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TALENT PROPERTY GROUP LIMITED

新天地產集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 760)

2023 ANNUAL RESULTS ANNOUNCEMENT

CHAIRMAN STATEMENT

On behalf of the board of directors of Talent Property Group Limited (the “**Company**”), I am pleased to present the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023.

FINANCIAL RESULTS

The consolidated revenue and gross profit of the Group for 2023 amounted to approximately RMB766.7 million (2022: RMB276.1 million) and RMB188.7 million (2022: RMB98.6 million), respectively. The revenue for the year was mainly attributable to the sales of villas of Xintian Banshan as well as the delivery and sales of pre-sold units of Xuzhou Linan Intelligent Industrial Park and Yangzhou Intelligent Living City. After taking into account the sluggish performance of property market in the PRC and the independent valuation, the Group made impairment provisions for a number of projects accordingly. The Group recorded losses attributable to the shareholders for 2023 of approximately RMB33.8 million (2022: RMB39.1 million).

* *For identification purposes only*

OPERATION REVIEW AND OUTLOOK

With the gradual easing of the Pandemic and the ongoing recovery of trade, the fiscal and monetary policies of the United States and countries in Europe entered into a tightening cycle. At the same time, the geopolitical wars and political environment continued to deteriorate, resulting in a slowdown in economic growth and divergence in economic performance among countries across the world. Being affected by the foresaid factors, we witnessed weaker demand for China exports and decreasing foreign investment. Coupled with the sluggish labor market as a result of the lockdown of economic activities in the combat against the Pandemic over the past years, consumers became cautious about spending due to lack of confidence, leading to a decline in property demands. The sluggish performance of the property market led to credit defaults by high debt real estate companies. To address the property crisis, the government gradually lifted the restrictive administration measures imposed on the real estate industry over the past years in the second half of 2023, with an aim to stabilize the property sector which serves as an important pillar of the national economy.

Xintian Banshan

The Group's flagship luxury project Xintian Banshan, which is located in Guangzhou, focuses on the pursuit for exquisite and rare luxury residence and supreme lifestyle by the wealthy customers. Despite the sluggish performance of property market in the PRC, the villas (known as 新天•半山墅) at Zone B which are built along the mountain slope and the villas (known as 新天•山頂道) at Zone E which boast the most superior mountaintop location of the project got sales subscription. During the year, total subscription area and amount for Xintian Banshan of approximately 4,000 sqm (2022: 2,000 sqm) and approximately RMB310 million (2022: RMB140 million) was recorded. According to the better-than-expected data for the first two months of 2024 published by the National Bureau of Statistics, and with the expectation of continuous relaxation of national and local property policies, the market sentiment of the property sector is expected to improve, which will expedite cash return from property sales.

Logistics Commercial Property Projects

Yangzhou Intelligent Living City, which is located in Guangling District, Yangzhou City, is developed in two phases, namely Zone A and Zone B. Zone A consists of twelve blocks of commercial and office units with a saleable area of approximately 90,000 sqm, of which seven blocks were completed and continued to be delivered and sold. Due to the oversupply of similar products in the local market, coupled with the impact of the Pandemic and the economy downturn, sales of the project remained slow. The Group launched the commercial units on the ground floors during the year, with an aim to increase cash return. The subscription amount and area of commercial and office units as well as commercial units on the ground floors for the year amounted to approximately RMB47.6 million and 3,000 sqm respectively (2022: RMB14.8 million and 1,900 sqm).

Xuzhou Linan Intelligent Industrial Park, which is located in Yunlong District, Xuzhou City, consists of commercial units and office units with the saleable area of approximately 62,000 sqm and 41,000 sqm, respectively. Despite the delay in project construction due to the city lockdown measures for pandemic control, the project was finally completed in early 2023, and proactive efforts have been made to push forward property delivery during the year. As of the end of 2023, the accumulated subscription areas of commercial and office units over the past years amounted to approximately 67,000 sqm, and the remaining units with an area of 23,000 sqm are pending for delivery.

Looking forward to 2024, the Group will continue to push forward the delivery of Xuzhou Project, promote the sales of the two projects and facilitate the transfer of properties to offset construction cost payables, and explore the future development of the undeveloped lots of land in Yangzhou project with the relevant authorities.

