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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, 2020

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, 2020 with the comparative figures for the corresponding period in 2019 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30th June, 2020

	Notes	(Unaudited)	
		Six months ended 30th June,	
		2020	2019
		HK\$'000	HK\$'000
Revenue	(4)	835,273	1,005,980
Cost of sales		(439,643)	(535,497)
Gross profit		395,630	470,483
Other income and gains	(5)	165,161	166,006
Marketing and distribution expenses		(21,799)	(22,271)
Administrative expenses		(142,598)	(171,473)
Other operating expenses		(443)	(2,491)
Net (decrease) increase in fair value of equity securities at fair value through profit or loss		(2,792)	16,340
Net decrease in fair value of financial assets at fair value through profit or loss		(520)	(15,406)
Net impairment losses on loans receivable		(71,942)	–
Fair value gain on transfer of inventories of completed properties to investment properties		74,560	32,642
(Decrease) increase in fair value of investment properties		(31,769)	131,686
Reversal of write-down (write-down) of inventories of completed properties		131	(1,935)
Impairment loss on properties for development		–	(42,330)
Amortisation of properties for development		(29,121)	(13,549)
Finance costs		(111,374)	(78,949)
Share of (loss) profit of associates		(6,481)	4,867
Share of profit of joint ventures		105,590	527,293

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*
for the six months ended 30th June, 2020

		(Unaudited)	
		Six months ended 30th June,	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax		322,233	1,000,913
Taxation	(6)	<u>(120,784)</u>	<u>(135,511)</u>
Profit for the period	(7)	<u>201,449</u>	<u>865,402</u>
Profit for the period attributable to:			
Owners of the Company		200,205	853,472
Non-controlling interests		<u>1,244</u>	<u>11,930</u>
		<u>201,449</u>	<u>865,402</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	(8)		
Basic		<u>13.34</u>	<u>56.64</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30th June, 2020

	(Unaudited)	
	Six months ended 30th June,	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>201,449</u>	<u>865,402</u>
Other comprehensive (expense) income		
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation to presentation currency	(274,558)	(163,863)
Share of other comprehensive expense of associates and joint ventures	(159,134)	(43,609)
Net change in fair value of investments in equity instruments at fair value through other comprehensive income	15,974	(22,689)
Deferred tax effect on change in fair value of investment in an equity instrument at fair value through other comprehensive income	<u>1,210</u>	<u>165</u>
	<u>(416,508)</u>	<u>(229,996)</u>
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	(30,909)	(7,918)
Others	<u>255</u>	<u>339</u>
	<u>(30,654)</u>	<u>(7,579)</u>
Other comprehensive expense for the period	<u>(447,162)</u>	<u>(237,575)</u>
Total comprehensive (expense) income for the period	<u>(245,713)</u>	<u>627,827</u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	(242,292)	618,124
Non-controlling interests	<u>(3,421)</u>	<u>9,703</u>
	<u>(245,713)</u>	<u>627,827</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30th June, 2020

	(Unaudited) 30th June, 2020	(Audited) 31st December, 2019
Note	HK\$'000	HK\$'000
Non-current Assets		
Property, plant and equipment	242,473	204,679
Right-of-use assets	37,995	38,548
Investment properties	12,292,902	12,380,751
Properties for development	3,722,470	4,016,593
Deposits for acquisition of properties for development	1,305,209	189,367
Other assets – properties interests	15,580	16,168
Interests in associates	2,880,464	2,891,108
Interests in joint ventures	6,905,461	6,526,622
Loans receivable	265,770	318,846
Financial assets at fair value through profit or loss	336,645	173,267
Equity instruments at fair value through other comprehensive income	386,187	354,996
Club memberships	4,261	4,261
Deferred tax assets	117,979	311,393
	<u>28,513,396</u>	<u>27,426,599</u>
Current Assets		
Inventories of properties		
– under development	2,475,931	2,229,928
– completed	2,076,555	2,608,674
Other inventories	4,997	1,461
Amounts due from associates	13,792	92,792
Amounts due from joint ventures	1,214,605	1,047,977
Amounts due from non-controlling interests	–	17,778
Loans receivable	1,216,951	1,089,269
Trade and other receivables, deposits and prepayments	(9) 518,480	556,885
Financial assets at fair value through profit or loss	145,470	32,968
Equity securities at fair value through profit or loss	53,045	56,973
Prepaid tax	51,467	8,911
Pledged bank deposits	608,536	604,298
Bank balances and cash	1,618,118	2,942,277
	<u>9,997,947</u>	<u>11,290,191</u>
Assets classified as held for sale	2,254,712	2,332,834
	<u>12,252,659</u>	<u>13,623,025</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*Continued*)
at 30th June, 2020

