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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, 2023

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, 2023 with the comparative figures for the corresponding period in 2022 are as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30th June, 2023

	Notes	(Unaudited)	
		Six months ended 30th June,	
		2023	2022
		HK\$'000	HK\$'000
Revenue	(4)	1,129,178	912,475
Cost of sales		<u>(718,898)</u>	<u>(382,734)</u>
Gross profit		410,280	529,741
Other income and gains	(5)	140,485	114,305
Marketing and distribution expenses		(67,826)	(42,041)
Administrative expenses		(158,100)	(130,882)
Other operating expenses		(387)	(372)
Net increase (decrease) in fair value of equity securities at fair value through profit or loss		2,268	(6,878)
Net decrease in fair value of financial assets at fair value through profit or loss		(6,624)	(7,606)
Net impairment losses on loans receivable and interest receivables		(28,111)	(635)
Fair value gain on transfer of inventories of completed properties to investment properties		32,941	23,220
Increase (decrease) in fair value of investment properties		78,711	(68,843)
Impairment loss on property for development		–	(83,360)
Amortisation of properties for development		(9,699)	(10,283)
Finance costs		(78,369)	(124,797)
Share of profit of associates		10,933	11,504
Share of profit of joint ventures		<u>366,944</u>	<u>303,930</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS** *(Continued)*  
*for the six months ended 30th June, 2023*

		<b>(Unaudited)</b>	
		<b>Six months ended 30th June,</b>	
		<b>2023</b>	<b>2022</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax		<b>693,446</b>	507,003
Taxation	(6)	<u><b>(112,215)</b></u>	<u>(116,902)</u>
Profit for the period	(7)	<u><b>581,231</b></u>	<u>390,101</u>
Profit (loss) for the period attributable to:			
Owners of the Company		<b>577,222</b>	420,245
Non-controlling interests		<u><b>4,009</b></u>	<u>(30,144)</u>
		<u><b>581,231</b></u>	<u>390,101</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	(8)		
Basic		<u><b>39.37</b></u>	<u>28.66</u>

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

*for the six months ended 30th June, 2023*

	(Unaudited)	
	Six months ended 30th June,	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>581,231</u>	<u>390,101</u>
Other comprehensive (expense) income		
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation to presentation currency	(518,317)	(590,379)
Share of other comprehensive expense of associates and joint ventures	(264,478)	(253,111)
Net change in fair value of investments in equity instruments at fair value through other comprehensive income	(26,924)	10,600
Deferred tax effect on change in fair value of investment in an equity instrument at fair value through other comprehensive income	83	28
Surplus on revaluation of owner-occupied property upon transfer to investment properties	8,906	–
Deferred tax effect on revaluation of owner-occupied property upon transfer to investment properties	<u>(6,101)</u>	<u>–</u>
	<u>(806,831)</u>	<u>(832,862)</u>
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	8,235	(38,053)
Others	<u>85</u>	<u>169</u>
	<u>8,320</u>	<u>(37,884)</u>
Other comprehensive expense for the period, net of tax	<u>(798,511)</u>	<u>(870,746)</u>
Total comprehensive expense for the period	<u>(217,280)</u>	<u>(480,645)</u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	(225,757)	(441,701)
Non-controlling interests	<u>8,477</u>	<u>(38,944)</u>
	<u>(217,280)</u>	<u>(480,645)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30th June, 2023

	(Unaudited) 30th June, 2023	(Audited) 31st December, 2022
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current Assets</b>		
Property, plant and equipment	268,271	293,328
Right-of-use assets	35,587	36,341
Investment properties	15,479,150	16,003,927
Properties for development	1,798,953	1,751,721
Other assets – properties interests	111,988	14,884
Interests in associates	2,205,211	2,199,420
Interests in joint ventures	10,046,556	9,958,999
Loans receivable	78,209	229,541
Financial assets at fair value through profit or loss	600,588	606,691
Equity instruments at fair value through other comprehensive income	360,903	153,612
Club memberships	4,261	4,261
Deferred tax assets	161,211	157,331
	<b>31,150,888</b>	31,410,056
<b>Current Assets</b>		
Inventories of properties		
– under development	4,578,357	4,199,691
– completed	1,503,960	2,049,214
Other inventories	8,106	3,345
Amounts due from joint ventures	1,132,006	1,232,522
Loans receivable	593,713	515,582
Trade and other receivables, deposits and prepayments	(10) 355,369	479,245
Financial assets at fair value through profit or loss	168,953	185,795
Equity securities at fair value through profit or loss	41,880	40,863
Prepaid tax	322,886	4,561
Pledged bank deposits	–	532
Restricted bank deposits	2,573,538	3,968,336
Cash and cash equivalents	6,779,342	5,158,505
	<b>18,058,110</b>	17,838,191
Assets classified as held for sale	245,838	–
	<b>18,303,948</b>	17,838,191

