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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, 2021

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, 2021 with the comparative figures for the corresponding period in 2020 are as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30th June, 2021

		(Unaudited)	
		Six months ended 30th June,	
		2021	2020
	Notes	HK\$'000	HK\$'000
Revenue	(4)	519,703	835,273
Cost of sales		<u>(213,168)</u>	<u>(439,643)</u>
Gross profit		306,535	395,630
Other income and gains	(5)	185,752	165,161
Marketing and distribution expenses		(39,695)	(21,799)
Administrative expenses		(166,122)	(142,598)
Other operating expenses		(962)	(443)
Net decrease in fair value of equity securities at fair value through profit or loss		(5,158)	(2,792)
Net increase (decrease) in fair value of financial assets at fair value through profit or loss		19,096	(520)
Net impairment losses on loans receivable and interest receivables		(30,422)	(71,942)
Fair value gain on transfer of inventories of completed properties to investment properties		89,158	74,560
Increase (decrease) in fair value of investment properties		200,682	(31,769)
Reversal of write-down of inventories of completed properties		674	131
Amortisation of properties for development		(14,894)	(29,121)
Finance costs		(85,157)	(111,374)
Share of loss of associates		(17,939)	(6,481)
Share of profit of joint ventures		<u>166,804</u>	<u>105,590</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS** *(Continued)*  
*for the six months ended 30th June, 2021*

		<b>(Unaudited)</b>	
		<b>Six months ended 30th June,</b>	
		<b>2021</b>	<b>2020</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax		<b>608,352</b>	322,233
Taxation	(6)	<u><b>(260,471)</b></u>	<u>(120,784)</u>
Profit for the period	(7)	<u><b>347,881</b></u>	<u>201,449</u>
Profit (loss) for the period attributable to:			
Owners of the Company		<b>366,052</b>	200,205
Non-controlling interests		<u><b>(18,171)</b></u>	<u>1,244</u>
		<u><b>347,881</b></u>	<u>201,449</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	(8)		
Basic		<u><b>24.39</b></u>	<u>13.34</u>

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

*for the six months ended 30th June, 2021*

	(Unaudited)	
	Six months ended 30th June,	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>347,881</u>	<u>201,449</u>
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation to presentation currency	299,750	(274,558)
Share of other comprehensive income (expense) of associates and joint ventures	171,435	(159,134)
Net change in fair value of investments in equity instruments at fair value through other comprehensive income	(17,334)	15,974
Deferred tax effect on change in fair value of investment in an equity instrument at fair value through other comprehensive income	<u>206</u>	<u>1,210</u>
	<u>454,057</u>	<u>(416,508)</u>
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	(2,442)	(30,909)
Others	<u>169</u>	<u>255</u>
	<u>(2,273)</u>	<u>(30,654)</u>
Other comprehensive income (expense) for the period	<u>451,784</u>	<u>(447,162)</u>
Total comprehensive income (expense) for the period	<u>799,665</u>	<u>(245,713)</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	817,215	(242,292)
Non-controlling interests	<u>(17,550)</u>	<u>(3,421)</u>
	<u>799,665</u>	<u>(245,713)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*at 30th June, 2021*

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>30th June,</b>	<b>31st December,</b>
	<b>2021</b>	<b>2020</b>
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current Assets</b>		
Property, plant and equipment	261,784	259,525
Right-of-use assets	38,573	37,984
Investment properties	13,685,077	13,083,211
Properties for development	2,355,139	2,304,242
Other assets – properties interests	16,746	16,608
Interests in associates	2,755,593	2,768,634
Interests in joint ventures	8,134,208	7,536,982
Loans receivable	749,306	210,464
Financial assets at fair value through profit or loss	426,171	388,878
Equity instruments at fair value through other comprehensive income	267,157	283,981
Club memberships	4,261	4,261
Deferred tax assets	141,647	125,698
	<b>28,835,662</b>	<b>27,020,468</b>
<b>Current Assets</b>		
Inventories of properties		
– under development	7,270,669	5,932,953
– completed	1,172,232	1,334,419
Other inventories	13,190	11,069
Amounts due from associates	2,563	25,772
Amounts due from joint ventures	2,400,028	1,450,735
Loans receivable	488,072	1,204,005
Trade and other receivables, deposits and prepayments	(9) 399,675	431,882
Financial assets at fair value through profit or loss	201,637	255,822
Equity securities at fair value through profit or loss	52,467	56,324
Prepaid tax	29,660	3,747
Pledged bank deposits	699	709
Bank balances and cash	5,001,299	4,892,742
	<b>17,032,191</b>	<b>15,600,179</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (*Continued*)  
*at 30th June, 2021*