Talent Shoes Trading Center

Recently, the economic activities at Talent Shoes Trading Center, a 10-storey commercial and office complex located in Liwan District, Guangzhou, became sluggish after a short-lived rebound driven by the lifting of pandemic prevention and control measures, with increasing tenant turnover due to factors such as weakened export and industrial shift. The Group continued to improve tenant service and optimise rent portfolio, in an effort to attract tenants in a competition with other peers in the region and maintain occupancy rate.

Linha Cun Redevelopment Project

The Linhe Cun Redevelopment Project, which is located in the CBD of Tianhe District in Guangzhou and near Guangzhou East Railway station, is the Group's joint development project with Sun Hung Kai Properties Group for over ten years. Due to the capital reduction carried out during the year, the Company got a return of registered capital partly in an amount of RMB150 million. Looking forward to 2024, the Group will push forward the outstanding cooperation issues of the associated company as well as the distribution of assets including the remaining few hundred parking spaces and bank deposits.

APPRECIATION

The board of directors would like to take this opportunity to express its sincere gratitude to all customers and business partners for their trust and support to the Group's products and businesses, and also extend its thanks for the commitment, dedication and contribution of all employees over the past year.

Zhang Gao Bin

Chairman and Executive Director

Hong Kong, the PRC
27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	3, 4	766,732	276,113
Cost of sales and services		<u>(578,018)</u>	<u>(177,489)</u>
Gross profit		188,714	98,624
Other revenue	5	4,028	9,452
Distribution costs		(13,204)	(9,576)
Administrative and other operating expenses		(40,112)	(60,178)
Fair value changes on investment properties		(54,749)	(49,445)
Fair value changes on a financial asset at FVTPL		–	3,294
(Impairment loss)/reversal of impairment loss of properties under development		(24,271)	45,456
Impairment loss of completed properties held for sale		(73,835)	–
Reversal of expected credit losses for trade receivables		121	62
Share of result of an associate		42,415	(4,427)
Finance costs	6	<u>(22,326)</u>	<u>(34,626)</u>
Profit/(loss) before tax	7	6,781	(1,364)
Income tax expense	8	<u>(40,557)</u>	<u>(37,784)</u>
Loss for the year		<u>(33,776)</u>	<u>(39,148)</u>
Loss attributable to:			
Owners of the Company		(33,776)	(39,148)
Non-controlling interests		<u>–</u>	<u>–</u>
		<u>(33,776)</u>	<u>(39,148)</u>

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other comprehensive (loss)/income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		<u>(699)</u>	<u>697</u>
Other comprehensive (loss)/income for the year		<u>(699)</u>	<u>697</u>
Total comprehensive loss for the year		<u>(34,475)</u>	<u>(38,451)</u>
Total comprehensive loss attributable to:			
Owners of the Company		<u>(34,475)</u>	<u>(38,451)</u>
Non-controlling interests		<u>–</u>	<u>–</u>
		<u>(34,475)</u>	<u>(38,451)</u>
		<i>RMB</i>	<i>RMB</i> (Restated)
Loss per share	9		
Basic and diluted		<u>(6.6) cent</u>	<u>(7.6) cent</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		500,100	552,700
Plant and equipment		9,106	7,818
Intangible assets		3,510	–
Right-of-use assets		1,755	3,509
Interests in an associate		238,687	346,135
Prepayments, deposits and other receivables	<i>11</i>	–	354
Deferred tax asset		–	1,116
		753,158	911,632
Current assets			
Properties under development		438,000	523,054
Completed properties held for sale		1,745,582	2,352,041
Trade receivables	<i>10</i>	967	2,609
Prepayments, deposits and other receivables	<i>11</i>	73,542	133,483
Tax recoverable		18,201	30,934
Cash and cash equivalent		119,260	76,860
		2,395,552	3,118,981
Current liabilities			
Trade payables	<i>12</i>	377,650	518,579
Accruals and other payables	<i>13</i>	96,993	100,984
Contract liabilities	<i>14</i>	369,896	765,802
Lease liabilities		2,024	1,729
Provision for tax		400,139	372,728
Borrowings		16,720	91,360
		1,263,422	1,851,182
Net current assets		1,132,130	1,267,799
Total assets less current liabilities		1,885,288	2,179,431