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (*Continued*)  
at 30th June, 2023

		(Unaudited) 30th June, 2023 <i>HK\$'000</i>	(Audited) 31st December, 2022 <i>HK\$'000</i>
	<i>Note</i>		
<b>Current Liabilities</b>			
Trade and other payables	(11)	1,789,913	2,298,174
Contract liabilities		7,480,495	7,462,632
Tax liabilities		1,984,320	2,103,886
Interest-bearing borrowings		1,633,281	1,480,793
Interest-free borrowings		1,905,014	589,821
		<u>14,793,023</u>	<u>13,935,306</u>
Liabilities associated with assets classified as held for sale		<u>4,582</u>	<u>–</u>
		<u>14,797,605</u>	<u>13,935,306</u>
<b>Net Current Assets</b>		<u>3,506,343</u>	<u>3,902,885</u>
<b>Total Assets less Current Liabilities</b>		<u>34,657,231</u>	<u>35,312,941</u>
<b>Capital and Reserves</b>			
Share capital		3,788,814	3,788,814
Reserves		22,501,331	23,093,605
Equity attributable to owners of the Company		26,290,145	26,882,419
Non-controlling interests		630,286	621,809
<b>Total Equity</b>		<u>26,920,431</u>	<u>27,504,228</u>
<b>Non-current Liabilities</b>			
Interest-bearing borrowings		4,519,082	4,532,924
Rental deposits from tenants		17,493	18,913
Deferred tax liabilities		3,200,225	3,256,876
		<u>7,736,800</u>	<u>7,808,713</u>
		<u>34,657,231</u>	<u>35,312,941</u>

*Notes to the condensed consolidated financial statements:*

**(1) Review by auditor**

The interim financial report of the Group for the six months ended 30th June, 2023 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, 2022 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, 2022 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 2022. 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, 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31st December, 2022.

**Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)**

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on 1st January, 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the new and 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 on application of Amendments to HKAS 8 Definition of Accounting Estimates**

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

### **Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform-Pillar Two model Rules**

In July 2023, the HKICPA issued the amendments to HKAS 12 to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (“Pillar Two legislation”). The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1st January, 2023.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

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

The Group’s revenue for the period 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 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, 2023 (unaudited)</b>				
<b>SEGMENT REVENUE</b>				
External sales	<u>750,261</u>	<u>296,838</u>	<u>82,079</u>	<u>1,129,178</u>
<b>RESULTS</b>				
Segment profit (loss)	48,822	280,885	(4,816)	324,891
Other income and gains				140,485
Unallocated corporate expenses				(71,438)
Finance costs				(78,369)
Share of profit of associates				10,933
Share of profit of joint ventures				<u>366,944</u>
Profit before tax				<u>693,446</u>
<b>As at 30th June, 2023</b>				
<b>(unaudited)</b>				
<b>ASSETS</b>				
Segment assets	17,108,974	15,956,533	78,639	33,144,146
Interests in associates	197,373	2,007,838	–	2,205,211
Interests in joint ventures	2,529,687	7,135,427	381,442	10,046,556
Amounts due from joint ventures	1,059,869	–	72,137	1,132,006
Unallocated corporate assets				<u>2,926,917</u>
Consolidated total assets				<u>49,454,836</u>
<b>LIABILITIES</b>				
Segment liabilities	10,474,238	2,828,820	206,808	13,509,866
Unallocated corporate liabilities				<u>9,024,539</u>
Consolidated total liabilities				<u>22,534,405</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</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 31st December, 2022 (audited)</b>				
<b>ASSETS</b>				
Segment assets	16,748,646	16,274,705	64,771	33,088,122
Interests in associates	204,435	1,994,985	–	2,199,420
Interests in joint ventures	2,864,581	6,742,491	351,927	9,958,999
Amounts due from joint ventures	1,160,489	84	71,949	1,232,522
Unallocated corporate assets				<u>2,769,184</u>
Consolidated total assets				<u>49,248,247</u>
<b>LIABILITIES</b>				
Segment liabilities	9,408,368	3,085,988	167,159	12,661,515
Unallocated corporate liabilities				<u>9,082,504</u>
Consolidated total liabilities				<u>21,744,019</u>

