THIS SUPPLEMENTAL CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this supplemental circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tian An China Investments Company Limited (the "Company"), you should at once hand this supplemental circular to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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 CIRCULAR

MANDATE FOR POSSIBLE MAJOR TRANSACTION IN RESPECT OF THE POSSIBLE INVESTMENT IN THE TARGET COMPANY

A letter from the board of directors of the Company is set out on pages 2 to 4 of this supplemental circular.

31st January, 2019

CONTENTS

Capitalised terms used in this Supplemental Circular shall have the meanings as those defined in the Circular unless the context requires otherwise. Moreover, in this Supplemental Circular, the expressions below have the following meanings unless the context requires otherwise:

"Circular"	the circular dated 28th August, 2018 issued by the Company to the Shareholders in respect of, among other things, the Possible Investment in the Target Company
"Enlarged Group"	the Group as enlarged by the Target Company after Completion
"Latest Practicable Date"	28th January, 2019, being the latest practicable date prior to the printing of this Supplemental Circular for ascertaining certain information contained herein
"PRC Subsidiary"	上海天榮置業有限公司 (Shanghai Tianrong Real Estate Company Limited*), an indirect wholly-owned subsidiary of the Company established in the PRC
"Supplemental Circular"	this supplemental circular issued by the Company for the purpose of providing the Shareholders with further information concerning the Target Company and the Enlarged Group

For the purpose of this Supplemental Circular, translations of Renminbi into Hong Kong dollars or vice versa have been calculated by using an exchange rate of RMB0.87 equal to HK$1.00. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

* *for identification purpose only*

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)

Executive Directors:
Song Zengbin *(Deputy Chairman)*
Patrick Lee Seng Wei *(Managing Director)*
Ma Sun *(Deputy Managing Director)*
Edwin Lo King Yau
Tao Tsan Sang

Non-Executive Directors:
Lee Seng Hui *(Chairman)*
Moses Cheng Mo Chi

Independent Non-Executive Directors:
Francis J. Chang Chu Fai
Jin Hui Zhi
Ngai Wah Sang
Lisa Yang Lai Sum

Registered Office:
22nd Floor
Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

31st January, 2019

To the Shareholders

Dear Sir or Madam,

**MANDATE FOR POSSIBLE MAJOR TRANSACTION
IN RESPECT OF THE POSSIBLE INVESTMENT
IN THE TARGET COMPANY**

INTRODUCTION

References are made to the announcements of the Company dated 1st August, 2018, 14th September, 2018 and 25th October, 2018, and the Circular issued by the Company on 28th August, 2018 in respect of, among other things, the Possible Investment in the Target Company. The Possible Investment was approved by the Shareholders at the EGM on 14th September, 2018.

On 25th October, 2018, the Company announced that the PRC Subsidiary (an indirect wholly-owned subsidiary of the Company established in the PRC) won the Tender for the Possible Investment in the Target Company at the capital contribution of RMB1,301,260,000 (equivalent to approximately HK$1,495,701,000) as announced by Xiamen Assets and Equity Exchange on 27th September, 2018. Accordingly, the PRC Subsidiary and the Existing Equity Holder entered into the Capital Increase Agreement on 29th September, 2018, pursuant to which the PRC Subsidiary and the Existing Equity Holder agreed to increase the registered capital and capital reserves of the Target Company by way of capital contribution made by the PRC Subsidiary in the amount of RMB1,301,260,000 (equivalent to approximately HK$1,495,701,000). The registration of the increase in registered capital and capital reserves of the Target Company with the relevant industry and commerce department in the PRC was completed on 19th October, 2018. On 22nd October, 2018, the PRC Subsidiary and the Existing Equity Holder entered into a cooperation agreement to govern the rights and obligations of the parties and as to the management and affairs of the Target Company.

The purpose of this Supplemental Circular is to provide you with further information concerning the Target Company and the Enlarged Group.

SUPPLEMENTAL CIRCULAR

As stated in the Circular, being only one of the potential bidders in the Tender who does not yet have any interest in the Target Company, the Bidder does not have sufficient access to the Target Company's financial systems to enable the Company's auditor to conduct an audit on the Target Company's financial statements in accordance with the HKFRS for the purpose of preparing the accountants' report of the Target Company nor does it have access to certain substantive confidential non-public information relating to the Target Company which is required by the Listing Rules to be provided in the Circular. Accordingly, the Company has applied for, and the Stock Exchange has granted, the waiver from strict compliance with Rule 14.67(6)(a)(i) and Rule 14.67(6)(a)(ii) of the Listing Rules to the Company.

