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, 2019

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, 2019 with the comparative figures for the corresponding period in 2018 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June, 2019

		(Unaudited) Six months ended 30th June,	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
Revenue	*(4)*	**1,005,980**	2,355,685
Cost of sales		**(535,497)**	(1,327,790)
Gross profit		**470,483**	1,027,895
Other income and gains	*(5)*	**166,006**	134,096
Marketing and distribution expenses		**(22,271)**	(28,451)
Administrative expenses		**(171,473)**	(145,195)
Other operating expenses		**(2,491)**	(14,069)
Net increase (decrease) in fair value of equity securities at fair value through profit or loss		**16,340**	(15,582)
Net decrease in fair value of financial assets at fair value through profit or loss		**(15,406)**	(9,482)
Fair value gain on transfer of inventories of completed properties to investment properties		**32,642**	139,295
Increase in fair value of investment properties		**131,686**	107,261
Write-down of inventories of completed properties		**(1,935)**	–
Impairment loss on properties for development		**(42,330)**	–
Amortisation of properties for development		**(13,549)**	(14,014)
Finance costs		**(78,949)**	(82,049)
Share of profit of associates		**4,867**	46,382
Share of profit of joint ventures		**527,293**	160,529

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*
For the six months ended 30th June, 2019

	Notes	**(Unaudited) Six months ended 30th June, 2019 *HK$'000***	2018 *HK$'000*
Profit before tax		**1,000,913**	1,306,616
Taxation	*(6)*	**(135,511)**	(454,593)
Profit for the period	*(7)*	**865,402**	852,023
Profit for the period attributable to:			
Owners of the Company		**853,472**	836,929
Non-controlling interests		**11,930**	15,094
		865,402	852,023
		HK cents	*HK cents*
Earnings per share	*(8)*		
Basic		**56.64**	55.54

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30th June, 2019

	(Unaudited) Six months ended 30th June,	
	2019	2018
	HK$'000	*HK$'000*
Profit for the period	**865,402**	852,023
Other comprehensive (expense) income		
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation to presentation currency	**(163,863)**	(208,442)
Share of other comprehensive expense of associates and joint ventures	**(43,609)**	(49,470)
Net change in fair value of investments in equity instruments at fair value through other comprehensive income	**(22,689)**	(15,842)
Deferred tax effect on change in fair value of investment in an equity instrument at fair value through other comprehensive income	**165**	1,513
	(229,996)	(272,241)
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**(7,918)**	(34,295)
Others	**339**	254
	(7,579)	(34,041)
Other comprehensive expense for the period	**(237,575)**	(306,282)
Total comprehensive income for the period	**627,827**	545,741
Total comprehensive income attributable to:		
Owners of the Company	**618,124**	541,387
Non-controlling interests	**9,703**	4,354
	627,827	545,741

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2019

	Notes	(Unaudited) 30th June, 2019 HK$'000	(Audited) 31st December, 2018 HK$'000
Non-current Assets			
Property, plant and equipment		**225,776**	234,312
Right-of-use assets		**39,587**	–
Investment properties		**13,712,491**	13,622,280
Properties for development		**3,661,123**	3,818,333
Deposits for acquisition of properties for development		**191,923**	193,245
Prepaid lease payments on land use rights		**–**	39,212
Other assets – properties interests		**16,783**	17,225
Interests in associates		**2,893,918**	2,891,331
Interests in joint ventures		**6,119,686**	5,304,245
Loans receivable		**283,153**	264,305
Financial assets at fair value through profit or loss		**187,197**	114,790
Equity instruments at fair value through other comprehensive income		**316,821**	211,698
Club memberships		**10,500**	10,500
Deferred tax assets		**119,029**	116,962
		27,777,987	26,838,438
Current Assets			
Inventories of properties			
– under development		**2,125,679**	1,797,689
– completed		**3,559,628**	3,993,950
Other inventories		**2,738**	415
Amounts due from associates		**189,792**	202,792
Amounts due from joint ventures		**1,323,254**	1,333,437
Amounts due from non-controlling interests		**18,182**	18,391
Loans receivable		**956,564**	1,369,144
Trade and other receivables, deposits and prepayments	*(9)*	**360,031**	331,494
Prepaid lease payments on land use rights		**–**	892
Financial assets at fair value through profit or loss		**176,136**	229,885
Equity securities at fair value through profit or loss		**61,685**	49,390
Prepaid tax		**888**	2,791
Pledged bank deposits		**1,142,728**	552,663
Bank balances and cash		**2,038,297**	2,293,386
		11,955,602	12,176,319