	2023	2022
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities		
Lease liabilities	–	2,024
Borrowings	106,536	347,096
Deferred tax liability	143,091	160,175
	<u>249,627</u>	<u>509,295</u>
Net assets	<u>1,635,661</u>	<u>1,670,136</u>
EQUITY		
Share capital	37,628	37,628
Reserves	1,597,833	1,632,308
	<u>1,635,461</u>	<u>1,669,936</u>
Equity attributable to the owners of Company	1,635,461	1,669,936
Non-controlling interests	200	200
	<u>1,635,661</u>	<u>1,670,136</u>
Total equity	<u>1,635,661</u>	<u>1,670,136</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decision made by primary users. These consolidated financial statements also comply with the applicable disclosure of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Presentation of financial statements and Making materiality judgements: 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
HKFRS 17	Insurance contracts

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

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

New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

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

3. SEGMENT INFORMATION

The Group is organised into three (2022: three) business units, based on which information is prepared and reported to the Group's chief decision makers, for the purposes of resource allocation and assessment of performance.

Information of the Group's operating and reportable segments are shown as follows:

For the year ended 31 December 2023

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Total RMB'000
Reportable segment revenue				
Revenue	<u>743,852</u>	<u>12,191</u>	<u>10,689</u>	<u>766,732</u>
Timing of revenue recognition for those within the scope of HKFRS 15				
A point in time	743,852	–	–	743,852
Over time	–	–	10,689	10,689
Revenue from other source				
Rental income	<u>–</u>	<u>12,191</u>	<u>–</u>	<u>12,191</u>
Total	<u>743,852</u>	<u>12,191</u>	<u>10,689</u>	<u>766,732</u>
Reportable segment profit/(loss)	<u>62,803</u>	<u>(46,492)</u>	<u>72</u>	<u>16,383</u>
Share of result of an associate				42,415
Finance costs				(22,326)
Income tax expenses				(40,557)
Unallocated expenses				(33,719)
Unallocated income				<u>4,028</u>
Loss for the year				<u>(33,776)</u>
Reportable segment assets	2,315,520	504,782	1,205	2,821,507
Corporate assets				<u>327,203</u>
Group assets				<u>3,148,710</u>
Reportable segment liabilities	779,110	132,218	1,962	913,290
Corporate liabilities				<u>599,759</u>
Group liabilities				<u>1,513,049</u>

For the year ended 31 December 2022

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

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

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

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

Other segment information for the year ended 31 December 2023 is as follows:

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Other segment information:					
Addition to non-current segment assets during the year	2,593	2,149	-	5,452	10,194
Reversal of expected credit losses for trade receivables	-	121	-	-	121
Depreciation and amortisation	(3,935)	-	-	(1,066)	(5,001)
Fair value changes on investment properties	-	(54,749)	-	-	(54,749)
Impairment loss of properties under development and completed properties held for sale	(98,106)	-	-	-	(98,106)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Other segment information for the year ended 31 December 2022 is as follows:

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

None of (2022: four) customers from property development segment individually contributed over 10% of the Group's total revenue during the year ended 31 December 2023.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Customer A	-	34,286
Customer B	-	34,286
Customer C	-	33,333
Customer D	-	31,429
	<u> </u>	<u> </u>

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

Non-current assets (excluding financial instruments and deferred tax asset) of the Group are divided into the following geographical areas:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Hong Kong (domicile) (<i>note</i>)	1,087	–
Mainland China	<u>752,071</u>	<u>910,162</u>
	<u><u>753,158</u></u>	<u><u>910,162</u></u>

note: The place of domicile is determined based on the location of central management.

The geographical location of customers is based on the location at which the services were provided or the location of properties sold and/or leased out. The geographical locations of the non-current assets and interests of associate are based on the physical location of the assets and location of operation of the associate respectively.