To fulfil its disclosure obligations under the Listing Rules, the Company sets out the following information in this Supplemental Circular to supplement the information already disclosed in the Circular:

(i) the accountants' report of the Target Company for the three financial years ended 31st December, 2017 and a stub period ended 6 months or less before the date of this Supplemental Circular to be prepared under the HKFRS; and

(ii) a pro forma statement of the assets and liabilities of the Group combined with the assets and liabilities of the Target Company on the same accounting basis.

Apart from the information disclosed in this Supplemental Circular and the announcement of the Company dated 25th October, 2018 regarding, among other things, the bidding result of the Tender, there has been no material change to the information previously disclosed in the Circular. Shareholders and potential investors should note that the despatch of this Supplemental Circular will not affect the implementation of the Possible Investment and the results.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this Supplemental Circular.

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

The following is the text of a report, prepared for the purpose of incorporation in this Supplemental Circular, received from the reporting accountants of the Company, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong.

Grant Thornton
致同

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SUZHOU XIANGYU REAL ESTATE COMPANY LIMITED TO THE DIRECTORS OF TIAN AN CHINA INVESTMENTS COMPANY LIMITED

Introduction

We report on the historical financial information of Suzhou Xiangyu Real Estate Company Limited* (蘇州象嶼地產有限公司) (the "Target Company") set out on pages I-4 to I-34, which comprises the statements of financial position of the Target Company as at 31st December, 2015, 2016 and 2017 and 30th September, 2018 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows, for each of the years ended 31st December, 2015, 2016 and 2017 and the nine months ended 30th September, 2018 (the "Relevant Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-34 forms an integral part of this report, which has been prepared for inclusion in the supplemental circular of Tian An China Investments Company Limited (the "Company") dated 31st January, 2019 (the "Supplemental Circular") in connection with the investment in the Target Company by way of capital contribution through a public tender for 50% equity interests in the Target Company (the "Possible Investment").

Director's responsibility for Historical Financial Information

The director of the Target Company is responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information and for such internal control as the director determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 31st December, 2015, 2016 and 2017 and 30th September, 2018 and of its financial performance and its cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended 30th September, 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The director of the Target Company is responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review 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 HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 10 to the Historical Financial Information which contains information about the dividends declared by the Target Company in respect of the Relevant Period.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

31st January, 2019

Lam Yau Hing
Practising Certificate Number: P06622

* For identification purposes only

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Period, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited under separate terms of engagement with the Target Company in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB"), and all values are rounded to the nearest thousand ("RMB'000"), except where otherwise indicated.

Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31st December, 2015	2016	2017	Nine months ended 30th September, 2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	*5*	–	–	964,925	–	114,170
Cost of sales		–	–	(533,450)	–	(43,331)
Gross profit		–	–	431,475	–	70,839
Other income and gain	*6*	68	768	228	188	433
Marketing and distribution expenses		(322)	(1,268)	(15,568)	(1,454)	(3,766)
Administrative expenses		(818)	(1,059)	(1,353)	(815)	(1,310)
Finance costs	*7*	–	–	–	–	–
(Loss)/Profit before tax	*8*	(1,072)	(1,559)	414,782	(2,081)	66,196
Taxation	*9*	254	375	(262,271)	497	(35,333)
(Loss)/Profit and total comprehensive (expenses)/income for the year/period		(818)	(1,184)	152,511	(1,584)	30,863
Earnings per share attributable to owner of the Target Company						
Basic and diluted	*11*	N/A	N/A	N/A	N/A	N/A