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At 30th June, 2019

	Notes	(Unaudited) 30th June, 2019 HK$'000	(Audited) 31st December, 2018 HK$'000
Current Liabilities			
Trade and other payables	*(10)*	**1,842,979**	1,859,071
Contract liabilities		**1,585,491**	1,991,420
Tax liabilities		**1,432,116**	1,431,416
Interest-bearing borrowings		**1,637,847**	1,328,035
Interest-free borrowings		**1,139,000**	950,768
		7,637,433	7,560,710
Net Current Assets		**4,318,169**	4,615,609
		32,096,156	31,454,047
Capital and Reserves			
Share capital		**3,788,814**	3,788,814
Reserves		**20,411,034**	20,094,264
Equity attributable to owners of the Company		**24,199,848**	23,883,078
Non-controlling interests		**1,348,568**	1,369,933
Total Equity		**25,548,416**	25,253,011
Non-current Liabilities			
Interest-bearing borrowings		**3,724,505**	3,402,238
Deferred rental income from a tenant		**20,432**	24,800
Rental deposits from tenants		**23,331**	22,145
Deferred tax liabilities		**2,779,472**	2,751,853
		6,547,740	6,201,036
		32,096,156	31,454,047

Notes:

(1) Review by auditor

The interim financial report of the Group for the six months ended 30th June, 2019 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 ("HKAS") 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, 2018 that is included in these condensed consolidated financial statements does not constitute the Company's statutory annual consolidated financial statements for that 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, 2018 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 2018. 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.

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 30th June, 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2018.

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 1st 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 positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

(3.1) Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16")

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.

(3.1.1) 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

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effect on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of machinery and equipment that have a lease term of twelve 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). 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.

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.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

As a lessor

Allocation of consideration to components of a contract

Effective on 1st January, 2019, the Group applies HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

(3.1.2) 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 standard 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 1st 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, 1st January, 2019. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the practical expedient of electing not to recognise right-of-use assets and lease liabilities for leases with lease term ends within twelve months of the date of initial application to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts.

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

	As at 1st January, 2019 *HK$'000*
Operating lease commitments disclosed as at 31st December, 2018	1,915
Less: Recognition exemption – short-term leases	(1,915)
	–

The carrying amount of right-of-use assets as at 1st January, 2019 comprises the followings:

	Notes	**Right-of-use assets** *HK$'000*	**Properties for development** *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16:			
Reclassified from prepaid lease payments on land use rights	*(a)*	40,104	–
Amount included in properties for development	*(b)*	–	3,342,421
		40,104	3,342,421
By class:			
Leasehold lands		–	3,342,421
Land and buildings		40,104	–
		40,104	3,342,421

Notes:

(a) Upfront payments for leasehold lands in the People's Republic of China ("PRC") were classified as prepaid lease payments on land use rights as at 31st December, 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments on land use rights amounting to HK$892,000 and HK$39,212,000 respectively were reclassified to right-of-use assets.

(b) Payments for leasehold lands and directly attributable costs in the PRC were classified as properties for development as at 31st December, 2018. Upon application of HKFRS 16, properties for development amounting to HK$3,342,421,000 were adjusted as right-of-use assets and included in properties for development.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1st January, 2019. The application has had no impact on the Group's condensed consolidated statement of financial position as at 1st January, 2019. However, effective on 1st January, 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The effect has no material impact on the condensed consolidated financial statements of the Group for the current period.

(c) Effective on 1st January, 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

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

	Carrying amounts previously reported as at 31st December, 2018 *HK$'000*	Adjustments *HK$'000*	Carrying amounts under HKFRS 16 as at 1st January, 2019 *HK$'000*
Non-current assets			
Prepaid lease payments on land use rights	39,212	(39,212)	–
Right-of-use assets	–	40,104	40,104
Current assets			
Prepaid lease payments on land use rights	892	(892)	–

(3.2) Impacts and changes in accounting policies of application of other new and amendments to HKFRSs

Impacts and changes in accounting policies of application on HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments

HK(IFRIC)-Int 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by individual group entities in their respective income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

The application of HK(IFRIC)-Int 23 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.