		(Unaudited) 30th June, 2021	(Audited) 31st December, 2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current Liabilities</b>			
Trade and other payables	(10)	1,390,691	1,390,988
Contract liabilities		3,305,044	1,708,450
Tax liabilities		1,618,382	1,594,960
Interest-bearing borrowings		2,638,544	1,827,289
Interest-free borrowings		1,750,108	1,726,296
		<u>10,702,769</u>	<u>8,247,983</u>
<b>Net Current Assets</b>		<u>6,329,422</u>	<u>7,352,196</u>
<b>Total Assets less Current Liabilities</b>		<u>35,165,084</u>	<u>34,372,664</u>
<b>Capital and Reserves</b>			
Share capital		3,788,814	3,788,814
Reserves		22,387,627	21,870,541
Equity attributable to owners of the Company		26,176,441	25,659,355
Non-controlling interests		1,296,154	1,313,704
<b>Total Equity</b>		<u>27,472,595</u>	<u>26,973,059</u>
<b>Non-current Liabilities</b>			
Interest-bearing borrowings		4,624,758	4,568,576
Deferred rental income from a tenant		4,333	8,461
Rental deposits from tenants		25,526	23,591
Deferred tax liabilities		3,037,872	2,798,977
		<u>7,692,489</u>	<u>7,399,605</u>
		<u>35,165,084</u>	<u>34,372,664</u>

Notes:

**(1) Review by auditor**

The interim financial report of the Group for the six months ended 30th June, 2021 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, 2020 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, 2020 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 2020. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the CO.

**(3) 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 additional 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, 2021 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31st December, 2020.

**Application of amendments to HKFRSs**

In the current interim period, the Group has applied 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, 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of the amendments to HKFRSs in the current interim 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.

## **Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2”**

### ***Financial instruments***

#### *Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform*

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

As at 1st January, 2021, the Group has several London Interbank Offered Rate/Hong Kong Interbank Offered Rate bank loans of HK\$445,684,000 and HK\$300,000,000 respectively which may be subject to interest rate benchmark reform.

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31st December, 2021.

#### **(4) Segment information**

The Group's revenue for the period was derived mainly from activities carried out and located in the People's Republic of China (“PRC”) and Hong Kong. The Group's basis of organisation is determined based on three main operations: property development, property investment and other operations that 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:

	<b>Property development</b> <i>HK\$'000</i>	<b>Property investment</b> <i>HK\$'000</i>	<b>Other operations</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>For the six months ended</b>				
<b>30th June, 2021 (unaudited)</b>				
<b>SEGMENT REVENUE</b>				
External sales	<u>225,443</u>	<u>229,934</u>	<u>64,326</u>	<u>519,703</u>
<b>RESULTS</b>				
Segment profit (loss)	86,131	409,455	(12,584)	483,002
Other income and gains				185,752
Unallocated corporate expenses				(124,110)
Finance costs				(85,157)
Share of loss of associates				(17,939)
Share of profit of joint ventures				<u>166,804</u>
Profit before tax				<u>608,352</u>
<b>As at 30th June, 2021 (unaudited)</b>				
<b>ASSETS</b>				
Segment assets	10,989,170	13,867,903	61,082	24,918,155
Interests in associates	217,657	2,537,936	–	2,755,593
Interests in joint ventures	3,307,183	4,565,095	261,930	8,134,208
Amounts due from associates	2,563	–	–	2,563
Amounts due from joint ventures	2,328,177	–	71,851	2,400,028
Unallocated corporate assets				<u>7,657,306</u>
Consolidated total assets				<u>45,867,853</u>
<b>LIABILITIES</b>				
Segment liabilities	6,316,340	2,592,701	137,007	9,046,048
Unallocated corporate liabilities				<u>9,349,210</u>
Consolidated total liabilities				<u>18,395,258</u>



	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>For the six months ended 30th June, 2020 (unaudited)</b>				
<b>SEGMENT REVENUE</b>				
External sales	<u>530,563</u>	<u>237,385</u>	<u>67,325</u>	<u>835,273</u>
<b>RESULTS</b>				
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>
<b>As at 31st December, 2020 (audited)</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>

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,	
	2021	2020
	HK\$'000	HK\$'000
Dividend income		
– unlisted shares	3,920	1,789
– listed shares	110	89
Interest income on bank deposits	21,811	21,689
Interest income from loans receivable	98,092	92,008
Interest income from joint ventures	37,625	33,950
Net exchange gain	6,793	–
Other income	17,401	15,636
	<u>185,752</u>	<u>165,161</u>

