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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, 2022

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, 2022 with the comparative figures for the corresponding period in 2021 are as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30th June, 2022

		(Unaudited)	
		Six months ended 30th June,	
		2022	2021
	Notes	HK\$'000	HK\$'000
Revenue	(4)	912,475	519,703
Cost of sales		<u>(382,734)</u>	<u>(212,494)</u>
Gross profit		529,741	307,209
Other income and gains	(5)	114,305	185,752
Marketing and distribution expenses		(42,041)	(39,695)
Administrative expenses		(130,882)	(166,122)
Other operating expenses		(372)	(962)
Net decrease in fair value of equity securities at fair value through profit or loss		(6,878)	(5,158)
Net (decrease) increase in fair value of financial assets at fair value through profit or loss		(7,606)	19,096
Net impairment losses on loans receivable and interest receivables		(635)	(30,422)
Fair value gain on transfer of inventories of completed properties to investment properties		23,220	89,158
(Decrease) increase in fair value of investment properties		(68,843)	200,682
Impairment loss on property for development		(83,360)	–
Amortisation of properties for development		(10,283)	(14,894)
Finance costs		(124,797)	(85,157)
Share of profit (loss) of associates		11,504	(17,939)
Share of profit of joint ventures		<u>303,930</u>	<u>166,804</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS** *(Continued)*  
*for the six months ended 30th June, 2022*

		<b>(Unaudited)</b>	
		<b>Six months ended 30th June,</b>	
		<b>2022</b>	<b>2021</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax		<b>507,003</b>	608,352
Taxation	(6)	<b>(116,902)</b>	(260,471)
Profit for the period	(7)	<b><u>390,101</u></b>	<u>347,881</u>
Profit (loss) for the period attributable to:			
Owners of the Company		<b>420,245</b>	366,052
Non-controlling interests		<b>(30,144)</b>	(18,171)
		<b><u>390,101</u></b>	<u>347,881</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	(8)		
Basic		<b><u>28.66</u></b>	<u>24.39</u>

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

*for the six months ended 30th June, 2022*

	(Unaudited)	
	Six months ended 30th June,	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>390,101</u>	<u>347,881</u>
Other comprehensive (expense) income		
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation to presentation currency	(590,379)	299,750
Share of other comprehensive (expense) income of associates and joint ventures	(253,111)	171,435
Net change in fair value of investments in equity instruments at fair value through other comprehensive income	10,600	(17,334)
Deferred tax effect on change in fair value of investment in an equity instrument at fair value through other comprehensive income	<u>28</u>	<u>206</u>
	<u>(832,862)</u>	<u>454,057</u>
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	(38,053)	(2,442)
Others	<u>169</u>	<u>169</u>
	<u>(37,884)</u>	<u>(2,273)</u>
Other comprehensive (expense) income for the period	<u>(870,746)</u>	<u>451,784</u>
Total comprehensive (expense) income for the period	<u>(480,645)</u>	<u>799,665</u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	(441,701)	817,215
Non-controlling interests	<u>(38,944)</u>	<u>(17,550)</u>
	<u>(480,645)</u>	<u>799,665</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30th June, 2022

	(Unaudited) 30th June, 2022 HK\$'000	(Audited) 31st December, 2021 HK\$'000
	<i>Note</i>	
<b>Non-current Assets</b>		
Property, plant and equipment	307,004	318,984
Right-of-use assets	37,174	38,002
Investment properties	16,097,714	16,686,312
Properties for development	1,789,767	2,048,561
Other assets – properties interests	15,840	16,685
Interests in associates	2,373,845	2,369,865
Interests in joint ventures	9,921,768	8,665,117
Loans receivable	416,139	488,027
Financial assets at fair value through profit or loss	375,812	505,614
Equity instruments at fair value through other comprehensive income	197,872	187,952
Club memberships	4,261	4,261
Deferred tax assets	123,278	116,437
	<b>31,660,474</b>	<b>31,445,817</b>
<b>Current Assets</b>		
Inventories of properties		
– under development	6,422,082	5,977,771
– completed	1,476,250	1,792,970
Other inventories	5,334	7,195
Amounts due from joint ventures	1,327,458	2,392,230
Loans receivable	408,946	613,345
Trade and other receivables, deposits and prepayments	(10) 489,232	457,010
Financial assets at fair value through profit or loss	143,309	51,866
Equity securities at fair value through profit or loss	46,170	54,903
Prepaid tax	69,105	53,850
Pledged bank deposits	645	683
Bank balances and cash	3,182,337	4,344,831
	<b>13,570,868</b>	<b>15,746,654</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (*Continued*)  
*at 30th June, 2022*