Impacts and changes in accounting policies of application on Amendments to HKFRS 9 Prepayment Features with Negative Compensation

The amendments clarify that for the purpose of assessing whether a prepayment feature meets the condition of representing solely payments of principal and interest on the principal amount outstanding ("SPPI"), the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason i.e. prepayment features with negative compensation do not automatically fail SPPI.

The application of the amendments 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.

Impacts and changes in accounting policies of application on Amendments to HKFRSs Annual Improvements to HKFRSs 2015-2017 Cycle

The annual improvement packages amended the following three standards.

HKAS 12 Income Taxes

The Group recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

HKFRS 3 Business Combinations

When the Group obtains control of a business that is a joint operation, the Group applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

HKFRS 11 Joint Arrangements

When the Group obtains joint control of a joint operation in which the Group previously participated in but did not have joint control, the Group does not remeasure its previously held interest in the joint operation.

The application of Amendments to HKFRSs Annual Improvements to HKFRSs 2015-2017 Cycle 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.

(4) Segment information

The Group's revenue for the period was derived mainly from activities carried out and located in the 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 comprise mainly property management. 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 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, 2019				
SEGMENT REVENUE				
External sales	**679,868**	**251,037**	**75,075**	**1,005,980**
RESULTS				
Segment profit (loss)	**174,057**	**285,648**	**(12,458)**	**447,247**
Other income and gains				**166,006**
Unallocated corporate expenses				**(65,551)**
Finance costs				**(78,949)**
Share of profit of associates				**4,867**
Share of profit of joint ventures				**527,293**
Profit before tax				**1,000,913**
As at 30th June, 2019				
ASSETS				
Segment assets	**9,726,681**	**13,875,831**	**50,776**	**23,653,288**
Interests in associates	**205,258**	**2,688,660**	**–**	**2,893,918**
Interests in joint ventures	**2,695,792**	**3,163,657**	**260,237**	**6,119,686**
Amounts due from associates	**2,563**	**187,229**	**–**	**189,792**
Amounts due from joint ventures	**1,256,410**	**–**	**66,844**	**1,323,254**
Unallocated corporate assets				**5,553,651**
Consolidated total assets				**39,733,589**
LIABILITIES				
Segment liabilities	**4,261,146**	**2,416,284**	**201,482**	**6,878,912**
Unallocated corporate liabilities				**7,306,261**
Consolidated total liabilities				**14,185,173**

	Property development HK$'000	Property investment HK$'000	Other operations HK$'000	Consolidated HK$'000
For the six months ended 30th June, 2018				
SEGMENT REVENUE				
External sales	2,013,354	255,210	87,121	2,355,685
RESULTS				
Segment profit	751,398	385,649	4,551	1,141,598
Other income and gains				134,096
Unallocated corporate expenses				(93,940)
Finance costs				(82,049)
Share of profit of associates				46,382
Share of profit of joint ventures				160,529
Profit before tax				1,306,616
As at 31st December, 2018				
ASSETS				
Segment assets	9,998,416	13,796,057	47,582	23,842,055
Interests in associates	209,618	2,681,713	–	2,891,331
Interests in joint ventures	2,284,224	2,827,431	192,590	5,304,245
Amounts due from associates	2,563	200,229	–	202,792
Amounts due from joint ventures	1,264,933	–	68,504	1,333,437
Unallocated corporate assets				5,440,897
Consolidated total assets				39,014,757
LIABILITIES				
Segment liabilities	4,603,578	2,404,756	108,316	7,116,650
Unallocated corporate liabilities				6,645,096
Consolidated total liabilities				13,761,746