(6) Taxation

	(Unaudited)	
	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
– Hong Kong Profits Tax	2,825	2,866
– PRC Enterprise Income Tax	41,405	36,796
– Land Appreciation Tax	49,480	44,208
	<u>93,710</u>	<u>83,870</u>
(Over) under provision in prior years		
– Hong Kong Profits Tax	(40)	(532)
– Overseas Tax	(225)	–
– PRC Enterprise Income Tax	(5,580)	2,379
	<u>(5,845)</u>	<u>1,847</u>
Deferred tax	87,865	85,717
	<u>172,606</u>	<u>35,067</u>
	<u>260,471</u>	<u>120,784</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,**  
**2021**                      2020  
*HK\$'000*                      *HK\$'000*

Profit for the period has been arrived at after charging (crediting):

Depreciation of property, plant and equipment	<b>6,448</b>	6,194
Less: amount capitalised on properties under development	<b>(536)</b>	(312)
	<b>5,912</b>	5,882
Depreciation/amortisation of:		
Other assets – properties interests	<b>262</b>	239
Properties for development	<b>14,894</b>	29,121
Right-of-use assets	<b>477</b>	351
Total depreciation and amortisation	<b>21,545</b>	35,593
Cost of inventories recognised as expenses	<b>85,416</b>	324,074

(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,**  
**2021**                      2020  
*HK\$'000*                      *HK\$'000*

**Earnings**

Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<b>366,052</b>	200,205
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**(Unaudited)**  
**Six months ended 30th June,**  
**2021**                      2020  
*'000*                      *'000*

**Number of shares**

Number of ordinary shares for the purpose of basic earnings per share	<b>1,500,647</b>	1,500,647
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No diluted earnings per share for both 2021 and 2020 were presented as there were no potential ordinary shares in issue for both 2021 and 2020.

**(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, including rental receivables, at the end of the reporting period:

	<b>(Unaudited)</b> <b>As at</b> <b>30th June,</b> <b>2021</b> <i>HK\$'000</i>	<b>(Audited)</b> <b>As at</b> <b>31st December,</b> <b>2020</b> <i>HK\$'000</i>
Within 3 months	<b>29,813</b>	37,591
Between 4 and 6 months	<b>2,415</b>	2,846
Between 7 and 12 months	<b>93</b>	69
Over 12 months	<b>505</b>	493
	<hr/> <b>32,826</b> <hr/>	<hr/> 40,999 <hr/>

**(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:

	<b>(Unaudited)</b> <b>As at</b> <b>30th June,</b> <b>2021</b> <i>HK\$'000</i>	<b>(Audited)</b> <b>As at</b> <b>31st December,</b> <b>2020</b> <i>HK\$'000</i>
Within 3 months	<b>314,026</b>	285,013
Between 4 and 6 months	<b>1</b>	6,125
Between 7 and 12 months	<b>15</b>	35,187
Over 12 months	<b>304,343</b>	250,238
	<hr/> <b>618,385</b> <hr/>	<hr/> 576,563 <hr/>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

The revenue of the Group for the six months ended 30th June, 2021 was HK\$519.7 million (2020: HK\$835.3 million), a decrease of 38% compared to the same period of last year. The profit attributable to owners of the Company amounted to HK\$366.1 million (2020: HK\$200.2 million), representing an increase of 83% over the corresponding period of last year.

The profit attributable to owners of the Company for the six months ended 30th June, 2021 is higher than the same period of last year. Some material items are as follows:

- an increase in the share of profit of joint ventures of HK\$61.2 million
- an increase in fair value in respect of the Group's investment properties of HK\$200.7 million as compared with a decrease in fair value of HK\$31.8 million for the six months ended 30th June, 2020

Earnings per share amounted to HK24.39 cents (2020: HK13.34 cents), while the net asset value per share attributable to owners of the Company was HK\$17.44 at the end of June 2021 (31st December, 2020: HK\$17.10).

### 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 2021 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 147,400 m<sup>2</sup> in the first half of 2021 (2020: 106,300 m<sup>2</sup>), an increase of 39%. A total attributable gross floor area ("GFA") of approximately 134,600 m<sup>2</sup> (2020: 86,600 m<sup>2</sup>) was completed, an increase of 55%. For the first half of 2021, a total attributable GFA of approximately 1,794,100 m<sup>2</sup> (2020: 1,076,400 m<sup>2</sup>) was under construction at the period end, representing an 67% increase over the corresponding date of last year.
- (2) Rental income slightly decreased by 3% as compared with same period of 2020. After excluding the rental income from the subsidiaries disposed of during the year ended 31st December, 2020, the rental income increased by 9% as compared with same period of 2020.
- (3) Tian An Cyberpark: There are a total of 20 Tian An Cyberparks developed or under development over 13 cities. We concentrate on developing new cyberparks and urban renewal projects in regions where we have ample manpower and marketing resources.

