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天安中國投資有限公司

TIAN AN CHINA INVESTMENTS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 28)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

The board of directors (“Board”) of Tian An China Investments Company Limited (“Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (“Group”) for the six months ended 30th June, 2017 with the comparative figures for the corresponding period in 2016 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30th June, 2017

		(Unaudited)	
		Six months ended 30th June,	
		2017	2016
	Notes	HK\$'000	HK\$'000
Revenue	(4)	504,614	416,399
Cost of sales		<u>(212,874)</u>	<u>(199,016)</u>
Gross profit		291,740	217,383
Other income and gains	(5)	68,402	405,578
Marketing and distribution expenses		(49,894)	(24,120)
Administrative expenses		(176,102)	(151,468)
Other operating expenses		(2,000)	(21,273)
Net decrease in fair value of held-for-trading investments		(13,382)	(11,347)
Fair value gain on transfer of inventories of completed properties to investment properties		39,541	36,284
Increase in fair value of investment properties		43,981	51,147
Amortisation of properties for development		(21,285)	(31,166)
Gain on disposal of a subsidiary	(6)	1,633,977	125,009
Finance costs		(71,977)	(89,462)
Share of profit (loss) of associates		64,925	(1,032)
Share of profit of joint ventures		<u>102,851</u>	<u>111,996</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*
for the six months ended 30th June, 2017

		(Unaudited)	
		Six months ended 30th June,	
		2017	2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax		1,910,777	617,529
Taxation	<i>(7)</i>	<u>(213,764)</u>	<u>(108,210)</u>
Profit for the period	<i>(8)</i>	<u>1,697,013</u>	<u>509,319</u>
Profit for the period attributable to:			
Owners of the Company		1,671,086	513,150
Non-controlling interests		<u>25,927</u>	<u>(3,831)</u>
		<u>1,697,013</u>	<u>509,319</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	<i>(9)</i>		
Basic		<u>110.91</u>	<u>34.06</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30th June, 2017

	(Unaudited)	
	Six months ended 30th June,	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>1,697,013</u>	<u>509,319</u>
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation to presentation currency	347,387	(210,284)
Surplus on revaluation of properties upon transfer to investment properties	2,217	–
Deferred tax effect on surplus on revaluation of properties upon transfer to investment properties	<u>7,354</u>	<u>–</u>
	<u>356,958</u>	<u>(210,284)</u>
Items that may be subsequently reclassified to profit or loss:		
Net change in fair value of available-for-sale investments	(74,454)	4,560
Release upon disposal of available-for-sale investments to profit or loss	–	(202,667)
Deferred tax effect on change in fair value of available-for-sale investments	<u>2,612</u>	<u>18,892</u>
	<u>(71,842)</u>	<u>(179,215)</u>
Other comprehensive income (expense) for the period	<u>285,116</u>	<u>(389,499)</u>
Total comprehensive income for the period	<u>1,982,129</u>	<u>119,820</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	1,953,663	124,019
Non-controlling interests	<u>28,466</u>	<u>(4,199)</u>
	<u>1,982,129</u>	<u>119,820</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30th June, 2017

	(Unaudited) 30th June, 2017 <i>HK\$'000</i>	(Audited) 31st December, 2016 <i>HK\$'000</i>
<i>Notes</i>		
Non-current Assets		
Property, plant and equipment	278,151	399,357
Investment properties	12,023,056	10,862,281
Properties for development	2,075,118	1,999,170
Deposits for acquisition of properties for development	168,429	165,862
Prepaid lease payments on land use rights	72,206	78,678
Other assets – properties interests	17,975	17,815
Interests in associates	3,311,710	3,565,352
Interests in joint ventures	2,967,573	2,167,330
Loans receivable	241,672	116,250
Available-for-sale investments	298,188	371,553
Deferred tax assets	80,204	72,736
	<u>21,534,282</u>	<u>19,816,384</u>
Current Assets		
Inventories of properties		
– under development	2,235,359	1,890,234
– completed	3,474,500	3,557,606
Other inventories	415	686
Amounts due from associates	131,573	6,488
Amounts due from joint ventures	1,408,733	994,782
Amounts due from non-controlling shareholders	18,400	17,986
Loans receivable	344,139	406,813
Trade and other receivables, deposits and prepayments	(10) 403,250	394,934
Prepaid lease payments on land use rights	892	886
Held-for-trading investments	86,850	98,217
Prepaid tax	77,859	52,175
Pledged bank deposits	843,787	269,786
Bank balances and cash	4,723,577	4,330,115
	<u>13,749,334</u>	<u>12,020,708</u>
Assets classified as held for sale	–	1,854,742
	<u>13,749,334</u>	<u>13,875,450</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
at 30th June, 2017

