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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)

SUPPLEMENTAL ANNOUNCEMENT

ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER, 2023

Reference is made to the annual report (the “**Annual Report**”) of Tian An China Investments Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31st December, 2023 (“**FY2023**”) posted on the websites of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Company on 25th April, 2024.

In addition to the information provided in notes 28 and 46(b) to the consolidated financial statements of the Company for FY2023 of the Annual Report, the Company would like to provide supplemental information about the loan receivable of approximately HK\$1,011.1 million as at 31st December, 2023 and the net impairment losses on loans receivable and interest receivables of approximately HK\$270.4 million (the “**Impairment**”) which was recorded for FY2023 as follows.

The Group is principally engaged in, among other things, property development and investment, and with the intention to effectively utilise its available financial resources on hand from time to time, the Group granted loans to borrowers as part of its treasury activities which contributed to the income of the Group. Having considered its available cash resources, working capital needs, potential business and investment opportunities, a comparison between the fixed deposit interest rate at the material time and the expected rate of return of alternative use of such cash resources, the Group would allocate its resources accordingly with the intention to enhance the returns of its shareholders, including providing short term loans.

The loans receivable of which the Impairment was recorded mainly comprised of a loan of HK\$300 million (the “**Loan**”) provided by a subsidiary of the Company (the “**Lender**”) to Hillwealth Holdings Limited (the “**Borrower**”) pursuant to a loan agreement dated 20th January, 2020 and supplemented by a supplemental loan agreement dated 14th April, 2020, which was past due as at 31st December, 2023.

The details of the Loan and its securities obtained as at 31st December, 2023 have been disclosed in the announcements of the Company dated 14th April, 2020, 23rd June, 2023, 5th July, 2023 and 14th August, 2023 respectively. In assessing the reasons for and benefits of providing the Loan, the directors of the Company (the “**Directors**”) have considered (i) the costs of borrowing in providing the Loan; (ii) the interest income to be generated under the Loan; and (iii) the underlying securities of the Loan, and are of the view that the Loan is on normal commercial terms, fair and reasonable, and in the interests of the Company and its shareholders as a whole.

A portion of the Loan in the amount of HK\$150 million matured on 20th July, 2020, and the remaining portion of HK\$150 million matured on 14th October, 2020. Subsequent to the default of the Loan by the Borrower, the directors of the Lender have been closely monitoring the status thereof, and with its continuous efforts, the Borrower had from time to time repaid a portion of the outstanding interest of the Loan in an aggregate amount of approximately HK\$105.3 million, the latest interest repayment of which was received in November 2023. The Lender has also updated with Mr. Wong Sai Chung (“**Mr. Wong**”), the guarantor of the Loan, on his financial condition and plans in repaying the Loan, and negotiated for additional securities and/or assurances. In September 2022, a written undertaking was provided by Mr. Wong as additional assurance that any shareholder’s loan repayment or payment of any monies from a PRC property developer company (the “**PRC Developer**”) formerly listed on the main board of the Stock Exchange to him from any sources shall be paid to the Lender for repayment of the Loan. In FY2023, four new securities were provided by various entities directly or indirectly owned by Mr. Wong, details of which have been disclosed in the announcements of the Company dated 23rd June, 2023, 5th July, 2023 and 14th August, 2023 respectively (collectively, the “**2023 Announcements**”), and after the reporting period, the remaining additional securities have been provided and disclosed in the announcement of the Company on 14th May, 2024. With various types of securities under the Loan, the Group has the flexibility to opt for the enforcement of certain types of securities having regard to the value of the securities and ranking rights and has been actively considering any appropriate action that may be taken, including, without limitation, conduct of valuation of the securities and, subject to valuation, enforcement of the securities and realize the value thereof and/or requesting further additional securities from Mr. Wong or entities associated to him.

An impairment of HK\$285 million was recorded for FY2023 in respect of the Loan (for the year ended 31st December, 2022: HK\$15 million), and a net reversal of impairment of other loans receivable and interest receivables of approximately HK\$14.5 million was also recorded for FY2023.

In the Impairment assessment, as part of the credit quality review to identify any possible changes in the creditworthiness of a borrower, a valuer will be engaged to ascertain the updated recoverable amount of the securities of the loans if required under the expected credit loss (“**ECL**”) model. For FY2023, a valuation was conducted by an independent valuer (the “**Valuer**”) to support the Impairment assessment.

In carrying out the valuation assessment, the Valuer has observed and followed the HKIS Valuation Standards 2020 issued by The Hong Kong Institute of Surveyors, International Valuation Standards issued by International Valuation Standards Council and the definition and standard laid down by Hong Kong Financial Reporting Standards 9 Financial Instruments, and accordingly, adopted the ECL model. The ECL model outlines a “three-stage” model for impairment assessment based on changes in credit quality since initial recognition, and the measurement of ECL is a function of the probability of default (“**PD**”), loss given default (“**LGD**”) and the exposure at default. The assessment of PD and LGD is based on historical data adjusted by forward-looking information, and a credit rating system in line with the standards set out by Moody’s is used to determine the credit ratings, PD and LGD of debtors.

After assessing the valuation result based on the ECL model, a full impairment loss of the Loan was made for FY2023 after the management of the Group considered the reasons as elaborated as follows:

The principal assets of the Borrower are 75% shareholding interest (the “**PRC Developer Shares**”) of the PRC Developer. Subsequent to the delisting of the PRC Developer, the Lender has no access to the latest net asset value of the PRC Developer and cannot ascertain the value of the PRC Developer Shares. Furthermore, with reference to the recent performance in the property market in Mainland China and financial difficulty encountered by listed PRC property developers, there is an increasing uncertainty in the value of the collaterals provided under the Loan, including the PRC Developer Shares.

In addition, given (i) time is needed for the provision of the remaining additional securities as disclosed in the 2023 Announcements; (ii) the prolonged duration of the default of the Loan; and (iii) in the event of a realisation of assets, the possible decrease in the consideration of the sale due to the recent challenging economic environment, there is an increased uncertainty for the Group to assess the timing and ability of the Borrower and Mr. Wong in carrying out the repayment plan by realising their own assets.

The Company confirms that the above information does not affect other information contained in the Annual Report including the opinion given by its auditor, and the content contained therein remains correct and unchanged.

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

Hong Kong, 6th June, 2024

As at the date of this announcement, the board of Directors 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. Jiang Guofang, Mr. Ngai Wah Sang and Ms. Lisa Yang Lai Sum being the Independent Non-Executive Directors.