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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)

## ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR 2020

The board of directors (“Board”) of Tian An China Investments Company Limited (“Company”) announces that the audited consolidated results of the Company and its subsidiaries (“Group”) for the year ended 31st December, 2020 are as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2020

|  | Notes | 2020<br>HK\$'000   | 2019<br>HK\$'000   |
|--|-------|--------------------|--------------------|
| Revenue  | (3)   | 2,359,440          | 2,221,904          |
| Cost of sales  |       | <u>(1,395,629)</u> | <u>(1,223,628)</u> |
| Gross profit   |       | 963,811            | 998,276            |
| Other income and gains   | (4)   | 407,282            | 311,563            |
| Marketing and distribution expenses  |       | (93,813)           | (50,946)           |
| Administrative expenses  |       | (323,365)          | (343,774)          |
| Other operating expenses   |       | (22,363)           | (10,802)           |
| Net (decrease) increase in fair value of financial assets<br>at fair value through profit or loss  |       | (30,040)           | 70,435             |
| Net (decrease) increase in fair value of equity<br>securities at fair value through profit or loss |       | (3,678)            | 12,850             |
| Net impairment losses on loans receivable and<br>interest receivables                              |       | (123,545)          | (277,419)          |
| Fair value gain on transfer of inventories of<br>completed properties to investment properties     |       | 76,470             | 101,743            |
| (Decrease) increase in fair value of<br>investment properties                                      |       | (166,467)          | 246,620            |
| Reversal of write-down (write-down) of inventories<br>of completed properties                      |       | 268                | (1,801)            |
| Impairment loss on properties for development  |       | (140,279)          | (42,368)           |
| Amortisation of properties for development   |       | (40,485)           | (55,724)           |
| Gain on disposal of subsidiaries   | (5)   | 322,034            | –                  |
| Finance costs  |       | (207,629)          | (186,030)          |
| Share of (loss) profit of associates   |       | (68,545)           | 6,410              |
| Share of profit of joint ventures  |       | <u>365,076</u>     | <u>925,304</u>     |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)***For the year ended 31st December, 2020*

|   | <i>Notes</i> | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Profit before tax                           |              | <b>914,732</b>                 | 1,704,337               |
| Taxation                                    | (6)          | <b>(346,890)</b>               | (348,765)               |
| Profit for the year                         | (7)          | <b><u>567,842</u></b>          | <u>1,355,572</u>        |
| Profit (loss) for the year attributable to: |              |                                |                         |
| Owners of the Company                       |              | <b>618,037</b>                 | 1,345,942               |
| Non-controlling interests                   |              | <b>(50,195)</b>                | 9,630                   |
|   |              | <b><u>567,842</u></b>          | <u>1,355,572</u>        |
|   |              | <i>HK\$</i>                    | <i>HK\$</i>             |
| Earnings per share                          | (8)          |                                |                         |
| Basic                                       |              | <b><u>0.41</u></b>             | <u>0.89</u>             |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*For the year ended 31st December, 2020*

|  | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Profit for the year  | <u>567,842</u>                 | <u>1,355,572</u>        |
| Other comprehensive income (expense)   |                                |                         |
| Items that will not be reclassified to profit or loss:   |                                |                         |
| Exchange differences arising on translation to presentation currency   | 825,323                        | (456,601)               |
| Share of other comprehensive income (expense) of associates and joint ventures                                       | 373,694                        | (142,182)               |
| Net change in fair value of equity instruments at fair value through other comprehensive income                      | (91,539)                       | (66,720)                |
| Deferred tax effect on change in fair value of an equity instrument at fair value through other comprehensive income | <u>1,004</u>                   | <u>1,210</u>            |
|  | <u>1,108,482</u>               | <u>(664,293)</u>        |
| Items that may be reclassified subsequently to profit or loss:   |                                |                         |
| Exchange differences arising on translation of foreign operations  | 32,930                         | 2,174                   |
| Others   | <u>340</u>                     | <u>423</u>              |
|  | <u>33,270</u>                  | <u>2,597</u>            |
| Other comprehensive income (expense) for the year  | <u>1,141,752</u>               | <u>(661,696)</u>        |
| Total comprehensive income for the year  | <u>1,709,594</u>               | <u>693,876</u>          |
| Total comprehensive income (expense) for the year attributable to:   |                                |                         |
| Owners of the Company  | 1,746,354                      | 688,546                 |
| Non-controlling interests  | <u>(36,760)</u>                | <u>5,330</u>            |
|  | <u>1,709,594</u>               | <u>693,876</u>          |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2020