Statements of Financial Position

	Notes	As at 31st December, 2015 RMB'000	2016 RMB'000	2017 RMB'000	As at 30th September, 2018 RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	13	12	59	106	137
Deferred tax assets	14	390	765	–	–
		402	824	106	137
Current assets					
Inventories of properties	15				
– under development		1,028,994	1,280,771	786,854	987,410
– completed		–	–	371,899	329,139
Other receivables, deposits and prepayments	16	574	23,120	21,019	29,308
Tax recoverable		11	17,976	–	–
Amount due from immediate holding company	17	–	374,537	333,500	55,897
Amount due from an intermediate holding company	17	–	–	2,537	–
Amounts due from fellow subsidiaries	17	–	–	–	30,024
Bank balances and cash	18	32,479	38,583	45,023	73,665
		1,062,058	1,734,987	1,560,832	1,505,443
Current liabilities					
Trade and other payables	19	39,970	87,831	163,308	72,706
Tax liabilities		–	–	238,967	167,110
Amount due to ultimate holding company	17	483	99	–	–
Amount due to immediate holding company	17	106,144	–	–	–
Amounts due to fellow subsidiaries	17	–	–	114	99
Contract liabilities	20	4,596	914,298	176,455	412,806
Borrowings	21	364,000	–	–	–
		515,193	1,002,228	578,844	652,721
Net current assets		546,865	732,759	981,988	852,722
Total assets less current liabilities		547,267	733,583	982,094	852,859
Non-current liabilities					
Borrowings	21	148,500	336,000	432,000	431,000
Net assets		398,767	397,583	550,094	421,859
EQUITY					
Share capital	22	400,000	400,000	400,000	400,000
Reserves	22	(1,233)	(2,417)	150,094	21,859
Total Equity		398,767	397,583	550,094	421,859

Statements of Changes in Equity

	Share capital *RMB'000* *(note 22.1)*	**Statutory reserve** *RMB'000* *(note 22.2)*	**(Accumulated losses)/ Retained earnings** *RMB'000*	**Total** *RMB'000*
Balance as at 1st January, 2015	20,000	–	(415)	19,585
Loss and total comprehensive expenses for the year	–	–	(818)	(818)
Transaction with owner:				
Increase in paid up capital *(Note 22.1)*	380,000	–	–	380,000
Balance as at 31st December, 2015 and 1st January, 2016	400,000	–	(1,233)	398,767
Loss and total comprehensive expenses for the year	–	–	(1,184)	(1,184)
Balance as at 31st December, 2016 and 1st January, 2017	400,000	–	(2,417)	397,583
Profit and total comprehensive income for the year	–	–	152,511	152,511
Transfer to statutory reserve	–	17,677	(17,677)	–
Balance as at 31st December, 2017 and 1st January, 2018	400,000	17,677	132,417	550,094
Profit and total comprehensive income for the period	–	–	30,863	30,863
Transaction with owner:				
Dividends paid *(Note 10)*	–	–	(159,098)	(159,098)
Balance as at 30th September, 2018	400,000	17,677	4,182	421,859
Balance as at 1st January, 2017	400,000	–	(2,417)	397,583
Loss and total comprehensive expenses for the period	–	–	(1,584)	(1,584)
Balance as at 30th September, 2017 (unaudited)	400,000	–	(4,001)	395,999

Statements of Cash Flows

	Year ended 31st December,			Nine months ended 30th September,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cash flows from operating activities					
(Loss)/Profit before tax	(1,072)	(1,559)	414,782	(2,081)	66,196
Adjustments for:					
Depreciation	2	7	31	21	38
Interest income	(68)	(268)	(138)	(98)	(133)
Operating (loss)/profit before working capital changes	(1,138)	(1,820)	414,675	(2,158)	66,101
(Increase)/Decrease in inventories of properties	(139,889)	(251,649)	122,589	(149,316)	(157,189)
(Increase)/Decrease in other receivables, deposits and prepayments	(374)	(22,546)	2,101	(67,355)	(8,289)
Increase/(Decrease) in trade and other payables	38,995	47,349	74,807	(66,848)	(91,209)
Increase/(Decrease) in contract liabilities	4,596	909,702	(737,843)	192,597	236,351
Cash (used in)/generated from operations	(97,810)	681,036	(123,671)	(93,080)	45,765
Tax paid	(11)	(17,965)	(4,563)	(3,412)	(107,190)
Net cash (used in)/generated from operating activities	(97,821)	663,071	(128,234)	(96,492)	(61,425)
Cash flows from investing activities					
(Repayment to)/advance from immediate holding company	(464,731)	(480,681)	41,037	(152,500)	277,603
(Repayment to)/advance from an intermediate holding company	–	–	(2,537)	–	2,537
Advance from/(repayment to) fellow subsidiaries	–	–	114	42	(30,039)
Payment for purchase of property, plant and equipment	(14)	(54)	(78)	(59)	(69)
Interest received	68	268	138	98	133
Net cash (used in)/generated from investing activities	(464,677)	(480,467)	38,674	(152,419)	250,165