		(Unaudited) 30th June, 2022	(Audited) 31st December, 2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current Liabilities</b>			
Trade and other payables	(11)	1,768,456	2,093,571
Contract liabilities		3,326,093	2,965,991
Tax liabilities		1,939,765	1,973,396
Interest-bearing borrowings		2,295,220	3,114,959
Interest-free borrowings		887,929	817,509
		<u>10,217,463</u>	<u>10,965,426</u>
<b>Net Current Assets</b>		<u>3,353,405</u>	<u>4,781,228</u>
<b>Total Assets less Current Liabilities</b>		<u>35,013,879</u>	<u>36,227,045</u>
<b>Capital and Reserves</b>			
Share capital		3,788,814	3,788,814
Reserves		23,071,630	23,806,545
Equity attributable to owners of the Company		26,860,444	27,595,359
Non-controlling interests		577,413	616,357
<b>Total Equity</b>		<u>27,437,857</u>	<u>28,211,716</u>
<b>Non-current Liabilities</b>			
Interest-bearing borrowings		4,177,837	4,441,074
Rental deposits from tenants		23,535	28,284
Deferred tax liabilities		3,374,650	3,545,971
		<u>7,576,022</u>	<u>8,015,329</u>
		<u>35,013,879</u>	<u>36,227,045</u>

Notes:

**(1) Review by auditor**

The interim financial report of the Group for the six months ended 30th June, 2022 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, 2021 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, 2021 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 2021. 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 as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2022 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31st December, 2021.

**Application of amendments to Hong Kong Financial Reporting Standards (“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 1st January, 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30th June, 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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 changes in accounting policies on application of Amendments to HKFRS 3 Reference to the Conceptual Framework**

### *(i) Accounting policies*

For business combinations in which the acquisition date is on or after 1st January, 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the “Conceptual Framework for Financial Reporting 2018” issued in June 2018 (“Conceptual Framework”) except for transactions and events within the scope of HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or HK(IFRIC)-Int 21 “Levies”, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

### *(ii) Transition and summary of effects*

The Group applies the amendments to business combinations for which the acquisition date is on or after 1st January, 2022. The application of the amendments in the current period had no impact on the Group’s condensed consolidated financial statements.

## **(4) Segment information**

The Group’s revenue for the period was derived mainly from activities carried out and located in the 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 prepared and reviewed together with the Group’s other property investment activities for the internal performance assessment purposes.

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

	<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, 2022 (unaudited)</b>				
<b>SEGMENT REVENUE</b>				
External sales	<u>586,785</u>	<u>243,287</u>	<u>82,403</u>	<u>912,475</u>
<b>RESULTS</b>				
Segment profit (loss)	170,691	98,099	(17,501)	251,289
Other income and gains				114,305
Unallocated corporate expenses				(49,228)
Finance costs				(124,797)
Share of profit of associates				11,504
Share of profit of joint ventures				<u>303,930</u>
Profit before tax				<u>507,003</u>
<b>As at 30th June, 2022 (unaudited)</b>				
<b>ASSETS</b>				
Segment assets	12,511,881	16,376,088	82,897	28,970,866
Interests in associates	214,455	2,159,390	–	2,373,845
Interests in joint ventures	3,394,035	6,135,388	392,345	9,921,768
Amounts due from joint ventures	1,241,642	–	85,816	1,327,458
Unallocated corporate assets				<u>2,637,405</u>
Consolidated total assets				<u>45,231,342</u>
<b>LIABILITIES</b>				
Segment liabilities	5,189,974	3,041,981	204,168	8,436,123
Unallocated corporate liabilities				<u>9,357,362</u>
Consolidated total liabilities				<u>17,793,485</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, 2021 (unaudited)</b>				
<b>SEGMENT REVENUE</b>				
External sales	225,443	229,934	64,326	519,703
<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				166,804
Profit before tax				608,352
<b>As at 31st December, 2021 (audited)</b>				
<b>ASSETS</b>				
Segment assets	13,564,210	16,896,717	90,656	30,551,583
Interests in associates	222,407	2,147,458	–	2,369,865
Interests in joint ventures	2,431,850	5,913,044	320,223	8,665,117
Amounts due from joint ventures	2,305,718	–	86,512	2,392,230
Unallocated corporate assets				3,213,676
Consolidated total assets				47,192,471
<b>LIABILITIES</b>				
Segment liabilities	5,058,136	3,146,311	175,099	8,379,546
Unallocated corporate liabilities				10,601,209
Consolidated total liabilities				18,980,755