|  | Note | 2020<br>HK\$'000  | 2019<br>HK\$'000  |
|--|------|-------------------|-------------------|
| <b>Non-current Assets</b>  |      |                   |                   |
| Property, plant and equipment  |      | 259,525           | 204,679           |
| Right-of-use assets  |      | 37,984            | 38,548            |
| Investment properties  |      | 13,083,211        | 12,380,751        |
| Properties for development   |      | 2,304,242         | 4,016,593         |
| Deposits for acquisition of properties for development                 |      | –                 | 189,367           |
| Other assets – properties interests                                    |      | 16,608            | 16,168            |
| Interests in associates  |      | 2,768,634         | 2,891,108         |
| Interests in joint ventures  |      | 7,536,982         | 6,526,622         |
| Loans receivable   |      | 210,464           | 318,846           |
| Financial assets at fair value through profit or loss                  |      | 388,878           | 173,267           |
| Equity instruments at fair value through<br>other comprehensive income |      | 283,981           | 354,996           |
| Club memberships   |      | 4,261             | 4,261             |
| Deferred tax assets  |      | 125,698           | 311,393           |
|  |      | <u>27,020,468</u> | <u>27,426,599</u> |
| <b>Current Assets</b>  |      |                   |                   |
| Inventories of properties  |      |                   |                   |
| – under development  |      | 5,932,953         | 2,229,928         |
| – completed  |      | 1,334,419         | 2,608,674         |
| Other inventories  |      | 11,069            | 1,461             |
| Amounts due from associates  |      | 25,772            | 92,792            |
| Amounts due from joint ventures  |      | 1,450,735         | 1,047,977         |
| Amounts due from non-controlling interests                             |      | –                 | 17,778            |
| Loans receivable   |      | 1,204,005         | 1,089,269         |
| Trade and other receivables, deposits and<br>prepayments               | (10) | 431,882           | 556,885           |
| Financial assets at fair value through profit or loss                  |      | 255,822           | 32,968            |
| Equity securities at fair value through profit or loss                 |      | 56,324            | 56,973            |
| Prepaid tax  |      | 3,747             | 8,911             |
| Pledged bank deposits  |      | 709               | 604,298           |
| Bank balances and cash   |      | 4,892,742         | 2,942,277         |
|  |      | <u>15,600,179</u> | <u>11,290,191</u> |
| Assets classified as held for sale                                     |      | –                 | 2,332,834         |
|  |      | <u>15,600,179</u> | <u>13,623,025</u> |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (*Cont'd*)

At 31st December, 2020

|   | <i>Note</i> | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| <b>Current Liabilities</b>  |             |                                |                         |
| Trade and other payables  | (11)        | <b>1,390,988</b>               | 2,242,469               |
| Contract liabilities  |             | <b>1,708,450</b>               | 1,081,448               |
| Tax liabilities   |             | <b>1,594,960</b>               | 1,478,223               |
| Interest-bearing borrowings                                       |             | <b>1,827,289</b>               | 1,438,604               |
| Interest-free borrowings  |             | <b>1,726,296</b>               | 1,389,614               |
|   |             | <b>8,247,983</b>               | 7,630,358               |
| Liabilities associated with assets classified<br>as held for sale |             | –                              | 1,078,688               |
|   |             | <b>8,247,983</b>               | 8,709,046               |
| <b>Net Current Assets</b>   |             | <b>7,352,196</b>               | 4,913,979               |
| <b>Total Assets less Current Liabilities</b>                      |             | <b>34,372,664</b>              | 32,340,578              |
| <b>Capital and Reserves</b>                                       |             |                                |                         |
| Share capital   |             | <b>3,788,814</b>               | 3,788,814               |
| Reserves  |             | <b>21,870,541</b>              | 20,462,162              |
| Equity attributable to owners of the Company                      |             | <b>25,659,355</b>              | 24,250,976              |
| Non-controlling interests   |             | <b>1,313,704</b>               | 1,344,195               |
| <b>Total Equity</b>   |             | <b>26,973,059</b>              | 25,595,171              |
| <b>Non-current Liabilities</b>                                    |             |                                |                         |
| Interest-bearing borrowings                                       |             | <b>4,568,576</b>               | 3,887,081               |
| Deferred rental income from a tenant                              |             | <b>8,461</b>                   | 15,982                  |
| Rental deposits from tenants                                      |             | <b>23,591</b>                  | 21,312                  |
| Deferred tax liabilities  |             | <b>2,798,977</b>               | 2,821,032               |
|   |             | <b>7,399,605</b>               | 6,745,407               |
|   |             | <b>34,372,664</b>              | 32,340,578              |