- (4) The entire Phase 2 of Tian An's urban renewal project, Tian An Cloud Park, in Batian residential district in Longgang Shenzhen comprises a GFA of approximately 599,400 m<sup>2</sup> is now completed and ready for sale or lease. In addition, Guangming Tian An Cloud Park in Guangming District of Shenzhen with GFA of approximately 382,800 m<sup>2</sup> is under development.
- (5) The pre-sales of residential projects in Jiangsu and Zhejiang Provinces acquired in last year is successful. In addition, we have acquired new residential projects in Jiangsu and Liaoning Provinces during the six months ended 30th June, 2021. We expect these projects will contribute a good return to the Group in the coming years.
- (6) For the six months ended 30th June, 2021, Asiasec Properties Limited reported a loss of HK\$48.8 million (2020: a profit of HK\$6.7 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, 2021, the total bank balances and cash reserves of the Group were approximately HK\$5,002.0 million (31st December, 2020: HK\$4,893.5 million), providing sufficient working capital for the daily operations of the Group.

As at 30th June, 2021, the total borrowings of the Group amounted to approximately HK\$9,013.4 million (31st December, 2020: HK\$8,122.2 million), including current liabilities of HK\$4,388.6 million (31st December, 2020: HK\$3,553.6 million) and non-current liabilities of HK\$4,624.8 million (31st December, 2020: HK\$4,568.6 million). The gearing ratio (net debt over total equity) of the Group was 15% (31st December, 2020: 12%). The borrowings were mainly used to finance the properties for development and properties under construction. Decrease in finance costs is mainly due to the increase in capitalisation of finance costs in properties under construction compared to the same period of last year.

Approximately 60% 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 30% 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, 2021, bank deposits of approximately HK\$0.7 million, aggregate carrying values of property, plant and equipment, development properties and investment properties of approximately HK\$41.5 million, HK\$5,397.1 million and HK\$9,890.3 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\$91.4 million and a property for development that is held by a subsidiary of the Company with carrying value of approximately HK\$34.5 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 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\$346.1 million had been identified as idle land by the local authority. The construction works for Phase 1 and Phase 2 Part 1 of development have been completed. The construction works for Phase 2 Part 2 and Phase 3 Part 1 of the development have started 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, 2021, guarantees given to banks and a lender in respect of mortgage loans granted to property purchasers and loan facilities granted to or utilised by the joint ventures as well as guarantees granted in respect of utility supplies and government authorities for the property development works amounted to approximately HK\$2,895.3 million. All the guarantees provided by the Group were requested by banks, government authorities or lender and under normal commercial terms. Legal actions were taken against the Group resulting in possible contingent liabilities of approximately HK\$279.4 million. The Group has assessed the claims and obtained legal advice, and considers that the outcomes of the claims will not have material effect on the financial statements.

## **Employees**

As at 30th June, 2021, the Group including its subsidiaries but excluding associates and joint ventures, employed 1,323 (31st December, 2020: 1,337) 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**

COVID-19 continued to spread around the world during the first half of 2021. In addition to carrying on preventative protocols, vaccination incentives are also provided to help the Company resume more normal business and social activities.

The protocols 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:

- measures to maximise social distancing and staff protection within the offices;
- meetings held off-site or by conference calls or video conference as far as possible;
- cancellation of all non-essential travel;
- flexible working plans for employees;
- restrictions on office access and temperature screening;
- self-isolation following travel, development of symptoms, or interaction with a confirmed case of COVID-19 and requirement to undergo a coronavirus test as and when necessary at the Company's cost; and
- maintain inventory of face masks, hand sanitiser and hygiene supplies and focus on cleaning and sanitation.

## **Business Outlook**

Although the economies of China and Hong Kong are on the road to recovery in 2021, the development and containment of COVID-19 remains unpredictable. Furthermore, geopolitical tensions, a crackdown on the technology and private education sector in China together with strict global travel restrictions have eroded market confidence.

The China government always emphasises that houses are for living in, not for speculation. Many provinces and cities of China have introduced a series of measures to limit the property speculation such as setting guidance prices on pre-owned homes and cracking down on business loans that have been misused to buy homes. These policies have curbed the rise in housing prices. On the other hand, the China government has introduced a new policy to allow all couples to have three children. This will help to increase the population of China in long run. 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, 2021 (2020: Nil).

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

During the six months ended 30th June, 2021, 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, 2020. 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, 2021. 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, 2021.

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

Hong Kong, 20th August, 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.*