4. REVENUE

The Group's principal activities are include (i) property development, (ii) property investment and (iii) property management. Turnover of the Group is the revenue from those activities. Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Sales of properties	743,852	253,557
Properties management fees	<u>10,689</u>	<u>11,431</u>
Revenue from contracts with customers (within the scope of HKFRS 15)	754,541	264,988
Gross rental income from investment properties (outside the scope of HKFRS 15)	<u>12,191</u>	<u>11,125</u>
Total	<u><u>766,732</u></u>	<u><u>276,113</u></u>

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price in respect of outstanding contracts with customers for the sales of properties as at 31 December 2023 and 2022 allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and 2022 and the expected timing of recognising revenue are as follows:

	For the year ended 31 December	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within one year	<u><u>409,136</u></u>	<u><u>768,814</u></u>

For the sales of properties, the performance obligation is satisfied upon the transfer of the control of the properties and the Group has fully received the consideration of the properties sold. The expected timing of title transfer is stated in the sales and purchases agreements.

Leases

For the year ended 31 December

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Rental income under operating leases:		
Lease payments that are fixed	<u>12,191</u>	<u>11,125</u>
Total revenue arising from leases	<u>12,191</u>	<u>11,125</u>

5. OTHER REVENUE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other revenue		
Interest income on financial assets carried at amortised costs	3,616	6,079
Interest income on loan to an associate	104	17
Management fee income from an associate	33	6
Others	<u>275</u>	<u>3,350</u>
	<u>4,028</u>	<u>9,452</u>

6. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on secured bank loans	6,982	12,859
Interest on lease liabilities	311	430
Interest on other secured loans	15,033	32,607
Interest on contract liabilities	–	60,452
Less: amount capitalised to properties under development	<u>–</u>	<u>(71,722)</u>
	<u>22,326</u>	<u>34,626</u>

7. PROFIT/(LOSS) BEFORE TAX

	2023 RMB'000	2022 RMB'000
Profit/(loss) before tax is arrived at after charging/(crediting):		
Amortisation of intangible assets	390	–
Cost of properties sold	557,132	158,400
Cost of service for property management	10,243	9,931
Reversal of expected credit losses for trade receivables	(121)	(62)
Tax and other levies	8,146	6,510
Depreciation of plant and equipment (<i>note (a)</i>)	2,857	3,339
Depreciation of right-of-use assets	1,754	1,755
Auditors' remuneration		
– Audit services	772	732
– Non-audit services	325	172
Impairment loss/(reversal of impairment loss) of properties under development	24,271	(45,456)
Impairment loss of completed properties held for sale	73,835	–
Rental income from investment properties less direct outgoings (<i>note (b)</i>)	(9,694)	(8,477)
	<u><u> </u></u>	<u><u> </u></u>

notes:

(a) Depreciation of plant and equipment

Depreciation expenses of approximately RMB2,857,000 (2022: approximately RMB3,339,000) have been included in administrative expenses.

(b) Rental income from investment properties less direct outgoing

Direct outgoings incurred for rental income from investment properties amounted to approximately RMB2,497,000 (2022: approximately RMB2,648,000).

8. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax		
The PRC – Enterprise Income Tax		
– Tax for the year	<u>19,083</u>	<u>10,180</u>
The PRC – Land Appreciation tax		
– Current year	<u>37,448</u>	<u>38,481</u>
Deferred tax		
– Credit for the year	<u>(15,974)</u>	<u>(10,877)</u>
Total income tax expense	<u><u>40,557</u></u>	<u><u>37,784</u></u>

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

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% (2022: 30% to 60%) on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all properties development expenditures.

9. LOSS 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 RMB33,776,000 (2022: approximately RMB39,148,000) and on the weighted average of 514,656,827 (2022: 514,656,827 (restated)) ordinary shares in issue during the year.

The weighted average number of ordinary shares for the year ended 31 December 2023 for the purposes of calculating basic loss per share have been adjusted for the share consolidation which took place on 13 September 2023. Accordingly, the basic loss per share for the year ended 31 December 2022 are restated.

Diluted loss per share

There was no difference between basic and diluted loss per share as the Company did not have any dilutive potential shares outstanding during the year ended 31 December 2023 and 2022.