		(Unaudited) 30th June, 2017 <i>HK\$'000</i>	(Audited) 31st December, 2016 <i>HK\$'000</i>
	<i>Notes</i>		
Current Liabilities			
Trade and other payables	(11)	1,385,532	1,472,025
Pre-sale deposits		2,256,331	1,681,943
Tax liabilities		1,140,677	1,030,401
Interest-bearing borrowings		1,264,600	1,064,869
Interest-free borrowings		86,465	219,895
		<u>6,133,605</u>	<u>5,469,133</u>
Liabilities associated with assets classified as held for sale		–	1,382,110
		<u>6,133,605</u>	<u>6,851,243</u>
Net Current Assets		<u>7,615,729</u>	<u>7,024,207</u>
Total Assets less Current Liabilities		<u>29,150,011</u>	<u>26,840,591</u>
Capital and Reserves			
Share capital		3,788,814	3,788,814
Reserves		18,863,229	17,724,397
Equity attributable to owners of the Company		22,652,043	21,513,211
Non-controlling interests		1,352,439	538,184
Total Equity		<u>24,004,482</u>	<u>22,051,395</u>
Non-current Liabilities			
Interest-bearing borrowings		2,721,023	2,451,281
Deferred rental income from a tenant		37,201	40,405
Rental deposits from tenants		19,561	25,813
Deferred tax liabilities		2,367,744	2,271,697
		<u>5,145,529</u>	<u>4,789,196</u>
		<u>29,150,011</u>	<u>26,840,591</u>

Notes:

(1) Review by auditor

The interim financial report of the Group for the six months ended 30th June, 2017 has been reviewed by our auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and an unmodified review conclusion has been issued.

(2) Basis of preparation

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

The financial information relating to the year ended 31st December, 2016 that is included in these condensed consolidated financial statements does not constitute the Company’s statutory annual consolidated financial statements for this financial year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2016 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (“CO”). The Company’s auditor has reported on those financial statements for 2016. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the CO.

(3) Significant accounting policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the above new amendments to HKFRSs and HKAS in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements but the application may have impact on disclosures in the consolidated financial statements for the year ending 31st December, 2017.

(4) **Segment information**

The Group's revenue for the period was derived mainly from activities carried out and located in the People's Republic of China ("PRC") and Hong Kong. The Group's basis of organisation is determined based on three main operations: property development, property investment and other operations that comprises mainly hotel and property management and golf course operation. Similarly, the Group's reportable and operating segments, reported to the Executive Directors of the Company for the purposes of resource allocation and performance assessment, also focused on the three main operations. For the property investment segment, it includes business activities of a listed property investment subsidiary. No reportable and operating segments of the listed property investment subsidiary are separately presented as its results, assets and liabilities are prepared and reviewed together with the Group's other property investment activities for the internal performance assessment purposes.

The following is an analysis of the Group's segment revenue, results, assets and liabilities by reportable and operating segments for the period under review:

	Property development HK\$'000	Property investment HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
For the six months ended 30th June, 2017				
SEGMENT REVENUE				
External sales	228,225	213,313	63,076	504,614
RESULTS				
Segment profit (loss)	1,677,966	184,094	(3,388)	1,858,672
Other income and gains				68,402
Unallocated corporate expenses				(112,096)
Finance costs				(71,977)
Share of (loss) profit of associates	(764)	65,689	–	64,925
Share of profit (loss) of joint ventures	2,210	102,178	(1,537)	102,851
Profit before tax				1,910,777
As at 30th June, 2017				
ASSETS				
Segment assets	8,240,467	12,251,681	44,672	20,536,820
Interests in associates	455,685	2,856,025	–	3,311,710
Interests in joint ventures	863,584	1,883,208	220,781	2,967,573
Amounts due from associates	2,563	129,010	–	131,573
Amounts due from joint ventures	1,341,330	–	67,403	1,408,733
Unallocated corporate assets				6,927,207
Consolidated total assets				35,283,616
LIABILITIES				
Segment liabilities	3,463,879	2,086,596	16,949	5,567,424
Unallocated corporate liabilities				5,711,710
Consolidated total liabilities				11,279,134