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. 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

	<b>(Unaudited)</b>	
	<b>Six months ended 30th June,</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Dividend income		
– unlisted shares	<b>2,145</b>	3,920
– listed shares	<b>93</b>	110
Interest income on bank deposits	<b>14,529</b>	21,811
Interest income from loans receivable	<b>27,047</b>	98,092
Interest income from joint ventures	<b>42,797</b>	37,625
Net exchange gain	<b>8,791</b>	6,793
Other income	<b>18,903</b>	17,401
	<b>114,305</b>	<b>185,752</b>

(6) Taxation

	<b>(Unaudited)</b>	
	<b>Six months ended 30th June,</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The charge comprises:		
Current tax		
– Hong Kong Profits Tax	<b>219</b>	2,825
– Overseas Tax	<b>49</b>	–
– PRC Enterprise Income Tax	<b>81,576</b>	41,405
– Land Appreciation Tax	<b>111,273</b>	49,480
	<b>193,117</b>	<b>93,710</b>
Under(over)-provision in prior years		
– Hong Kong Profits Tax	<b>3,289</b>	(40)
– Overseas Tax	<b>–</b>	(225)
– PRC Enterprise Income Tax	<b>2,388</b>	(5,580)
	<b>5,677</b>	<b>(5,845)</b>
Deferred tax	<b>198,794</b>	87,865
	<b>(81,892)</b>	172,606
	<b>116,902</b>	<b>260,471</b>

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. Overseas tax is charged at the appropriate current rate of taxation ruling in the relevant country.

(7) Profit for the period

**(Unaudited)**  
**Six months ended 30th June,**  
**2022**                      2021  
*HK\$'000*                      *HK\$'000*

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

Depreciation of property, plant and equipment	<b>9,223</b>	6,448
Less: amount capitalised in properties under development	<b>(797)</b>	(536)
	<b>8,426</b>	5,912
Depreciation/amortisation of:		
Other assets – properties interests	<b>262</b>	262
Properties for development	<b>10,283</b>	14,894
Right-of-use assets	<b>515</b>	477
Total depreciation and amortisation	<b>19,486</b>	21,545
Cost of inventories recognised as expenses	<b>230,175</b>	85,416

(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,**  
**2022**                      2021  
*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>420,245</b>	366,052
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**(Unaudited)**  
**Six months ended 30th June,**  
**2022**                      2021  
*'000*                      *'000*

**Number of shares**

Number of ordinary shares for the purpose of basic earnings per share	<b>1,466,069</b>	1,500,647
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No diluted earnings per share for both 2022 and 2021 were presented as there were no potential ordinary shares in issue for both 2022 and 2021.

(9) Dividend

**(Unaudited)**  
**Six months ended 30th June,**  
**2022**                      2021  
*HK\$'000*                      *HK\$'000*

Dividend recognised as distribution during the period:

Interim dividend (in lieu of final dividend) of HK20 cents  
(2021: HK20 cents) per share paid in respect of 2021  
(2021: in respect of 2020)

**293,214**                      **300,129**

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2022 (six months ended 30th June, 2021: Nil).

(10) 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, based on the invoice date/contract term at the end of the reporting period:

	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at
	<b>30th June,</b>	31st December,
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 31 days	<b>40,065</b>	37,658
31 to 60 days	<b>1,497</b>	2,430
61 to 90 days	<b>10,534</b>	1,747
91 to 180 days	<b>2,694</b>	2,301
Over 180 days	<b>2,187</b>	1,826
	<b>56,977</b>	45,962

**(11) Trade and other payables**

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

	<b>(Unaudited)</b> <b>As at</b> <b>30th June,</b> <b>2022</b> <i>HK\$'000</i>	<b>(Audited)</b> <b>As at</b> <b>31st December,</b> <b>2021</b> <i>HK\$'000</i>
Less than 31 days	<b>454,739</b>	732,601
31 to 60 days	<b>3,431</b>	3,974
61 to 90 days	<b>486</b>	–
91 to 180 days	<b>150,087</b>	171,436
Over 180 days	<b>331,099</b>	339,493
	<hr/> <b>939,842</b>	<hr/> 1,247,504

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

The revenue of the Group for the six months ended 30th June, 2022 was HK\$912.5 million (2021: HK\$519.7 million), an increase of 76% compared to the same period of last year. The profit attributable to owners of the Company amounted to HK\$420.2 million (2021: HK\$366.1 million), representing an increase of 15% over the corresponding period of last year.