		(Unaudited) 30th June, 2020 HK\$'000	(Audited) 31st December, 2019 HK\$'000
	<i>Note</i>		
Current Liabilities			
Trade and other payables	(10)	2,549,477	2,242,469
Contract liabilities		1,133,826	1,081,448
Tax liabilities		1,474,596	1,478,223
Interest-bearing borrowings		1,576,555	1,438,604
Interest-free borrowings		1,372,902	1,389,614
		<u>8,107,356</u>	<u>7,630,358</u>
Liabilities associated with assets classified as held for sale		<u>1,186,454</u>	<u>1,078,688</u>
		<u>9,293,810</u>	<u>8,709,046</u>
Net Current Assets		<u>2,958,849</u>	<u>4,913,979</u>
		<u>31,472,245</u>	<u>32,340,578</u>
Capital and Reserves			
Share capital		3,788,814	3,788,814
Reserves		19,881,895	20,462,162
Equity attributable to owners of the Company		<u>23,670,709</u>	<u>24,250,976</u>
Non-controlling interests		<u>1,335,932</u>	<u>1,344,195</u>
Total Equity		<u>25,006,641</u>	<u>25,595,171</u>
Non-current Liabilities			
Interest-bearing borrowings		3,820,462	3,887,081
Deferred rental income from a tenant		11,726	15,982
Rental deposits from tenants		22,046	21,312
Deferred tax liabilities		2,611,370	2,821,032
		<u>6,465,604</u>	<u>6,745,407</u>
		<u>31,472,245</u>	<u>32,340,578</u>

Notes:

(1) Review by auditor

The interim financial report of the Group for the six months ended 30th June, 2020 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, 2019 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, 2019 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 2019. 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.

(2.1) Significant events in the current interim period

The outbreak of the coronavirus disease 2019 (“COVID-19”) and the subsequent quarantine measures imposed by the People’s Republic of China (“PRC”) and the Hong Kong government as well as the travel restrictions imposed by other countries have had negative impact on the economy of the PRC and Hong Kong, and directly and indirectly affect the operations of the Group.

Due to the unfavorable economic environment in the PRC, the sales of completed properties in the PRC have been negatively affected.

Retail tenants in Hong Kong are facing substantial business drop and temporary closure as a result of COVID-19. In response of these, the Group granted rent concessions to tenants and the rental income from the Group’s Hong Kong commercial properties decreased that have impacts over the fair value of the Group’s Hong Kong investment properties.

On the other hand, the Hong Kong government has announced various financial measures and supports for corporates to overcome the negative impact arising from the pandemic.

As such, the financial positions and performance of the Group were affected in different aspects, including reduction in sales of completed properties and rental income and the receipt of government grants in respect of COVID-19 related subsidies.

(3) Principal accounting policies

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

Other than changes in accounting policies resulting from application of 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, 2020 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31st December, 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1st January, 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the 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 of application on Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31st December, 2020.

(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, the chief operating decision maker, 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 <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, 2020				
SEGMENT REVENUE				
External sales	<u>530,563</u>	<u>237,385</u>	<u>67,325</u>	<u>835,273</u>
RESULTS				
Segment profit (loss)	124,531	189,998	(1,687)	312,842
Other income and gains				165,161
Unallocated corporate expenses				(143,505)
Finance costs				(111,374)
Share of loss of associates				(6,481)
Share of profit of joint ventures				<u>105,590</u>
Profit before tax				<u>322,233</u>
As at 30th June, 2020				
ASSETS				
Segment assets	10,530,556	13,913,705	38,406	24,482,667
Interests in associates	196,224	2,684,240	–	2,880,464
Interests in joint ventures	2,572,764	4,083,851	248,846	6,905,461
Amounts due from associates	2,563	11,229	–	13,792
Amounts due from joint ventures	1,116,918	–	97,687	1,214,605
Unallocated corporate assets				<u>5,269,066</u>
Consolidated total assets				<u>40,766,055</u>
LIABILITIES				
Segment liabilities	5,886,211	2,391,631	163,339	8,441,181
Unallocated corporate liabilities				<u>7,318,233</u>
Consolidated total liabilities				<u>15,759,414</u>