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the six months ended 30th June, 2016				
SEGMENT REVENUE				
External sales	135,812	210,839	69,748	416,399
RESULTS				
Segment (loss) profit	(28,847)	330,518	(23,412)	278,259
Other income and gains				405,578
Unallocated corporate expenses				(87,810)
Finance costs				(89,462)
Share of loss of associates	(1,032)	–	–	(1,032)
Share of profit (loss) of joint ventures	64,046	62,446	(14,496)	111,996
Profit before tax				617,529
As at 31st December, 2016				
ASSETS				
Segment assets	9,754,678	11,242,137	28,281	21,025,096
Interests in associates	428,550	3,136,802	–	3,565,352
Interests in joint ventures	265,815	1,672,105	229,410	2,167,330
Amounts due from associates	2,563	3,925	–	6,488
Amounts due from joint ventures	927,498	–	67,284	994,782
Unallocated corporate assets				5,932,786
Consolidated total assets				33,691,834
LIABILITIES				
Segment liabilities	4,328,502	2,053,333	9,062	6,390,897
Unallocated corporate liabilities				5,249,542
Consolidated total liabilities				11,640,439

(5) Other income and gains

	(Unaudited)	
	Six months ended 30th June,	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend income		
– unlisted shares	1,726	289
– listed shares	647	304
Interest income on bank deposits	17,320	17,644
Interest income from loans receivable	9,866	8,407
Interest income from a joint venture	12,864	20,188
Revaluation reserves released upon disposal of available-for-sale investments to profit or loss	–	202,667
Reversal of write-down of inventories of completed properties	591	709
Deposit forfeited for termination of disposal of subsidiaries	–	145,693
Net exchange gain	8,310	–
Other income	17,078	9,677
	68,402	405,578

(6) **Gain on disposal of a subsidiary**

During the period ended 30th June, 2017, the Group disposed of its entire equity interests in a subsidiary and assigned part of the shareholders' loans to an independent third party. The disposed subsidiary is incorporated in the British Virgin Islands and holds 50% equity interest in a company established in the PRC which is engaged in property development in the PRC and its remaining 50% equity interest is also owned by another subsidiary of the Company. As a result, the subsidiary in the PRC became a joint venture ("JV Company") of the Group upon completion of this disposal.

During the period ended 30th June, 2016, the Group disposed of its entire interests in and assigned a shareholder's loan owed by a subsidiary to an independent third party, which is established in the PRC and is engaged in property investment in the PRC.

Details of the disposals are as follows:

The net liabilities of the subsidiaries at the date of disposal:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Net liabilities disposed of:		
Property, plant and equipment	245	–
Investment properties	–	153,000
Properties for development	914,558	–
Inventories of properties under development	971,778	–
Trade and other receivables, deposits and prepayments	7,208	231
Bank balances and cash	25,287	1,157
Trade and other payables	(763,674)	(80,251)
Pre-sale deposits	(13,056)	–
Shareholders' loans	(1,004,906)	(97,291)
Interest-bearing borrowings	(679,214)	–
Deferred tax liabilities	–	(8,278)
	<hr/>	<hr/>
Net liabilities disposed	(541,774)	(31,432)
Assignment of shareholders' loans	677,743	97,291
Gain on disposal	1,633,977	125,009
Fair value of the remaining interests retained in the subsidiary classified to interests in joint ventures (<i>Note a</i>)	(627,828)	–
	<hr/>	<hr/>
Proceeds of disposals	1,142,118	190,868
	<hr/>	<hr/>
– Cash consideration received in current period	419,487	28,007
– Cash consideration for assignment of shareholders' loans	677,743	97,291
– Cash consideration received in prior year as deposit	44,888	65,570
	<hr/>	<hr/>
	1,142,118	190,868
	<hr/>	<hr/>
Exchange translation reserve transferred to retained earnings (<i>Note b</i>)	(23,176)	(5,788)
	<hr/>	<hr/>
Net cash inflow (outflow) arising on disposal:		
Cash consideration received in current period	419,487	28,007
Cash consideration for assignment of shareholders' loans	677,743	97,291
Bank balances and cash disposed of	(25,287)	(1,157)
	<hr/>	<hr/>
	1,071,943	124,141
	<hr/>	<hr/>

Notes:

- (a) Included in the fair value of the remaining interests retained in the subsidiary classified to interests in joint ventures is the present value of an agreed distributable profit of HK\$547,169,000 to be received from the JV Company within three years from the date of completion of the disposal pursuant to a letter of confirmation dated 8th May, 2017.
- (b) Since the functional currencies of the disposed subsidiary and the Company are the same, exchange differences arising from translation of items to presentation currency accumulated in exchange translation reserve relating to the disposed subsidiary are transferred from exchange translation reserve to retained earnings at the time of disposal.