Notes:

## (1) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and the Hong Kong Companies Ordinance (Cap. 622) (“CO”).

The financial information relating to the financial years ended 31st December, 2020 and 2019 included in this announcement of annual results does not constitute the Company’s statutory annual financial statements for those financial years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the CO 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 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 reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the CO.

## (2) Significant accounting policies

### *Amendments to HKFRSs that are mandatorily effective for the current year*

In the current year, 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 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 year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### (2.1) Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. 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 year had no impact on the consolidated financial statements.

## (2.2) Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

### *New and amendments to HKFRSs in issue but not yet effective*

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

|  |   |
|--|---|
| HKFRS 17   | Insurance Contracts and the related Amendments <sup>1</sup>   |
| Amendments to HKFRS 16   | COVID-19-Related Rent Concessions <sup>4</sup>  |
| Amendments to HKFRS 3  | Reference to the Conceptual Framework <sup>2</sup>  |
| Amendments to HKFRS 9,<br>HKAS 39 and HKFRS 7,<br>HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 <sup>5</sup>   |
| Amendments to HKFRS 10 and<br>HKAS 28                                  | Sale or Contribution of Assets between an Investor and its<br>Associate or Joint Venture <sup>3</sup>                               |
| Amendments to HKAS 1   | Classification of Liabilities as Current or Non-current and related<br>amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup> |
| Amendments to HKAS 16  | Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>   |
| Amendments to HKAS 37  | Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>  |
| Amendments to HKFRSs   | Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>  |

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2023

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2022

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1st June, 2020

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2021

### (3) Segment information

The Group's revenue for the year and assets are 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 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 these 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.

An analysis of the Group's segment revenue, results, assets and liabilities by reportable and operating segments is as follows:

|                                      | <b>Property<br/>development</b> | <b>Property<br/>investment</b> | <b>Other<br/>operations</b> | <b>Consolidated</b> |
|--------------------------------------|---------------------------------|--------------------------------|-----------------------------|---------------------|
|                                      | <i>HK\$'000</i>                 | <i>HK\$'000</i>                | <i>HK\$'000</i>             | <i>HK\$'000</i>     |
| <b>For the year ended</b>            |                                 |                                |                             |                     |
| <b>31st December, 2020</b>           |                                 |                                |                             |                     |
| <b>SEGMENT REVENUE</b>               |                                 |                                |                             |                     |
| External sales                       | <u>1,740,168</u>                | <u>477,392</u>                 | <u>141,880</u>              | <u>2,359,440</u>    |
| <b>RESULTS</b>                       |                                 |                                |                             |                     |
| Segment profit (loss)                | 635,345                         | 146,770                        | (2,463)                     | 779,652             |
| Other income and gains               |                                 |                                |                             | 407,282             |
| Unallocated corporate expenses       |                                 |                                |                             | (361,104)           |
| Finance costs                        |                                 |                                |                             | (207,629)           |
| Share of profit (loss) of associates | 483                             | (69,028)                       | –                           | (68,545)            |
| Share of profit of joint ventures    | 199,651                         | 162,577                        | 2,848                       | <u>365,076</u>      |
| Profit before tax                    |                                 |                                |                             | <u>914,732</u>      |
| <b>As at 31st December, 2020</b>     |                                 |                                |                             |                     |
| <b>ASSETS</b>                        |                                 |                                |                             |                     |
| Segment assets                       | 9,751,209                       | 13,272,218                     | 61,273                      | 23,084,700          |
| Interests in associates              | 212,198                         | 2,556,436                      | –                           | 2,768,634           |
| Interests in joint ventures          | 3,200,950                       | 4,090,158                      | 245,874                     | 7,536,982           |
| Amounts due from associates          | 2,563                           | 23,209                         | –                           | 25,772              |
| Amounts due from joint ventures      | 1,334,227                       | –                              | 116,508                     | 1,450,735           |
| Unallocated corporate assets         |                                 |                                |                             | <u>7,753,824</u>    |
| Consolidated total assets            |                                 |                                |                             | <u>42,620,647</u>   |
| <b>LIABILITIES</b>                   |                                 |                                |                             |                     |
| Segment liabilities                  | 4,650,142                       | 2,372,998                      | 175,852                     | 7,198,992           |
| Unallocated corporate liabilities    |                                 |                                |                             | <u>8,448,596</u>    |
| Consolidated total liabilities       |                                 |                                |                             | <u>15,647,588</u>   |