	Year ended 31st December,			Nine months ended 30th September,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cash flows from financing activities					
Proceeds from bank borrowings	148,500	331,500	248,000	248,000	–
Repayment of bank borrowings	–	(144,000)	(152,000)	(1,000)	(1,000)
Loan from ultimate holding company	97,500	1,259,000	–	–	–
Repayment to ultimate holding company	(31,500)	(1,623,000)	–	–	–
Loan from an intermediate holding company	–	–	–	–	116,500
Repayment to an intermediate holding company	–	–	–	–	(116,500)
Proceeds from increase in paid up capital	380,000	–	–	–	–
Dividends paid *(Note 10)*	–	–	–	–	(159,098)
(Increase)/Decrease in restricted cash	(18,128)	(2,983)	(7,549)	1,419	(27,107)
Net cash generated from/(used in) financing activities	576,372	(179,483)	88,451	248,419	(187,205)
Net increase/(decrease) in cash and cash equivalents	13,874	3,121	(1,109)	(492)	1,535
Cash and cash equivalents at the beginning of the year/period	477	14,351	17,472	17,472	16,363
Cash and cash equivalents at the end of the year/period *(Note 18)*	14,351	17,472	16,363	16,980	17,898

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Suzhou Xiangyu Real Estate Company Limited* (蘇州象嶼地產有限公司) (the "Target Company") is a limited liability company incorporated in the People's Republic of China (the "PRC"). The registered address of its office and the principal place of business is 8 Zhaofeng Road, Huaqiao Town, Kunshan City, Suzhou, Jiangsu Province, 215300, the PRC. The principal activity of the Target Company is real estate development and operation and property management in the PRC.

The Target Company is a wholly-owned subsidiary of Shanghai Xiangyu Real Estate Company Limited* (上海象嶼置業有限公司) ("Shanghai Xiangyu"), a company established in the PRC with limited liability and ultimately controlled by Xiamen Xiangyu Group Corporation* (廈門象嶼集團有限公司) ("Xiamen Xiangyu"), a state-owned enterprise also incorporated in the PRC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and presentation

The business of the Target Company formed part of the larger group of the Target Company and its subsidiary (the "Overall Group") during the Relevant Period.

For the purpose of preparation of the Historical Financial Information, only the assets and liabilities, and the results of the Target Company are included, and those of its subsidiary, Kunshan Hetai Real Estate Development Company Limited* (昆山合泰房地產開發有限公司) ("Kunshan Hetai") are excluded (i.e. a carve-out basis) as compared with the assets and liabilities, and results of the Overall Group prepared on a consolidated basis.

Management of the Target Company is of the view that it is more appropriate to present the Historical Financial Information of the Target Company during the Relevant Period on a "carve-out" basis, rather than to present the financial information of the Overall Group on a consolidated basis, due to the following reasons:

– It is practicable to identify the historical financial information attributable to the Target Company's business given that the accounting books and records of the Target Company are maintained separately from the accounting books and records of Kunshan Hetai.

– Kunshan Hetai has been disposed during the nine months ended 30th September, 2018 and it is impracticable to access the financial information after completion of the disposal.

– Kunshan Hetai does not form part of Tian An China Investments Company Limited's possible investment by way of capital contribution through a public tender for 50% equity interests in the Target Company (the "Possible Investment") and hence its historical financial information is not relevant to the trading record of the Target Company. Management believes that presenting the consolidated financial information of the Overall Group on a consolidated basis, which would include the results of Kunshan Hetai that is not the subject of the Possible Investment, would provide irrelevant and potentially misleading financial information to the users of the Historical Financial Information.

– The consolidated financial information of the Overall Group had never been prepared by management of the Target Company on a standalone basis.

– Presenting the Historical Financial Information of the Target Company on a "carve-out" basis would provide more direct and relevant information to the users of the Historical Financial Information.

For the purpose of the Possible Investment, the Historical Financial Information of the Target Company has been prepared and presented on "carve-out" basis as if Kunshan Hetai was excluded in preparing the Historical Financial Information throughout the Relevant Period.

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA effective for the accounting period beginning from 1st January, 2018, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). The Target Company has applied HKFRS 9 and HKFRS 15 consistently throughout the Relevant Period.

* For identification purposes only

The significant accounting policies that have been used in the preparation of this Historical Financial Information are summarised below.

The Historical Financial Information has been prepared under the historical cost basis. Historical cost is generally based on the fair value of consideration given in exchange of goods and services.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Target Company. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

2.2 Foreign currencies

The functional currency of the Target Company is RMB. In preparing the Historical Financial Information of the Target Company, transactions in currencies other than the functional currency of the Target Company are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

2.3 Inventories of properties

Completed properties held for sale and properties under development are stated at the lower of cost and net realisable value. Cost comprises the cost of land, development expenditure, other attributable costs and borrowing costs capitalised. Net realisable value is determined by reference to the management estimates based on prevailing market conditions.