(7) **Taxation**

	(Unaudited)	
	Six months ended 30th June,	
	2017	2016
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
– Hong Kong Profit Tax	1,501	–
– PRC Enterprise Income Tax	120,426	64,280
– Land Appreciation Tax	37,624	14,766
	<u>159,551</u>	<u>79,046</u>
Over provision in prior years		
– PRC Enterprise Income Tax	(2,827)	(3,204)
– Land Appreciation Tax	–	(23)
	<u>(2,827)</u>	<u>(3,227)</u>
	156,724	75,819
Deferred tax	57,040	32,391
	<u>213,764</u>	<u>108,210</u>

Hong Kong Profit Tax is calculated at the rate of 16.5% on the estimated assessable profit for the period. The PRC Enterprise Income Tax is calculated at the rates applicable to respective subsidiaries.

(8) Profit for the period

	(Unaudited)	
	Six months ended 30th June,	
	2017	2016
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	11,473	15,884
Less: amount capitalised on properties under development	<u>(1,321)</u>	<u>(1,384)</u>
	10,152	14,500
Amortisation of:		
Other assets – properties interests	247	259
Properties for development (<i>Note</i>)	21,285	31,166
Prepaid lease payments on land use rights	<u>632</u>	<u>789</u>
Total depreciation and amortisation	<u>32,316</u>	<u>46,714</u>
Cost of inventories recognised as expenses	117,453	77,823
Net exchange loss	–	11,165
Share of tax of associates included in share of profit of associates	12,949	–
Share of tax of joint ventures included in share of profit of joint ventures	<u>172,899</u>	<u>157,403</u>

Note: Amortisation of properties for development is recognised in profit or loss on a straight-line basis over the term of the relevant land leases, and is presented on the condensed consolidated statement of profit or loss.

(9) Earnings per share

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following:

	(Unaudited)	
	Six months ended 30th June,	
	2017	2016
	HK\$'000	HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<u>1,671,086</u>	<u>513,150</u>

	(Unaudited)	
	Six months ended 30th June,	
	2017	2016
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	<u>1,506,769</u>	<u>1,506,769</u>

No diluted earning per share for both 2017 and 2016 were presented as there were no potential ordinary shares in issue for both 2017 and 2016.

(10) Trade and other receivables, deposits and prepayments

Proceeds receivable in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements.

Except for the proceeds from sales of properties and rental income from lease of properties which are payable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of 30 days to 120 days to its customers.

The following is an aged analysis of trade receivables by date of debit note at the end of the reporting period:

	(Unaudited) 30th June, 2017 HK\$'000	(Audited) 31st December, 2016 HK\$'000
Within 3 months	4,159	8,497
Between 4 and 6 months	50	1,671
Between 7 and 12 months	136	281
Over 12 months	1,220	1,397
	<u>5,565</u>	<u>11,846</u>

As at 30th June, 2017, other receivables included the deposits of HK\$145,448,000 (31st December, 2016: HK\$142,180,000) which was paid for acquisition of properties held for sales from third parties and the transaction has not yet completed at the end of the reporting period.

(11) Trade and other payables

The following is an aged analysis of trade payables by age, presented based on the invoice date, which are included in trade and other payables, at the end of the reporting period:

	(Unaudited) 30th June, 2017 HK\$'000	(Audited) 31st December, 2016 HK\$'000
Within 3 months	190,030	260,283
Between 4 and 6 months	6,545	8,263
Between 7 and 12 months	1,827	709
Over 12 months	404,050	414,524
	<u>602,452</u>	<u>683,779</u>

As at 30th June, 2017, the Group has received HK\$182,256,000 (31st December, 2016: HK\$227,144,000) deposits for disposal of properties for development and properties under development through disposal of subsidiaries. Subsequent to the reporting period, such disposals have been terminated and the deposits of HK\$182,256,000 have been refunded by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the six months ended 30th June, 2017 was HK\$504.6 million (2016: HK\$416.4 million), an increase of 21% compared to the same period of last year. The profit attributable to owners of the Company amounted to HK\$1,671.1 million (2016: HK\$513.2 million), representing an increase of 226% over the corresponding period of last year.