|   | Property<br>development<br><i>HK\$'000</i> | Property<br>investment<br><i>HK\$'000</i> | Other<br>operations<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|---|--|---|--|---------------------------------|
| <b>For the year ended<br/>31st December, 2019</b> |  |   |  |                                 |
| <b>SEGMENT REVENUE</b>                            |  |   |  |                                 |
| External sales                                    | <u>1,543,083</u>                           | <u>513,808</u>                            | <u>165,013</u>                         | <u>2,221,904</u>                |
| <b>RESULTS</b>                                    |  |   |  |                                 |
| Segment profit (loss)                             | 397,406                                    | 613,353                                   | (10,819)                               | 999,940                         |
| Other income and gains                            |  |   |  | 311,563                         |
| Unallocated corporate expenses                    |  |   |  | (352,850)                       |
| Finance costs                                     |  |   |  | (186,030)                       |
| Share of (loss) profit of associates              | (2,557)                                    | 8,967                                     | –                                      | 6,410                           |
| Share of profit of joint ventures                 | 602,687                                    | 207,254                                   | 115,363                                | <u>925,304</u>                  |
| Profit before tax                                 |  |   |  | <u>1,704,337</u>                |
| <b>As at 31st December, 2019</b>                  |  |   |  |                                 |
| <b>ASSETS</b>                                     |  |   |  |                                 |
| 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>               |
| <b>LIABILITIES</b>                                |  |   |  |                                 |
| 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>               |

(4) Other income and gains

|   | 2020<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Dividend income                                   |                         |                         |
| – unlisted shares                                 | 2,078                   | 2,223                   |
| – listed shares                                   | 836                     | 4,058                   |
| Interest income on bank deposits                  | 39,760                  | 50,153                  |
| Interest income from loans receivable             | 186,217                 | 169,925                 |
| Interest income from joint ventures               | 79,961                  | 25,975                  |
| Recovery of receivable written off in prior years | –                       | 21,774                  |
| Other income                                      | 98,430                  | 37,455                  |
|   | <u>407,282</u>          | <u>311,563</u>          |

(5) Gains on disposal of subsidiaries

During the year ended 31st December, 2020, the Group disposed of its entire equity interests in four subsidiaries to a 50% joint venture of the Group and the four subsidiaries have become joint ventures of the Group since then. Three of the subsidiaries are established in the PRC and are engaged in property development in the PRC. As at 31st December, 2019, the assets and liabilities attributable to these three subsidiaries had been classified as assets and liabilities held for sale. The remaining subsidiary is incorporated in the British Virgin Islands and its subsidiary is engaged in property development in the PRC.

Details of the disposals are as follows:

The net assets of the subsidiaries at the dates of disposals were as follows:

|  | 2020<br><i>HK\$'000</i> |
|--|-------------------------|
| Net assets disposed of:                                |                         |
| Property, plant and equipment                          | 15,671                  |
| Investment properties                                  | 1,484,184               |
| Properties for development                             | 118,094                 |
| Deposits for acquisition of properties for development | 487,615                 |
| Right-of-use assets                                    | 451                     |
| Inventories of completed properties                    | 641,665                 |
| Trade and other receivables, deposits and prepayments  | 17,638                  |
| Bank balances and cash                                 | 50,739                  |
| Shareholders' loans                                    | (504,611)               |
| Trade and other payables                               | (205,443)               |
| Contract liabilities                                   | (37,434)                |
| Tax liabilities  | (370)                   |
| Interest-bearing borrowings                            | (350,740)               |
| Interest-free borrowings                               | (526,021)               |
| Deferred tax liabilities                               | (194,891)               |
|  | <u>996,547</u>          |
| Net assets disposed of                                 | 996,547                 |
| Assignment of shareholders' loans                      | 478,588                 |
| Gain on disposals                                      | 322,034                 |
|  | <u>1,797,169</u>        |
| Proceeds on disposals                                  | <u>1,797,169</u>        |