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 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,	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend income		
– unlisted shares	1,640	2,145
– listed shares	–	93
Interest income on bank deposits	47,723	14,529
Interest income from loans receivable	16,202	27,047
Interest income from joint ventures	17,699	42,797
Net exchange gain	11,073	8,791
Compensation income for late payment of profit forgo by a joint venture partner	20,920	–
Other income	25,228	18,903
	<u>140,485</u>	<u>114,305</u>

(6) Taxation

	(Unaudited)	
	Six months ended 30th June,	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Current tax		
– Hong Kong Profits Tax	1,185	219
– Overseas Tax	84	49
– PRC Enterprise Income Tax	61,001	81,576
– Land Appreciation Tax	45,989	111,273
	<u>108,259</u>	<u>193,117</u>
(Over) under-provision in prior years		
– Hong Kong Profits Tax	–	3,289
– Overseas Tax	(195)	–
– PRC Enterprise Income Tax	(27,746)	2,388
	<u>(27,941)</u>	<u>5,677</u>
	<u>80,318</u>	198,794
Deferred tax	31,897	(81,892)
	<u>112,215</u>	<u>116,902</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. 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,	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	9,997	9,223
Less: amount capitalised in properties under development	<u>(624)</u>	<u>(797)</u>
	9,373	8,426
Depreciation/amortisation of:		
Other assets – properties interests	247	262
Properties for development	9,699	10,283
Right-of-use assets	<u>475</u>	<u>515</u>
Total depreciation and amortisation	<u>19,794</u>	<u>19,486</u>
Cost of inventories recognised as expenses	<u>554,914</u>	<u>230,175</u>

(8) **Earnings per share**

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

	(Unaudited)	
	Six months ended 30th June,	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<u>577,222</u>	<u>420,245</u>

	(Unaudited)	
	Six months ended 30th June,	
	2023	2022
	<i>'000</i>	<i>'000</i>
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic earnings per share	<u>1,466,069</u>	<u>1,466,069</u>

No diluted earnings per share for both 2023 and 2022 were presented as there were no potential ordinary shares in issue for both 2023 and 2022.

**(9) Dividend**

**(Unaudited)**  
**Six months ended 30th June,**  
**2023**                      **2022**  
**HK\$'000**                      **HK\$'000**

Dividend recognised as distribution during the period:

Interim dividend (in lieu of final dividend) of HK25 cents

(2022: HK20 cents) per share paid in respect of 2022

(2022: in respect of 2021)

**366,517**                      **293,214**

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2023 (six months ended 30th June, 2022: 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>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
Less than 91 days	<b>22,575</b>	30,436
91 to 180 days	<b>13,221</b>	4,426
181 to 365 days	<b>45</b>	433
Over 365 days	<b>966</b>	1,007
	<b>36,807</b>	36,302

**(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>	(Audited)
	<b>As at</b>	As at
	<b>30th June,</b>	31st December,
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Less than 91 days	<b>375,516</b>	468,579
91 to 180 days	<b>97,480</b>	207,999
181 to 365 days	<b>28,077</b>	160,417
Over 365 days	<b>392,908</b>	334,153
	<b>893,981</b>	1,171,148

**(12) Events after the reporting period**

On 27th February, 2023, an indirect non wholly-owned subsidiary of the Company (“Purchaser”) entered into a sale and purchase agreement with third parties to acquire a property in Hong Kong through (i) the acquisition of the entire issued share capital of an investment holding company (“Target Company”) and (ii) the assignment of loan indebted by the Target Company to its shareholder, at the consideration of HK\$3. It was further agreed that at completion, the Purchaser shall enter into a loan agreement to provide to the Target Company a loan in the amount of HK\$1,000,000,000. The total payment for the acquisition shall be HK\$1,000,000,003. The transaction was completed on 5th July, 2023.