The increase in profit for the period was the result of a gain of HK\$1,634.0 million on disposal of a subsidiary carrying non-core assets. In the first half of 2016, a similar disposal resulted in a gain of HK\$125.0 million.

Earnings per share amounted to HK110.91 cents (2016: HK34.06 cents), while net asset value per share attributable to owners of the Company was HK\$15.03 at the end of June 2017 (31st December, 2016: HK\$14.28).

Business Review

The Group is engaged principally in the development of apartments, villas, office buildings and commercial properties, property investment and property management on the mainland in the PRC, and property investment and property management in Hong Kong.

An outline of our achievements in the first half of 2017 is described below:

- (1) We have continued to dispose of non-core assets.
- (2) Total attributable registered sales (including sales from joint ventures and pre-sales of properties under construction) of the Group amounted to 128,100 m² in the first half of 2017 (2016: 120,800 m²), an increase of 6%. For the first half of 2017, a total attributable gross floor area (“GFA”) of approximately 1,119,400 m² (2016: 1,266,800 m²) was under construction at the period end, representing a 12% decrease over the corresponding date of last year.
- (3) Rental income was up by 1.2% as compared with 2016. The decrease in rental from the mainland properties has been more than offset by income arising from in particular the Hong Kong properties acquired through Asiasec Properties Limited at the end of last year.
- (4) Cyberpark: The overall contribution of our cyberpark unit has increased, with sales and leasing improving in most of our cyberparks.

Those on the Pearl River Delta have been contributing most and we will concentrate on developing new cyberparks and urban renewal projects in this region where we have ample manpower and marketing resources.

- (5) Phase 2 of Tian An’s urban renewal project, Tian An Cloud Park, in Huawei New City Area in the Longgang District of Shenzhen, with GFA of approximately 599,400 m² is under construction and expected to be completed in 2018.

- (6) It is noted that we acquired at the end of 2016 a controlling interest in Asiasec Properties Limited, a Hong Kong listed company, which mainly holds investment properties in Hong Kong. For the six months ended 30th June, 2017, it reported a profit of HK\$115.5 million (2016: loss of HK\$10.5 million) attributable to its shareholders.

Financial Review

Liquidity and Financing

The Group always maintains its liquidity at a healthy level with a balanced portfolio of financial resources. As at 30th June, 2017, the total bank balances and cash reserves of the Group were approximately HK\$5,567.4 million, providing sufficient working capital for the daily operations of the Group.

As at 30th June, 2017, the total borrowings of the Group amounted to approximately HK\$4,072.1 million (31st December, 2016: HK\$3,736.0 million), including current liabilities of HK\$1,351.1 million (31st December, 2016: HK\$1,284.7 million) and non-current liabilities of HK\$2,721.0 million (31st December, 2016: HK\$2,451.3 million). The gearing ratio (net debt over total equity) of the Group was negative of 6% (31st December, 2016: negative of 4%). The borrowings were mainly used to finance the properties for development and properties under construction. Decrease in finance costs is mainly due to the decrease in borrowings compared to the same period of last year.

Approximately 56% of the Group's outstanding borrowings will mature within 2 years. Since most of the investments and operations of the Group are carried out in the PRC, most of the bank borrowings are denominated in Renminbi which will be repaid in the same currency. Around 81% of the Group's borrowings bear interest at fixed rates while the remainders are at floating rates.

Due to maintaining flexible and sufficient cash flow for acquiring the potential quality landbank and accelerating construction works for our development projects, the Group intends to obtain suitable bank borrowings with reasonable pricing terms. The management continuously monitors its gearing ratio and raises new external borrowings when necessary.

Risk of Foreign Exchange Fluctuation

The Group is required to maintain foreign currency exposure to cater for its recurring operating activities and present and potential investment activities, meaning it will be subject to reasonable exchange rate exposure. However, the Group will closely monitor this risk exposure as required.

Pledge on Assets

As at 30th June, 2017, bank deposits of HK\$843.8 million, aggregate carrying values of property, plant and equipment, development properties and investment properties of approximately HK\$173.0 million, HK\$3,985.5 million and HK\$6,792.9 million respectively, were pledged for banking facilities granted to the Group and mortgage loans granted to property purchasers.