(6) **Taxation**

|                                      | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|--------------------------------------|--------------------------------|-------------------------|
| The charge comprises:                |                                |                         |
| Current tax                          |                                |                         |
| – Hong Kong Profits Tax              | 7,105                          | 3,995                   |
| – Overseas Tax                       | 444                            | –                       |
| – PRC Enterprise Income Tax          | 183,371                        | 104,546                 |
| – Land Appreciation Tax              | 109,218                        | 111,587                 |
|                                      | <u>300,138</u>                 | <u>220,128</u>          |
| (Over)under-provision in prior years |                                |                         |
| – Hong Kong Profits Tax              | (634)                          | 4                       |
| – Overseas Tax                       | 522                            | (6,495)                 |
| – PRC Enterprise Income Tax          | (8,176)                        | (1,932)                 |
|                                      | <u>(8,288)</u>                 | <u>(8,423)</u>          |
|                                      | <b>291,850</b>                 | 211,705                 |
| Deferred tax                         | <u>55,040</u>                  | <u>137,060</u>          |
|                                      | <b>346,890</b>                 | <b>348,765</b>          |

Hong Kong Profits Tax is calculated at the rate of 16.5% on the estimated assessable profit for the year. The PRC Enterprise Income Tax is calculated at the rates applicable to respective subsidiaries. Overseas tax is charged at the appropriate current rates of taxation ruling in the relevant country.

(7) **Profit for the year**

|   | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Profit for the year has been arrived at after charging (crediting): |                                |                         |
| Depreciation of property, plant and equipment                       | 11,837                         | 16,202                  |
| Less: amount capitalised in properties under development            | (712)                          | (1,288)                 |
|   | <u>11,125</u>                  | <u>14,914</u>           |
| Depreciation and amortisation of:                                   |                                |                         |
| Other assets – properties interests                                 | 488                            | 494                     |
| Properties for development ( <i>Note</i> )                          | 39,098                         | 55,724                  |
| Right-of-use assets   | 704                            | 708                     |
|   | <u>51,415</u>                  | <u>71,840</u>           |
| Total depreciation and amortisation                                 | <b>51,415</b>                  | <b>71,840</b>           |
| Cost of inventories recognised as expenses                          | 1,156,900                      | 925,518                 |
| Net exchange loss   | 19,836                         | 7,527                   |
|   | <u>1,176,751</u>               | <u>1,004,885</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 consolidated statement of profit or loss.

**(8) Earnings per share**

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

|  | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| <b>Earnings</b>  |                                |                         |
| Earnings for the purposes of basic earnings per share<br>(profit for the year attributable to owners of the Company) | <b>618,037</b>                 | 1,345,942               |

|  | <b>2020</b><br><i>'000</i> | 2019<br><i>'000</i> |
|--|----------------------------|---------------------|
|--|----------------------------|---------------------|

**Number of shares**

|  |                  |           |
|--|------------------|-----------|
| Weighted average number of ordinary shares in issue during the year<br>for the purpose of basic earnings per share | <b>1,500,647</b> | 1,506,384 |
|--|------------------|-----------|

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) Dividend**

|  | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Dividend recognised as distributions during the year:  |                                |                         |
| Interim dividend (in lieu of final dividend) paid in respect of 2019<br>(2019: in respect of 2018) | <b>300,129</b>                 | 301,354                 |
| Interim dividend declared of HK20 cents (2019: HK20 cents) per share                               | <b>300,129</b>                 | 300,129                 |

Subsequent to the end of the reporting period, the interim dividend (in lieu of final dividend) of HK20 cents (2019: HK20 cents) per share in respect of the financial year ended 31st December, 2020 has been declared by the Board.