(5) Other income and gains

	(Unaudited) Six months ended 30th June, 2019 HK$'000	2018 HK$'000
Dividend income		
– unlisted shares	**1,903**	1,786
– listed shares	**1,833**	326
Interest income on bank deposits	**24,459**	27,163
Interest income from loans receivable	**98,410**	86,534
Interest income from a joint venture	**1,491**	4,801
Recoveries of expected credit losses provision	**21,872**	–
Net exchange gain	**450**	2,087
Others	**15,588**	11,399
	166,006	134,096

(6) Taxation

	(Unaudited) Six months ended 30th June,	
	2019	2018
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
– Hong Kong Profits Tax	**1,805**	1,600
– PRC Enterprise Income Tax	**46,915**	170,022
– Land Appreciation Tax	**43,538**	127,417
	92,258	299,039
(Over) under provision in prior years		
– Hong Kong Profits Tax	**5**	–
– Overseas Tax	**(6,495)**	–
– PRC Enterprise Income Tax	**(240)**	450
	(6,730)	450
	85,528	299,489
Deferred tax	**49,983**	155,104
	135,511	454,593

Hong Kong Profits 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.

(7) Profit for the period

	(Unaudited) Six months ended 30th June,	
	2019	2018
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**9,779**	11,979
Less: amount capitalised on properties under development	**(837)**	(1,534)
	8,942	10,445
Amortisation of:		
Other assets – properties interests	**247**	259
Properties for development	**13,549**	14,014
Right-of-use assets	**352**	–
Prepaid lease payments on land use rights	**–**	599
Total depreciation and amortisation	**23,090**	25,317
Cost of inventories recognised as expenses	**402,963**	1,197,004

(8) 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,	
	2019	2018
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**853,472**	836,929

	(Unaudited) Six months ended 30th June,	
	2019	2018
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**1,506,769**	1,506,769

No diluted earnings per share for both 2019 and 2018 were presented as there were no potential ordinary shares in issue for both 2019 and 2018.

(9) Trade and other receivables, deposits and prepayments

Proceeds receivable in respect of sales of properties are settled by customers 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) As at 30th June, 2019	(Audited) As at 31st December, 2018
	HK$'000	*HK$'000*
Within 3 months	**5,777**	8,334
Between 4 and 6 months	**706**	1,058
Between 7 and 12 months	**85**	8
over 12 months	**576**	957
	7,144	10,357

(10) 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) As at 30th June, 2019	(Audited) As at 31st December, 2018
	HK$'000	*HK$'000*
Within 3 months	**597,190**	682,391
Between 4 and 6 months	**7,944**	14,036
Between 7 and 12 months	**53,048**	69,338
Over 12 months	**344,421**	380,462
	1,002,603	1,146,227

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the six months ended 30th June, 2019 was HK$1,006.0 million (2018: HK$2,355.7 million), a decrease of 57% compared to the same period of last year. The profit attributable to owners of the Company amounted to HK$853.5 million (2018: HK$836.9 million), representing an increase of 2% over the corresponding period of last year.

The profit attributable to owners of the Company for the six months ended 30th June, 2019 is slightly higher than the same period of last year. Some material items are as follows:

- an increase in the share of results of joint ventures of HK$366.8 million

- a decrease in turnover of HK$1,349.7 million resulting in a decrease in gross profit of HK$557.4 million and hence decrease in taxation of HK$319.1 million. The decrease in turnover was caused by a decrease in recognised sales for completed properties as there was no completion of subsidiaries' development projects during the period

- a decrease in fair value gains in respect of the Group's investment properties and transfer to investment properties of HK$82.2 million

Earnings per share amounted to HK56.64 cents (2018: HK55.54 cents), while the net asset value per share attributable to owners of the Company was HK$16.06 at the end of June 2019 (31st December, 2018: HK$15.85).

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, as well as property investment and property management in Hong Kong.

An outline of our achievements in the first half of 2019 is described below:

(1) Although the recognised property development of subsidiaries' sales decreased, the joint ventures contributed substantial profits to the Group from their ongoing development projects.

(2) Total attributable registered sales (including sales from joint ventures and pre-sales of properties under construction) of the Group amounted to 69,700 m^2 in the first half of 2019 (2018: 61,600 m^2), an increase of 13%. A total attributable gross floor area ("GFA") of approximately 215,100 m^2 (2018: 97,800 m^2) was completed. For the first half of 2019, a total attributable GFA of approximately 982,000 m^2 (2018: 1,111,000 m^2) was under construction at the period end, representing a 12% decrease over the corresponding date of last year.