The profit attributable to owners of the Company for the six months ended 30th June, 2022 is higher than the same period of last year. Some material items are as follows:

- an increase in the sales of completed properties of HK\$361.3 million
- an increase in the share of profit of joint ventures of HK\$137.1 million

Earnings per share amounted to HK28.66 cents (2021: HK24.39 cents), while the net asset value per share attributable to owners of the Company was HK\$18.32 at the end of June 2022 (31st December, 2021: HK\$18.82).

### 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 2022 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 155,000 m<sup>2</sup> in the first half of 2022 (2021: 147,400 m<sup>2</sup>), an increase of 5%. A total attributable gross floor area (“GFA”) of approximately 140,700 m<sup>2</sup> (2021: 134,600 m<sup>2</sup>) was completed, an increase of 5%. For the first half of 2022, a total attributable GFA of approximately 2,018,900 m<sup>2</sup> (2021: 1,794,100 m<sup>2</sup>) was under construction at the period end, representing a 13% increase over the corresponding date of last year.
- (2) Rental income increased by 6% as compared with same period of 2021.
- (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 Bantian residential district, Longgang, Shenzhen comprising 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 a GFA of approximately 382,800 m<sup>2</sup> and Deqing Tian An Cloud Park in Deqing, Zhejiang with a GFA of approximately 459,800 m<sup>2</sup> are under development.

- (5) The pre-sales of residential projects in Jiangsu, Zhejiang and Liaoning Provinces as well as in Shanghai acquired in previous years has been successful. We expect these projects will contribute a good return to the Group in the coming years.
- (6) For the six months ended 30th June, 2022, Asiasec Properties Limited reported a loss of approximately HK\$4.4 million (2021: HK\$48.8 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, 2022, the total bank balances and cash reserves of the Group were approximately HK\$3,183.0 million (31st December, 2021: HK\$4,345.5 million), providing sufficient working capital for the daily operations of the Group.

As at 30th June, 2022, the total borrowings of the Group amounted to approximately HK\$7,361.0 million (31st December, 2021: HK\$8,373.5 million), including current liabilities of HK\$3,183.2 million (31st December, 2021: HK\$3,932.4 million) and non-current liabilities of HK\$4,177.8 million (31st December, 2021: HK\$4,441.1 million). The gearing ratio (net debt over total equity) of the Group was 15% (31st December, 2021: 14%). The borrowings were mainly used to finance the properties for development and properties under construction. Increase in finance costs is mainly due to the decrease in capitalisation of finance costs in properties under construction compared to the same period of last year.

Approximately 52% of the Group's outstanding borrowings will mature within 2 years. Since most of the investments and operations of the Group are carried out in the PRC, most of the bank borrowings are denominated in Renminbi which will be repaid in the same currency. Around 19% 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, 2022, bank deposits of approximately HK\$0.6 million, aggregate carrying values of property, plant and equipment, development properties and investment properties of approximately HK\$42.8 million, HK\$4,251.6 million and HK\$11,599.8 million respectively, were pledged for banking facilities granted to the Group, mortgage loans granted to property purchasers and guarantees in respect of 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\$84.7 million are under idle land investigation by the local authorities. These pieces of lands owned by the joint ventures were held under several land use right certificates. The development of more than half of the pieces of lands were either completed or under development, except for the portions which are retained for the remaining development of the whole project. After the approval of construction planning for the remaining lands last year, all of the lands will be developed within two years. Property for development that is held by another joint venture of the Group with carrying value of approximately HK\$272.1 million had been identified as idle land by the local authority. The construction works for Phase 1 and Phase 2 Part 1 of the development have been completed. The construction works for Phase 2 Part 2 and Phase 3 Part 1 of the development have started and will be completed within one year. Further, the development progress of property for development that is held by another joint venture of the Group with carrying value of approximately HK\$76.5 million which cannot fully fulfill building covenants under the land grant contracts. The whole pieces of land of the joint venture were held under several land use right certificates. They are under phased construction stage and certain portions of them are under development, except for the portions which are retained for the remaining development of the whole project. 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 (“Directors”), the economic outflows caused by above cases are not probable.