10. TRADE RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables		
– from property investment	1,021	2,784
Less: allowance for expected credit losses	<u>(54)</u>	<u>(175)</u>
Trade receivables – net	<u>967</u>	<u>2,609</u>

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

As at 31 December 2023 and 31 December 2022, trade receivables are mainly arose from rental income from investment properties. Proceeds are to be received in accordance with the terms of related tenancy agreements.

Allowance for expected credit losses of trade receivables are recorded using allowance accounts on trade receivable is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At the beginning of the year	175	276
Reversal of expected credit loss recognised	(121)	(62)
Less: uncollectible amounts written off	<u>–</u>	<u>(39)</u>
At the end of the year	<u>54</u>	<u>175</u>

At each reporting date, the Group reviews trade receivables for evidence of expected credit loss on both an individual and collective basis. As at 31 December 2023, no trade receivables (2022: RMB39,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and the management assessed that the receivables were not expected to be recovered.

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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0 to 90 days	<u>967</u>	<u>2,609</u>

The concentration of credit risk is limited due to the customer base being large and unrelated.

As at 31 December 2022 and 2023, none of the Group's trade receivables past due. These balances were related to a large number of diversified customers that had a good track record of credit with the Group.

The Group is holding rental deposits from tenants as collateral in respect of trade receivables for rental income.

As at 31 December 2022 and 2023, all of the Group's trade receivables are denominated in RMB, no interest is charged on trade receivables.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Prepaid value-added tax	18,372	49,295
Other receivables, prepayments and deposits (<i>note (a)</i>)	<u>55,170</u>	<u>84,542</u>
	73,542	133,837
Less: Non-current portion	<u>–</u>	<u>(354)</u>
Current portion	<u><u>73,542</u></u>	<u><u>133,483</u></u>

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

note:

- (a) It mainly includes prepaid construction cost, residences maintenance fund, rental and sundry deposits. As at 31 December 2023, advance receipts from customers for the sale of properties under development of approximately RMB41,148,000 (2022: approximately 69,565,000) 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 cost.

12. TRADE PAYABLES

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0 to 90 days	374,410	515,064
91 to 180 days	7	938
Over 180 days	<u>3,233</u>	<u>2,577</u>
	<u><u>377,650</u></u>	<u><u>518,579</u></u>

All of the trade payables are expected to be settled within one year or are repayable on demand. The trade payables are normally due immediately from the date of billing.

13. ACCRUALS AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Rental received in advance from tenants and other deposits	8,373	7,963
Tax and other levies	1,100	1,662
Current account with an associate	31,289	40,422
Amount due to a director of the Company	7,131	4,676
Other payables and accruals (<i>note</i>)	49,100	46,261
	<u>96,993</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 the accrued compensation for delay delivery of approximately RMB24,623,000 (2022: approximately RMB25,539,000), accrued salaries, administrative expenses, finance costs and sundry creditors.

14. CONTRACT LIABILITIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Receipt in advance from customers in respect of property development segment – current portion	369,896	765,802

All the contract liabilities are expected to be settled within the Group's normal operating cycle and the whole balances are classified as current.

During the year ended 31 December 2023, additions of receipt in advance from customers and interest expenses in respect of property development segment amounted to approximately RMB37,956,000 (2022: approximately RMB67,669,000) and Nil (2022: RMB60,452,000), respectively.

The revenue recognised in the current year in respect of contract liabilities brought forward was RMB433,862,000 (2022: RMB176,972,000).

Movements in contract liabilities

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Balance at 1 January	765,802	814,653
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(433,862)	(176,972)
Increase in contract liabilities as a result of receiving sales deposit related to sales of properties	37,956	67,669
Increase in contract liabilities as a result of accruing interest expense on advances	–	60,452
Balance at 31 December	<u>369,896</u>	<u>765,802</u>

The Group normally receives 1%–36% (2022: 2%–59%) of the contract value as deposits from customers when they sign the sale and purchase agreements. This advance payment are recognised as a contract liabilities until the properties are completed and legally assigned to the customer. The rest of the consideration is typically paid when legal assignment is completed.