Contingent Liabilities

A portion of a property for development that is held by a joint venture of the Group with carrying value of HK\$2.5 million is under idle land investigation by the local authority. The piece of land owned by the joint venture was held under several land use right certificates. The development of more than half of the piece of land was either completed or under development, except for a portion which is retained for the remaining development of the whole project. Another property for development that is held by a subsidiary of the Group with carrying value of approximately HK\$37.6 million is also under idle land investigation by the local authority. This piece of land owned by the subsidiary has been developed by several phases and more than half was completed, except the last portion which is under the planning approval by the local authority. Further, property for development that is held by another joint venture of the Group with carrying value of approximately HK\$847.9 million had been identified as idle land by the local authority. The construction works for the first phase of development is in progress. The Group is currently working diligently to prevent the possible classification as idle land for those under idle land investigation and taking remedy action to prevent from prosecution for those identified as idle land, including negotiating the feasibility of development plans with local authorities. Based on legal advices, the Group has assessed the issue and considers that the idle land classification can be reversed. In the opinion of the directors of the Company, the economic outflows caused by above cases are not probable.

As at 30th June, 2017, guarantees given to banks in respect of mortgage loans granted to property purchasers and bank facilities granted or utilised by the joint ventures amounted to approximately HK\$2,231.6 million. All the guarantees provided by the Group were requested by banks and under normal commercial terms. No legal action was taken against the Group for material claim.

Employees

As at 30th June, 2017, the Group including its subsidiaries but excluding associates and joint ventures, employed 1,977 (31st December, 2016: 2,113) persons. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

Business Outlook

The Group's main business market is mainland China, where there have been various measures by the authorities to regulate the high housing demand and cool down the overheated property market, so as to restore a healthy and stable property market. In Hong Kong, where there is a shortage in the supply of land causing record land prices, the Group's controlling interest in Asiasec Properties Limited will help to mitigate the effect of Renminbi currency fluctuations. We are confident of the long term prospects of the property market in mainland China and Hong Kong.

INTERIM DIVIDEND

The Board considers that it is prudent to retain an appropriate level of funds to take advantage of business opportunities as and when they arise, and therefore does not intend to declare an interim dividend for the six months ended 30th June, 2017 (2016: Nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30th June, 2017, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (“CG Code”) as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

Code Provisions B.1.2 and C.3.3

Code provisions B.1.2 and C.3.3 of the CG Code stipulate that the terms of reference of the remuneration committee and audit committee should include, as a minimum, those specific duties as set out in the respective code provisions.

The terms of reference of the remuneration committee (“Remuneration Committee”) adopted by the Company are in compliance with the code provision B.1.2 of the CG Code except that the Remuneration Committee shall make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to executive directors and senior management under the code provision).

The terms of reference of the audit committee (“Audit Committee”) adopted by the Company are in compliance with the code provision C.3.3 of the CG Code except that the Audit Committee (i) shall recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditors to supply non-audit services; (ii) only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has performed its duty to have effective risk management and internal control systems; and (iii) can promote (as opposed to ensure under the code provision) the co-ordination between the internal and external auditors, and check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced.

The reasons for the above deviations were set out in the Corporate Governance Report contained in the Company’s Annual Report for the financial year ended 31st December, 2016. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the relevant terms of reference as adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30th June, 2017. In carrying out this review, the Audit Committee has relied on a review conducted by the Group’s external auditor in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by HKICPA as well as reports obtained from management. The Audit Committee has not undertaken detailed independent audit checks.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30th June, 2017.

On behalf of the Board
Tian An China Investments Company Limited
Edwin Lo King Yau
Executive Director

Hong Kong, 18th August, 2017

As at the date of this announcement, the Board comprises Mr. Song Zengbin (Deputy Chairman), Mr. Patrick Lee Seng Wei (Managing Director), Mr. Ma Sun (Deputy Managing Director), Mr. Edwin Lo King Yau, Mr. Tao Tsan Sang and Mr. Lee Shu Yin being the Executive Directors; Mr. Lee Seng Hui (Chairman) and Dr. Moses Cheng Mo Chi being the Non-Executive Directors; and Mr. Francis J. Chang Chu Fai, Mr. Jin Hui Zhi, Mr. Ngai Wah Sang and Ms. Lisa Yang Lai Sum being the Independent Non-Executive Directors.