## (10) Trade and other receivables, deposits and prepayments

Proceeds receivable in respect of sales 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, including rental receivables, at the end of the reporting period:

|                         | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|-------------------------|--------------------------------|-------------------------|
| Within 3 months         | 37,591                         | 15,764                  |
| Between 4 and 6 months  | 2,846                          | –                       |
| Between 7 and 12 months | 69                             | 1                       |
| Over 12 months          | 493                            | 1,306                   |
|                         | <u>40,999</u>                  | <u>17,071</u>           |

As at 31st December, 2020 and 2019, other receivables, deposits and prepayments include deposits, prepaid expenses and interest receivables. As at 31st December, 2019, the foregoing included a deposit of HK\$198,000,000 which was paid to a local authority of the PRC for bidding property for development. That deposit was refunded during the year ended 31st December, 2020.

## (11) Trade and other payables

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

|                         | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|-------------------------|--------------------------------|-------------------------|
| Within 3 months         | 285,013                        | 524,753                 |
| Between 4 and 6 months  | 6,125                          | 6,467                   |
| Between 7 and 12 months | 35,187                         | 37,171                  |
| Over 12 months          | 250,238                        | 253,802                 |
|                         | <u>576,563</u>                 | <u>822,193</u>          |

As at 31st December, 2020 and 2019, other payables mainly include deposits, other tax payables, interest payables and accrued expenses.

As at 31st December, 2019, other payables included a deposit of HK\$748,354,000 which was received from a joint venture for disposal of three subsidiaries and the transactions have been completed during the year ended 31st December, 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

The revenue of the Group for the year ended 31st December, 2020 was HK\$2,359.4 million (2019: HK\$2,221.9 million), an increase of 6% compared to the year before. The profit attributable to owners of the Company amounted to HK\$618.0 million (2019: HK\$1,345.9 million), representing a decrease of 54% from 2019.

The decrease in profit attributable to owners of the Company was primarily a combination of:

- a decrease in the share of results of joint ventures of HK\$560.2 million
- a decrease in fair value in respect of the Group's investment properties of HK\$166.5 million as compared with an increase in fair value of HK\$246.6 million for the year ended 31st December, 2019

Earnings per share amounted to HK\$0.41 (2019: HK\$0.89), while the net asset value per share attributable to owners of the Company was HK\$17.10 at the end of 2020 (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 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 406,200 m<sup>2</sup> in 2020 (2019: 184,400 m<sup>2</sup>), an increase of 120%. A total attributable gross floor area ("GFA") of approximately 210,000 m<sup>2</sup> (2019: 487,600 m<sup>2</sup>) was completed, a decrease of 57% from last year. For 2020, a total attributable GFA of approximately 1,647,400 m<sup>2</sup> (2019: 947,800 m<sup>2</sup>) was under construction at the year end, representing an 74% increase over the last year.
- (2) Rental income decreased by 7% as compared with 2019.
- (3) Cyberpark: There are a total of 19 cyberparks over 12 cities. We concentrate on developing new cyberparks and urban renewal projects in regions 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, was completed in the first half of 2020. The entire Phase 2 which comprises approximately 599,400 m<sup>2</sup> GFA is now complete and ready for sale or lease. While the sale and leasing of offices remains challenging, rental and sale of apartments has been brisk.
- (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 year ended 31st December, 2020, Asiasec Properties Limited reported a loss of HK\$56.7 million (2019: profit of HK\$58.0 million) attributable to its shareholders.

### **Plans for 2021**

Objectives for 2021 are as follows:

- (1) We will continue to adjust the quality of our landbank through acquisitions and disposals and sale of our end products to balance the demands of short term returns and long term capital appreciation.
- (2) We will adjust our products and pricing as well as the speed of construction where necessary to assist the sale of our products in the current environment.
- (3) We hope to responsibly gear up our projects rather than over-utilising equity in order to increase our return on equity.
- (4) We will review our management and cost structure so as to improve efficiency and reduce expenses where possible.

### **Long term corporate strategies**

- (1) The Group will retain certain development properties for investment where we believe these properties will provide increasing rental streams and corresponding increases in capital value.
- (2) We will concentrate our effort on developing our cyberpark and urban renewal units where we believe our products are welcomed by the government and the local market.