In addition, the Group considers the advance payment schemes contains significant financial component and accordingly the amount of consideration is adjusted for the effects of the time value of money take into consideration the credit characteristic of the relevant group entities. As this accrual increases the amount of the contract liabilities during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customer.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the years ended 31 December 2023 and 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Overview

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

Revenue and gross profit

For the year ended 31 December 2023, the Group recorded a revenue and gross profit of RMB766.7 million and RMB188.7 million, respectively, as compared to a revenue and gross profit of RMB276.1 million and RMB98.6 million, respectively, for the year ended 31 December 2022.

The construction of our logistic commercial property projects was primarily completed and entered into delivery and sales of completed units. During the year, a revenue of RMB449.3 million was recognised from the commencement of delivery of pre-sold units of our Xuzhou Intelligent Industrial Town with a gross floor area (“**GFA**”) of approximately 44,000 square meters (“**sqm**”). Besides, a revenue of RMB55.3 million (2022: RMB38.8 million) was recorded from the sales of commercial and office units of our Yangzhou Intelligence Living City with GFA totalling approximately 5,100 sqm (2022: 5,200 sqm). Despite the overall property markets sentiments weakened, a revenue of RMB220.4 million (2022: RMB213.2 million) was recorded from the sales of Xintian Banshan Villa with a GFA of approximately 3,100 sqm (2022: 3,300 sqm). Revenue from sales of other properties of RMB18.9 million (2022: RMB1.6 million) was also recorded. Rental income and property management fee income of RMB11.2 million (2022: RMB10.5 million) and RMB2.7 million (2022: RMB3.3 million), respectively, were recorded from our Talent Shoes Trading Center, whereas rental income and property management fee generated from other properties of the Group was RMB9.0 million in total (2022: RMB8.7 million).

After taking into account the costs from Previous Acquisition, subsequent development cost and the net provision for impairment loss, revenue from logistic projects nearly doubled the gross profit to RMB188.7 million (2022: RMB98.6 million), whereas these dragged down the overall gross margin to 24.6% (2022: 35.7%).

Distribution costs, administrative and other operating expenses

Distribution cost increased from RMB9.6 million to RMB13.2 million. It was primarily the result of increased commission expenses and efforts in supporting sales of Xintian Banshan, while administrative and other operating expenses were reduced from RMB60.2 million to RMB40.1 million. In addition to cautious control of expenses, no further provision of compensation for late delivery was required as delivery of pre-sold units of our Xuzhou project commenced early this year.

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. After taking into account the costs from Previous Acquisition, which is re-calculated to reflect the remaining underlying assets available for sale, profits derived from the sales of car parking spaces, clubhouse and reversal of over-provided land appreciation tax, the Group recorded a share of profit of RMB42.4 million (2022: share of loss of RMB4.4 million).

Fair value changes on investment properties and provision of impairment loss of properties portfolio

It was anticipated that after the cancelling of all pandemic restrictions in late 2022, the economy would rebound. After a temporary property upswing earlier in this year, the momentum of recovery in the real estate market waned and declined noticeably thereafter. Under economic uncertainty, low confidence among buyers hampered demand and debt crisis in the property sector further dampened the outlook. Property market struggles to recover despite raft of stimulus administrative and financial relief policies. Consideration has been made by the independent property valuer against the overall weakened properties sector as well as the current sales and leasing record of our properties portfolio, a fair value deficit of RMB54.7 million (2022: RMB49.4 million) were recorded, mainly attributable to our Talent Shoes Trading Center. Provision for impairment loss totalling RMB98.1 million (2022: reversal of impairment loss of RMB45.5 million) was provided for our logistic commercial projects in Xuzhou and Yangzhou.

Finance costs

Given the sluggish market and riskiness of starting new investments, the Group chose to repay various loans in order to save finance cost. As such, finance costs on loans (before capitalisation) of the Group have reduced to RMB22.0 million (2022: RMB45.5 million).

Income tax expenses

Provision for enterprise income tax and land appreciation tax increased to RMB56.5 million (2022: RMB48.7 million) as a result of increased revenue and taxable profit. While higher deferred tax credit of RMB16.0 million (2022: RMB10.9 million) was attributed to increased fair value deficits of our investment properties.

Loss for the year attributable to owners of the Company

Although the fair value deficits and provision of impairment losses against properties portfolio increased, the increase of revenue and gross profit, tightened control of operating expenses and increased share of result of an associate narrowed the loss attributable to owners of the Company from RMB39.1 million in 2022 to RMB33.8 million in the current year.