(3) Rental income slightly decreased by 2% as compared with 2018, which was mainly due to the devaluation of Renminbi.

(4) Cyberpark: There is a total of 15 cyberparks over 12 cities. The overall contribution of our cyberpark unit has increased. 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 Part 1 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 250,600 m^2 was completed in the first half of 2019 and the remaining part of Phase 2 with GFA of approximately 348,800 m^2 is under construction and is expected to be completed in the second half of 2019.

(6) For the six months ended 30th June, 2019, Asiasec Properties Limited reported a profit of HK$64.1 million (2018: HK$78.2 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, 2019, the total bank balances and cash reserves of the Group were approximately HK$3,181.0 million (31st December, 2018: HK$2,846.0 million), providing sufficient working capital for the daily operations of the Group.

As at 30th June, 2019, the total borrowings of the Group amounted to approximately HK$6,501.4 million (31st December, 2018: HK$5,681.0 million), including current liabilities of HK$2,776.8 million (31st December, 2018: HK$2,278.8 million) and non-current liabilities of HK$3,724.5 million (31st December, 2018: HK$3,402.2 million). The gearing ratio (net debt over total equity) of the Group was 13% (31st December, 2018: 11%). The borrowings were mainly used to finance the properties for development and properties under construction. Decrease in finance costs is mainly due to the increase in capitalisation of finance costs in properties under construction compared to the same period of last year.

Approximately 52% 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 80% 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, 2019, bank deposits of HK$1,142.7 million, aggregate carrying values of property, plant and equipment, development properties and investment properties of approximately HK$129.7 million, HK$4,410.0 million and HK$9,406.9 million respectively, were pledged for banking facilities granted to the Group, mortgage loans granted to property purchasers and guarantees in respect of utility supplies and government authorities for the development works.

Contingent Liabilities

Two pieces of properties for development that are held by joint ventures of the Group with carrying value of approximately HK$73.1 million are under idle land investigation by the local authorities. These pieces of lands owned by the joint ventures were held under several land use right certificates. The development of more than half of the pieces of lands were either completed or under development, except for the portions which are retained for the remaining development of the whole projects. Two pieces of properties for development that are held by subsidiaries of the Company with carrying value of approximately HK$47.2 million are under idle land investigation by the local authority. These two pieces of lands owned by the subsidiaries have been developed by several phases and more than half of both lands were either completed or under development, except for the portions which are under the planning approval progress by the local authority or retained for the remaining development of the whole projects. Further, property for development that is held by another joint venture of the Group with carrying value of approximately HK$571.3 million had been identified as idle land by the local authority. The construction works for the first phase of development is continuing during the interim period. 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 had been 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, 2019, guarantees given to banks in respect of mortgage loans granted to property purchasers and bank facilities granted to or utilised by the joint ventures as well as guarantees granted in respect of utility supplies and government authorities for the property development works amounted to approximately HK$1,252.3 million. All the guarantees provided by the Group were requested by banks and under normal commercial terms. Legal actions were taken against the Group resulting in possible contingent liabilities of approximately HK$46.5 million. The Group has assessed the claims and obtained legal advices, and considers that the final outcome of the claims will not have material effect on the financial position of the Group.

Employees

As at 30th June, 2019, the Group including its subsidiaries but excluding associates and joint ventures, employed 1,416 (31st December, 2018: 1,429) 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. In Hong Kong, there is a shortage in the supply of land resulting in high land prices. In July 2019, the US Federal Reserve cut interest rates by 0.25%. This should have a positive effect on the global economy. However, the trade war between China and the United States of America has become fiercer in recent months. The US government planned to impose a 10 percent tariff on an additional US$300 billion worth of Chinese imports. This may have a negative impact on China economy. We expect the China Government will implement different measures to stimulate the economy should it be necessary.

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, 2019 (2018: Nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30th June, 2019, 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, 2018. 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, 2019. 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, 2019.

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

Hong Kong, 16th August, 2019

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 and Mr. Tao Tsan Sang 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.