	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, 2019				
SEGMENT REVENUE				
External sales	<u>679,868</u>	<u>251,037</u>	<u>75,075</u>	<u>1,005,980</u>
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				<u>527,293</u>
Profit before tax				<u>1,000,913</u>
As at 31st December, 2019				
ASSETS				
Segment assets	10,354,836	13,937,015	34,387	24,326,238
Interests in associates	200,428	2,690,680	–	2,891,108
Interests in joint ventures	2,660,461	3,626,006	240,155	6,526,622
Amounts due from associates	2,563	90,229	–	92,792
Amounts due from joint ventures	948,295	–	99,682	1,047,977
Unallocated corporate assets				<u>6,164,887</u>
Consolidated total assets				<u>41,049,624</u>
LIABILITIES				
Segment liabilities	5,446,267	2,414,657	165,221	8,026,145
Unallocated corporate liabilities				<u>7,428,308</u>
Consolidated total liabilities				<u>15,454,453</u>

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of other income and gains, finance costs, share of profit (loss) of associates and joint ventures and unallocated corporate expenses. This is the measure reported to the Executive Directors of the Company for the purposes of resource allocation and performance assessment.

(5) Other income and gains

	(Unaudited)	
	Six months ended 30th June,	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend income		
– unlisted shares	1,789	1,903
– listed shares	89	1,833
Interest income on bank deposits	21,689	24,459
Interest income from loans receivable	92,008	98,410
Interest income from a joint venture	33,950	1,491
Recoveries of receivable written off in prior years	–	21,872
Others	15,636	16,038
	<u>165,161</u>	<u>166,006</u>

(6) Taxation

	(Unaudited)	
	Six months ended 30th June,	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Current tax		
– Hong Kong Profits Tax	2,866	1,805
– PRC Enterprise Income Tax	36,796	46,915
– Land Appreciation Tax	44,208	43,538
	<u>83,870</u>	<u>92,258</u>
Under (over) provision in prior years		
– Hong Kong Profits Tax	(532)	5
– Overseas Tax	–	(6,495)
– PRC Enterprise Income Tax	2,379	(240)
	<u>1,847</u>	<u>(6,730)</u>
Deferred tax	85,717	85,528
	<u>35,067</u>	<u>49,983</u>
	<u>120,784</u>	<u>135,511</u>

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,	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	6,194	9,779
Less: amount capitalised on properties under development	<u>(312)</u>	<u>(837)</u>
	5,882	8,942
Depreciation/amortisation of:		
Other assets – properties interests	239	247
Properties for development	29,121	13,549
Right-of-use assets	<u>351</u>	<u>352</u>
Total depreciation and amortisation	<u>35,593</u>	<u>23,090</u>
Cost of inventories recognised as expenses	<u>324,074</u>	<u>402,963</u>

(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,	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<u>200,205</u>	<u>853,472</u>

	(Unaudited)	
	Six months ended 30th June,	
	2020	2019
	<i>'000</i>	<i>'000</i>

Number of shares

Number of ordinary shares for the purpose of basic earnings per share	<u>1,500,647</u>	<u>1,506,769</u>
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No diluted earnings per share for both 2020 and 2019 were presented as there were no potential ordinary shares in issue for both 2020 and 2019.

(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, 2020 <i>HK\$'000</i>	(Audited) As at 31st December, 2019 <i>HK\$'000</i>
Within 3 months	25,912	15,764
Between 4 and 6 months	263	–
Between 7 and 12 months	–	1
Over 12 months	457	1,306
	<u>26,632</u>	<u>17,071</u>

(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, 2020 <i>HK\$'000</i>	(Audited) As at 31st December, 2019 <i>HK\$'000</i>
Within 3 months	312,142	524,753
Between 4 and 6 months	6,109	6,467
Between 7 and 12 months	33,779	37,171
Over 12 months	255,789	253,802
	<u>607,819</u>	<u>822,193</u>

As at 30th June, 2020, other payables included a deposit of HK\$1,251,970,000 (31st December, 2019: HK\$748,354,000) which was received from a joint venture for disposal of three subsidiaries and the transactions have not yet completed at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the six months ended 30th June, 2020 was HK\$835.3 million (2019: HK\$1,006.0 million), a decrease of 17% compared to the same period of last year. The profit attributable to owners of the Company amounted to HK\$200.2 million (2019: HK\$853.5 million), representing a decrease of 77% over the corresponding period of last year.

The profit attributable to owners of the Company for the six months ended 30th June, 2020 is lower than the same period of last year. Some material items are as follows:

- a decrease in the share of results of joint ventures of HK\$421.7 million
- a decrease in fair value in respect of the Group's investment properties of HK\$31.8 million as compared with an increase in fair value of HK\$131.7 million for the six months ended 30th June, 2019

Earnings per share amounted to HK13.34 cents (2019: HK56.64 cents), while the net asset value per share attributable to owners of the Company was HK\$15.77 at the end of June 2020 (31st December, 2019: HK\$16.16).