As at 30th June, 2022, guarantees given to banks in respect of mortgage loans granted to property purchasers and loan facilities granted to or utilised by the joint ventures and an investee company classified as a financial asset at fair value through profit or loss as well as guarantees granted in respect of government authorities for the property development works amounted to approximately HK\$2,868.7 million. All the guarantees provided by the Group were requested by banks or government authorities and under normal commercial terms. A legal action was taken against a joint venture of the Group resulting in possible contingent liabilities of approximately HK\$252.9 million. Based on legal advices, the Group has assessed the claim and in the opinion of the Directors, the Group has rigid grounds against the claim and the claim will not have material effect on the condensed consolidated financial statements.



## **Employees**

As at 30th June, 2022, the Group including its subsidiaries but excluding associates and joint ventures, employed 1,194 (31st December, 2021: 1,329) 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 Response**

The Group continued to take preventive measures 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. For example:

- 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 and remote 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
- increased inventory of face mask, hand sanitiser and hygiene supplies and increased focus on cleaning and sanitation.

The Group also joined HKSAR Government's "Early Vaccination for All" campaign by offering vaccination leave to employees who take vaccination.

## **Business Outlook**

Economic growth in Mainland China and Hong Kong has been affected by the difficult measures taken to contain the fast spreading Omicron variant. Furthermore, the increase in interest rates to combat inflation in the United States and Europe, geopolitical tensions and the war in Ukraine have eroded market sentiment.

The funding problems of many China property developers continue to worsen. In the first half of 2022, China's Central Bank cut one-year loan prime rate ("LPR") by 10 basis points from 3.8% to 3.7% and five-year LPR by 20 basis points from 4.65% to 4.45% helping to reduce the financial burdens of the property sector. In addition, local governments have introduced measures to stabilise the property market. This should help improve the currently weak market sentiment. Despite the short term uncertainties, 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, 2022 (2021: Nil).

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

During the six months ended 30th June, 2022, the Company has applied the principles of, and complied with, the applicable code provisions set out in the section headed “Part 2 – Principles of good corporate governance, code provisions and recommended best practices” of the Corporate Governance Code (“CG Code”) under Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

### **(1) Code Provisions E.1.2 and D.3.3**

Code provisions E.1.2 and D.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.

During the six months ended 30th June, 2022, the Board has reviewed and updated the terms of reference of the remuneration committee (“Remuneration Committee”) and the audit committee (“Audit Committee”) according to the revised CG Code effective on 1st January, 2022. The updated terms of reference of the Remuneration Committee adopted by the Company are in compliance with the code provision E.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 updated terms of reference of the Audit Committee adopted by the Company are in compliance with the code provision D.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, 2021 and remain unchanged. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the relevant updated terms of reference, and will continue to review the terms at least annually and make appropriate changes if considered necessary.

## (2) Code Provision B.2.4(a)

Code provision B.2.4(a) of the CG Code stipulates that where all the independent non-executive directors have served more than nine years on the board, the length of tenure of each existing independent non-executive director should be disclosed on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting.

The Independent Non-Executive Directors of the Company (“INEDs”) have all been serving as INEDs for more than nine years. The Company has disclosed the year of appointment of Messrs. Francis J. Chang Chu Fai and Jin Hui Zhi in the circular of the Company dated 22nd April, 2022, but the length of the tenure of all the long serving INEDs on a named basis was omitted due to the misinterpretation that code provision B.2.4(a) would only start to be applicable to the circulars of the Company in relation to annual general meetings held for receiving and adopting the financial statements for the financial years commencing on or after 1st January, 2022. Accordingly, the Company issued a supplemental announcement to disclose the length of tenure of all the INEDs on 27th April, 2022.

## 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, 2022. 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, 2022.

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

Hong Kong, 19th August, 2022

*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. Jiang Guofang, Mr. Jin Hui Zhi, Mr. Ngai Wah Sang and Ms. Lisa Yang Lai Sum being the Independent Non-Executive Directors.*