## **Financial Review**

### *Liquidity and Financing*

The Group always maintains its liquidity at a healthy level with a balanced portfolio of financial resources. As at 31st December, 2020, the total bank balances and cash reserves of the Group were approximately HK\$4,893.5 million (2019: HK\$3,546.6 million), providing sufficient working capital for the daily operations of the Group.

As at 31st December, 2020, the total borrowings of the Group amounted to approximately HK\$8,122.2 million (2019: HK\$6,715.3 million), including current liabilities of HK\$3,553.6 million (2019: HK\$2,828.2 million) and non-current liabilities of HK\$4,568.6 million (2019: HK\$3,887.1 million). The gearing ratio (net debt over total equity) of the Group was 12% (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 borrowings.

Approximately 67% of the Group's outstanding borrowings will mature within 2 years. Since most of the investments and operation 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 36% of the Group's interest bearing borrowings bear interest at fixed rates while the remainders are at floating rates.

Due to maintaining flexible and sufficient cashflow for acquiring the potential quality landbank and accelerating construction works for our development projects, the Group intends to obtain proper 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 31st December, 2020, bank deposits of approximately HK\$0.7 million, aggregate carrying values of property, plant and equipment, development properties and investment properties of approximately HK\$41.3 million, HK\$2,534.2 million and HK\$9,672.7 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\$89.6 million and a property for development that is held by a subsidiary of the Company with carrying value of approximately HK\$35.6 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 the pieces of lands mentioned above are the last phases of the whole projects, the development of other pieces of lands were either completed or under development. Further, property for development that is held by another joint venture of the Group with carrying value of approximately HK\$256.2 million had been identified as idle land by the local authority. The construction works for Phase 1 of development has been completed while Phase 2 Part 1 has started last year. During the year, the construction works for Phase 2 Part 2 and Phase 3 Part 1 of the development have started. 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 31st December, 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\$1,343.2 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\$437.4 million. The Group has assessed the claims and obtained legal advice, 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 31st December, 2020, the Group including its subsidiaries but excluding associates and joint ventures, employed 1,337 (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.

## **Business Outlook**

The monetary policies of 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 and the lowering of 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 2021. The development of COVID-19 vaccines and the successful rollout of the vaccination program should see a return to normalcy in 2022. However, US and China relations are still a cause for concern. We remain confident of the long term prospects of the property market in Mainland China and Hong Kong.

## **DIVIDEND**

The Board has declared an interim dividend of HK20 cents per share (in lieu of a final dividend) for the year ended 31st December, 2020 (2019 interim dividend (in lieu of a final dividend): HK20 cents per share) payable on or around Friday, 23rd April, 2021 to the shareholders of the Company (“Shareholders”) whose names appear on the register of members of the Company on Friday, 9th April, 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

### **(1) For determining the entitlement to the interim dividend (in lieu of a final dividend)**

For determining the entitlement to the interim dividend (in lieu of a final dividend) for the year ended 31st December, 2020, the register of members of the Company will be closed on Thursday, 8th April, 2021 and Friday, 9th April, 2021, during which period no transfer of shares of the Company will be registered. In order for a Shareholder to qualify for the interim dividend (in lieu of a final dividend), all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 7th April, 2021.

### **(2) For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company (“2021 AGM”)**

The 2021 AGM is scheduled to be held on Tuesday, 18th May, 2021. For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Thursday, 13th May, 2021 to Tuesday, 18th May, 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order for a Shareholder to be eligible to attend and vote at the 2021 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 12th May, 2021.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

During the year ended 31st December, 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 are set out in the Corporate Governance Report to be contained in the Company’s Annual Report for the financial year ended 31st December, 2020 (“2020 Annual Report”). The Board has reviewed the terms during the year under review and 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.

Further information on the Company’s corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company’s 2020 Annual Report which will be sent to the Shareholders by the end of April 2021.

## **AUDIT COMMITTEE REVIEW**

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31st December, 2020.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2020 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the year ended 31st December, 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

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

Hong Kong, 19th March, 2021

*As at the date of this announcement, the Board comprises Mr. Song Zengbin (Deputy Chairman), Mr. Patrick Lee Seng Wei (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.*