On the even date, an indirect non wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an indirect wholly-owned subsidiary of Allied Group Limited, the ultimate holding company of the Company, to dispose of certain Hong Kong non-core properties of the Group through the disposal of the entire issued share capital of two investment holding companies and the assignment of the respective shareholder’s loans at the aggregate consideration of HK\$250,000,000. The transaction was completed on 3rd July, 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

The revenue of the Group for the six months ended 30th June, 2023 was HK\$1,129.2 million (2022: HK\$912.5 million), an increase of 24% compared to the same period of last year. The profit attributable to owners of the Company amounted to HK\$577.2 million (2022: HK\$420.2 million), representing an increase of 37% over the corresponding period of last year.

The profit attributable to owners of the Company for the six months ended 30th June, 2023 is higher than the same period of last year. Some material items are as follows:

- an increase in fair value of the Group's investment properties of HK\$78.7 million as compared with a decrease in fair value of HK\$68.8 million for the six months ended 30th June, 2022
- an increase in the share of profit of joint ventures of HK\$63.0 million

Earnings per share amounted to HK39.37 cents (2022: HK28.66 cents), while the net asset value per share attributable to owners of the Company was HK\$17.93 at the end of June 2023 (31st December, 2022: HK\$18.34).

### 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. In addition, the Group is exploring the opportunity in trading business of building materials.

An outline of our achievements in the first half of 2023 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 179,800 m<sup>2</sup> in the first half of 2023 (2022: 155,000 m<sup>2</sup>), an increase of 16%. A total attributable gross floor area ("GFA") of approximately 168,300 m<sup>2</sup> (2022: 140,700 m<sup>2</sup>) was completed, an increase of 20%. For the first half of 2023, a total attributable GFA of approximately 1,338,300 m<sup>2</sup> (2022: 2,018,900 m<sup>2</sup>) was under construction at the period end, representing a 34% decrease over the corresponding date of last year.

- (2) Rental income increased by 22% as compared with same period of 2022.
- (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 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. Guangming Tian An Cloud Park in Guangming District of Shenzhen with a GFA of approximately 382,800 m<sup>2</sup> and part of Deqing Tian An Cloud Park in Deqing, Zhejiang with a GFA of approximately 307,900 m<sup>2</sup> were also completed in 2022. The remaining part of Deqing Tian An Cloud Park with a GFA of approximately 151,900 m<sup>2</sup> is under development and is expected to be completed in the second half of 2023.
- (5) The pre-sales and sales of residential projects in Jiangsu, Zhejiang and Liaoning Provinces as well as in Shanghai which were acquired in previous years have been successful. Three residential projects in Jiangsu and Zhejiang have been completed and were handed over to customers contributing to a significant profit recognition in 2022 and the first half of 2023. We expect these newly acquired projects to provide a good return to the Group in the coming years.
- (6) The pre-sales of first phase of The One Tian An Place, a residential project in Shanghai, has been a success and will provide steady contributions in the course of its phased development.
- (7) For the six months ended 30th June, 2023, Asiasec Properties Limited reported a profit of approximately HK\$14.5 million (2022: loss of HK\$4.4 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, 2023, the total bank balances and cash reserves of the Group were approximately HK\$9,352.9 million (31st December, 2022: HK\$9,127.4 million), providing sufficient working capital for the daily operations of the Group.

As at 30th June, 2023, the total borrowings of the Group amounted to approximately HK\$8,057.4 million (31st December, 2022: HK\$6,603.5 million), including current liabilities of HK\$3,538.3 million (31st December, 2022: HK\$2,070.6 million) and non-current liabilities of HK\$4,519.1 million (31st December, 2022: HK\$4,532.9 million). The gearing ratio (net debt over total equity) of the Group was negative of 5% (31st December, 2022: negative of 9%). The borrowings were mainly used to finance the properties for development and properties under construction. Decrease in finance costs is mainly due to the decrease in interest rate of interest bearing borrowings compared to the same period of last year.

Approximately 47% 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 6% 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 cash flow 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 30th June, 2023, aggregate carrying values of property, plant and equipment, development properties and investment properties of approximately HK\$30.3 million, HK\$4,304.2 million and HK\$9,447.2 million respectively, were pledged for banking facilities granted to the Group.