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 2020 is described below:

- (1) Total attributable registered sales (including sales from joint ventures and pre-sales of properties under construction) of the Group amounted to 106,300 m² in the first half of 2020 (2019: 69,700 m²), an increase of 53%. A total attributable gross floor area ("GFA") of approximately 86,600 m² (2019: 215,100 m²) was completed. For the first half of 2020, a total attributable GFA of approximately 1,076,400 m² (2019: 982,000 m²) was under construction at the period end, representing an 10% increase over the corresponding date of last year.
- (2) Rental income slightly decreased by 5% as compared with same period of 2019.
- (3) Cyberpark: There are a total of 17 cyberparks over 12 cities. 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.
- (4) Phase 2 Part 3 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 143,300 m² was completed in the first half of 2020.

- (5) We have acquired new residential projects in Jiangsu and Zhejiang Provinces. We expect these projects will contribute a good return to the Group in the coming years.
- (6) For the six months ended 30th June, 2020, Asiasec Properties Limited reported a profit of HK\$6.7 million (2019: HK\$64.1 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, 2020, the total bank balances and cash reserves of the Group were approximately HK\$2,226.7 million (31st December, 2019: HK\$3,546.6 million), providing sufficient working capital for the daily operations of the Group.

As at 30th June, 2020, the total borrowings of the Group amounted to approximately HK\$6,769.9 million (31st December, 2019: HK\$6,715.3 million), including current liabilities of HK\$2,949.4 million (31st December, 2019: HK\$2,828.2 million) and non-current liabilities of HK\$3,820.5 million (31st December, 2019: HK\$3,887.1 million). The gearing ratio (net debt over total equity) of the Group was 18% (31st December, 2019: 12%). The borrowings were mainly used to finance the properties for development and properties under construction. Increase in finance costs is mainly due to the increase in total borrowings and the decrease in capitalisation of finance costs in properties under construction compared to the same period of last year.

Approximately 57% 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 35% 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, 2020, bank deposits of approximately HK\$608.5 million, aggregate carrying values of property, plant and equipment (including assets classified as held for sales), development properties (including assets classified as held for sales) and investment properties (including assets classified as held for sales) of approximately HK\$53.3 million, HK\$2,487.7 million and HK\$9,816.6 million respectively, were pledged for banking facilities granted to the Group and a joint venture, 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\$86.9 million and a property for development that is held by a subsidiary of the Company with carrying value of approximately HK\$37.5 million are under idle land investigation by the local authorities. These pieces of lands owned by the joint ventures and the subsidiary 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. Further, property for development that is held by another joint venture of the Group with carrying value of approximately HK\$322.9 million had been identified as idle land by the local authority. The construction works for the first phase of development has been completed in previous year while the second phase of development has started since last year. 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 confiscation 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, 2020, guarantees given to banks in respect of mortgage loans granted to property purchasers and bank facilities granted to or utilised by the joint ventures and a financial asset at fair value through profit or loss as well as guarantees granted in respect of utility supplies and government authorities for the property development works amounted to approximately HK\$1,075.2 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\$399.0 million. The Group has assessed the claims and obtained legal advices, and considers that either it is too early to assess the range of possible liability at this stage or no additional provision is required to be made.

Employees

As at 30th June, 2020, the Group including its subsidiaries but excluding associates and joint ventures, employed 1,423 (31st December, 2019: 1,427) persons. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

COVID-19 Pandemic Response

The COVID-19 spread globally during the first half of 2020. The Group has implemented, since January 2020, certain protocols below to protect the health and safety of our workforce, their families, local suppliers and neighbouring communities while ensuring a safe environment for operations to continue as usual:

- social distancing protocols;
- meetings are held off-site or by conference calls as far as possible;
- cancellation of all non-essential travel;
- flexible and remote working plans for employees;
- access to office restrictions and temperature screening;
- self-isolation following outbound travel, development of symptoms, or interaction with a confirmed case of COVID-19 and do coronavirus test as and when necessary at the Company's cost;
- increased inventory of face mask, hand sanitiser and hygiene supplies; and
- increased focus on cleaning and sanitation.

Business Outlook

The cut in the reserve requirement ratio by China's central bank in response to the COVID-19 pandemic has been well received by the PRC property market, especially the residential sector. US Federal Reserve's quantitative easing announcement and cuts in interest rates have provided further relief to the Hong Kong property market.

We expect the economy of both the PRC and Hong Kong to remain challenging in the second half of 2020. We are hopeful that the development of a vaccine and medicines to counter COVID-19 will lead to a global economic recovery. We remain 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, 2020 (2019: Nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30th June, 2020, 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, 2019. 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, 2020. 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, 2020.

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

Hong Kong, 21st August, 2020

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.