PROSPECT

In view of the political instability across the world and slowdown in economic growth in the PRC over the past two years, the Group has been focusing on destocking, reducing liabilities and exercising tight control over operating costs, and has achieved positive results. Looking forward to 2024, the Group will continue to adhere to this strategy, with an aim to smoothly navigate through this downturn period of the real estate market.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 December 2023 were approximately RMB3,148.7 million (31 December 2022: approximately RMB4,030.6 million) which were financed by the total equity and total liabilities of approximately RMB1,635.7 million (31 December 2022: approximately RMB1,670.1 million) and approximately RMB1,513.0 million (31 December 2022: approximately RMB2,360.5 million) respectively.

The directors consider the Group will have sufficient working capital for its operations and financial resources for financing future investment opportunities.

The Group borrowings were all denominated in Renminbi. Bank balances and cash were mainly denominated in Renminbi. As at 31 December 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 31 December 2023, the Group's gearing ratio then computed as total liabilities over total assets was approximately 48.1% (31 December 2022: 58.6%). As at 31 December 2023, bank borrowings amounted to RMB123.3 million (31 December 2022: RMB141.3 million) carry variable interest rate of the People's Bank of China 5 years loan base interest rate or plus 0.55% inflated rate. As at 31 December 2022, other borrowings amounted to RMB297.2 million carry fixed rate with a range from 10.5% to 11.8%.

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\$1.10618:RMB1 and HK\$1.10026:RMB1, respectively, were applied on consolidation of the financial statements for the year ended 31 December 2023. No hedging measure has been implemented by the Group.

CHARGES ON ASSETS

As at 31 December 2023, an investment property amounted RMB458.0 million (31 December 2022: RMB506.0 million) were pledged to secure general banking facilities.

As at 31 December 2022, to secure other borrowings, completed properties held for sale amounted to RMB428.6 million were pledged. During the year, other borrowings were fully repaid and all such pledge was released.

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 31 December 2023, the Group had 173 (31 December 2022: 199) employees, with about 171 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 share option scheme approved by the shareholders meeting held on 20 May 2013 was expired during the year.

CORPORATE GOVERNANCE

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

CG Code Part 2 Provision C.2.1

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 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 the required standard set out in the Model Code throughout the accounting period covered by the annual report.

CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption of shares or other securities of the Company by the Company or its subsidiaries during the year.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors (the "**Audit Committee**") and reports to the board of directors. A written terms of reference had been established. The committee members performed their duties therein which includes duties set out in the code provision D.3.3 (a) to (n) of Part 2 of the Corporate Governance Code. The Audit Committee held three meetings in 2023 and reviewed the Group's annual results for 2022 and interim results for 2023; reviewed the audit plans and findings of the external auditor; made recommendation to the Board on the re-appointment of the external auditor and its remuneration; and reviewed the risk management and internal control systems and financial matters pursuant to its terms of reference. The Audit Committee meets the external auditors at least once a year to discuss any areas of concerns during the audits without the presence of the management. The annual results for the year ended 2023 of the Company have been reviewed by the Audit Committee.

For the year ended 31 December 2023, the fees paid/payable to the auditor of the Company in respect of the audit services and non audit services in 2023 were amounted to approximately RMB0.7 million and RMB0.3 million respectively.

SCOPE OF WORK OF MESSRS. CHENG & CHENG LIMITED

The figures in respect of the Group's consolidated statement of financial position as of 31 December 2023, and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year then ended as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. CHENG & CHENG LIMITED, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. CHENG & CHENG LIMITED in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. CHENG & CHENG LIMITED on the preliminary announcement.

ANNUAL GENERAL MEETING

The notice of the annual general meeting will be published and dispatched to shareholders in the manner specified in the Listing Rules in due course.

PUBLICATION OF THE ANNUAL RESULTS AND 2023 ANNUAL REPORT ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.760hk.com) and the 2023 annual report of the Company containing all the information required by the Listing Rules will also be published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board

Zhang Gao Bin

Chairman and Executive Director

Hong Kong, PRC

27 March 2024

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.