### *Contingent Liabilities*

Property for development that is held by a joint venture of the Group with total carrying value of approximately HK\$848.6 million is under idle land investigation by the local authority. The development progress 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. Property for development that is held by another joint venture of the Group with carrying value of approximately HK\$233.2 million had been identified as idle land by the local authority. The development of more than half of the piece of land was either completed or under development, except for the portions which are retained for the remaining development of the whole project. In particulars, the construction works for Phase 1, Phase 2 Part 1 and Part 2 of the development have been completed. The construction work for Phase 3 Part 1 has completed in current period. The Group is currently working diligently with joint venture partners 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 in the opinion of the directors of the Company (“Directors”), the economic outflows caused by the above cases are not probable.

As at 30th June, 2023, guarantees given to banks in respect of mortgage loans granted to property purchasers, loan facilities granted to or utilised by the joint ventures and investee companies classified as financial assets at fair value through profit or loss amounted to approximately HK\$3,457.2 million. All the guarantees provided by the Group were requested by banks under normal commercial terms. A legal action was taken against a joint venture of the Group resulting in possible contingent liabilities of approximately HK\$233.6 million. The claim is being contested and the Directors, with reference to legal advice obtained, considered that in the event that the appeal court rules against the joint venture, it will not have a material effect on the condensed consolidated financial statements of the Group. A legal action was taken against another joint venture of the Group resulting in possible contingent liabilities of approximately HK\$236.0 million. The Directors has assessed the claim and considers that it is too early to assess the possible liability at this stage.

### **Employees**

As at 30th June, 2023, the Group including its subsidiaries but excluding associates and joint ventures, employed 1,189 (31st December, 2022: 1,182) persons. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

## **Material Acquisitions and Disposals**

During the six months ended 30th June, 2023, the Group entered into two sale and purchase agreements to acquire a property in Hong Kong and to dispose certain non-core properties in Hong Kong. Further details are set out in note 12 to the condensed consolidated financial statements.

During the six months ended 30th June, 2023, the Group acquired additional shares of an equity instrument at fair value through other comprehensive income with total consideration of approximately HK\$234.75 million. The Group acquired 115,000 shares of an investee company (“CMH shares”), China Medical & HealthCare Group Limited (“CMH”), a company listed in Hong Kong, through on-market transactions conducted on The Stock Exchange of Hong Kong Limited and acquired 265,725,519 CMH shares issued under the issue by way of rights (“CMH Rights Issue”) through the allotment to the Group following completion of the CMH Rights Issue. Immediately following completion of the CMH Rights Issue, the Group was interested in approximately 33.03% of the issued share capital of CMH. Accordingly, the Group is required to make a mandatory conditional cash offer to the independent shareholders of CMH for 672,708,957 CMH shares at the price of HK\$0.89 per share (“CMH Offer”). In the event that the CMH Offer is accepted in full by the independent shareholders of CMH, the aggregate amount payable by the Group under the CMH Offer will be approximately HK\$598.7 million. As at 30th June, 2023, the CMH Offer has not yet commenced.

## **Events after the reporting period**

Details regarding the events after the reporting period are set out in note 12 to the condensed consolidated financial statements.

## **Business Outlook**

With all measures to contain the COVID-19 pandemic lifted, Mainland China and Hong Kong were expecting improved economic growth this year. However, the financial problems of many sizeable China property developers, high interest rate, geopolitical tensions and the war in Ukraine have led to uncertainty and poor market sentiment. In addition, the United States and the European Union have launched a policy towards China of de-risking which will have a negative impact on the economy of China.

We are comforted by China’s Central Bank cut in one-year loan prime rate (“LPR”) by 20 basis points from 3.65% to 3.45% and five-year LPR by 10 basis points from 4.30% to 4.20% helping to reduce the financial burdens of the property sector. In addition, the China’s central bank had cut the reserve requirement ratio by 0.25% in March 2023. It will increase the liquidity of the market and stimulate the economy of Mainland China. Moreover, local governments have introduced measures to stabilise the property market. Despite 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, 2023 (2022: Nil).

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

During the six months ended 30th June, 2023, 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:

### **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.

The terms of reference of the remuneration committee (“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 terms of reference of the audit committee (“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, 2022 and remain unchanged. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the relevant terms of reference, and will continue to 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, 2023. 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, 2023.

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

Hong Kong, 23rd August, 2023

*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.*