing had been made during the Reporting Period to fund the land premium and construction cost of logistic projects of the Group. Following the adoption of HKFRS16, interest on lease liabilities of RMB0.2 million was recorded.

Income Tax Expense

During the Reporting Period, income tax expenses amounted to RMB1.2 million (Preceding Period: RMB48.7 million). It was primarily the result of decreased recognition of revenue of Xintian Banshan.

Loss/(Profit) For The Period Attributable To Owners Of The Company

Given the significant reduction of both revenue from sales of properties and reversal of impairment loss, a loss attributable to owners of the Company of RMB4.8 million was recorded for the Reporting Period (Preceding Period: a profit of RMB78.7 million).

Prospect

The US-China trade war began in the middle of 2018 and became more intensified in the recent months. The Chinese government took various measures including bolstering the consumers' confidence to stabilize the economy with domestic demand, in order to reduce the impact on domestic economy brought by trade war. Meanwhile, People's Bank of China also reformed the housing mortgage policy with introducing the Loan Prime Rate (LPR), which could help to lower corporate loan rate and avoid the overheating of real estate market. It further demonstrated that under the current circumstance, the stance of "housing properties for accommodation, not speculative trading" of the central government remained unchanged.

Scarcity value of Xintian Banshan, flagship project of the Group was not reduced even though real estate market in China was cooled down. Xintian Banshan is the only real estate project in Guangzhou with detached villas featuring mid hillside and lakeside scenery. We closely implemented the construction and presale of logistic project while identifying potential customers for Xintian Banshan. The LOFT products in Zone A of Guangling project in Yangzhou were opened for subscription; and Xuzhou project was scheduled for subscription in the fourth quarter of this year the earliest, both of which are expected to realize cash recovery for the Group. Regarding the project located in Shatou Town, Yangzhou, we are working for the application of planning permit and under discussion with local authority regarding relocation of local farm produce markets. After the Reporting Period, we secured new loans from institutions, supporting the operation of the Group and funding for construction of logistic projects.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 June 2019 were approximately RMB4,029.8 million (31 December 2018: approximately RMB3,620.3 million) which were financed by the total equity and total liabilities of approximately RMB1,985.8 million (31 December 2018: approximately RMB1,964.1 million) and approximately RMB2,044.0 million (31 December 2018: approximately RMB1,656.2 million) respectively.

The Group borrowings were all denominated in Renminbi. Bank balances and cash were mainly denominated in Renminbi. As at 30 June 2019, 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 2019, the Group's gearing ratio was approximately 50.7% (31 December 2018: 45.7%), as computed by total liabilities divided by total assets. As at 30 June 2019, bank borrowings and other borrowings were amounted to RMB190.5 million and RMB470 million, respectively (31 December 2018: other borrowings were amounted to RMB381.9 million). They carried fixed interest rate.

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$1.15805: RMB1 and HK$1.13746: 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 2019, an investment property of the Group amounted to approximately RMB667 million (31 December 2018: RMB665 million) was pledged to secure general banking facilities. Properties under development and deposit with the approximate value of RMB519 million (31 December 2018: RMB455) and RMB3 million (31 December 2018: RMB3 million), respectively, were pledged to secure facilities from a financial institution.

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 30 June 2019, the Group had approximately 252 (31 December 2018: 266) employees, with about 249 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 six months' period ended 30 June 2019.

DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2019.

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.

Since the resignation of Mr. Chan Chi Mong, Hopkins as an independent non-executive director of the Company with effect from 2 June 2019, the Company failed to meet (i) the requirement set out in Rule 3.10(1) of the Listing Rules that the Company must have at least three independent non-executive directors; (ii) the requirement set out in Rule 3.21 of the Listing Rules that the audit committee must comprise a minimum of three members; (iii) the requirement set out in Rule 3.25 of the Listing Rules that the remuneration committee must comprise a majority of independent non-executive directors and its chairman must be an independent non-executive director; and (iv) relevant provisions in CG code. Following the appointment of Mr. Fok Chi Tat Michael as an independent non-executive director, the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company with effect from 23 August 2019, the Company has met the aforementioned requirements of in the Listing Rules.

CG Code Provision A.2.1

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

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

REVIEW OF ACCOUNTS

The unaudited condensed consolidated accounts of the Company and its subsidiaries for the six months ended 30 June 2019 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 and 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, 30 August 2019

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.