2.4 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of profit or loss because income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The liability for current tax is calculated to use tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised to profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

2.5 Impairment losses

At the end of each reporting period, the Target Company reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

2.6 Revenue recognition

The Target Company adopted a 5-step approach when recognising revenue from sales of completed properties:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the Target Company satisfies a performance obligation.

The Target Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

– the customer simultaneously receives and consumes the benefits provided by the Target Company's performance as the Target Company performs;

– the Target Company's performance creates and enhances an asset that the customer controls as the Target Company performs; or

– the Target Company's performance does not create an asset with an alternative use to the Target Company and the Target Company has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Target Company's obligation to transfer goods or services to a customer for which the Target Company has received consideration (or an amount of consideration is due) from the customer.

Revenue from properties developed for sale is recognised at a point in time when the customer obtains the control of the completed properties, which is the time that completed property stated in the sale and purchase agreement being delivered and its title being passed to the customer.

Deposits received from sales of properties prior to meeting the above criteria for revenue recognition are presented as contract liabilities in the statement of financial position under current liabilities.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Existence of significant financing component

In determining the transaction price, the Target Company adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Target Company with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Target Company applies the practical expedient of not adjusting the transaction price for any significant financing component.

2.7 Financial instruments

Financial assets

The Target Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held.

The Target Company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and measurement

At initial recognition, the Target Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the profit or loss.

Subsequent measurement of debt instruments depends on the Target Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Target Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through other comprehensive income – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss and other comprehensive income in the period in which it arises. Interest income from these financial assets is included in other income.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial assets and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, or, where appropriate, a shorter period to the net carrying value on initial recognition.

Interest income is recognised on an effective interest basis for debt instrument.

Financial liabilities

Debt issued by the Target Company are classified as financial liabilities with the substance of the contractual arrangements and the definitions of a financial liability.

Recognition and measurement

Financial liabilities that include borrowings, amounts due to ultimate holding company, immediate holding company and fellow subsidiaries, trade and other payables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying value on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.8 Impairment under expected credit losses model

The Target Company recognises a loss allowance for expected credit losses ("ECL") on financial assets which are subject to impairment (including bank balances and cash, other receivables, amounts due from immediate holding company, an intermediate holding company and fellow subsidiaries). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Target Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The Target Company measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– An actual or expected significant deterioration in the operating results of the debtor; and

– An actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Company presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Company has reasonable and supportable information that demonstrates otherwise.

The Target Company considers that default has occurred when the instrument is more than 90 days past due unless the Target Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the Target Company is estimated as the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and all the cash flows that the Target Company expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Target Company recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivable where the corresponding adjustment is recognised through a loss allowance account.

2.9 Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised to write off the cost of items of property, plant and equipment less their residual value over their estimated useful lives, using the straight-line method at 20-33% per annum.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

2.10 Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualified assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.11 Retirement benefit costs

Payments to defined contribution retirement benefit plans, state-managed retirement benefit schemes is recognised as an expense when employees have rendered service entitling them to the contributions.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and demand deposits with banks which are subject to an insignificant risk of changes in value.

2.13 Provisions and contingent liabilities

Provisions are recognised when the Target Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Target Company, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.14 Segment reporting

The Target Company identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker for their decisions about resources allocation to the Target Company's business components for their review of the performance of those components.

2.15 Related parties

For the purposes of the Historical Financial Information, a party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control over of the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company.

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Target Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company (if the Target Company is itself such a plan) and the sponsoring employers are also related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. NEW AND AMENDED HKFRSs

The Target Company has not early applied the following new and amended Standards, Amendments and Interpretations ("new and amended HKFRSs") which have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1st January, 2019

2 Effective for annual periods beginning on or after 1st January, 2021

3 Effective date not yet determined

The director of the Target Company anticipates that all the relevant new and amended HKFRSs will be adopted in the Target Company's accounting policy for the first period beginning after the effective date of such standards. The Target Company considered that the adoption of these new and amended HKFRSs is unlikely to have material impact on the Target Company's results of operations and financial position however may result additional disclosures.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In application of the Target Company's accounting policies, which are described in Note 2 above, the director of the Target Company is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimated and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year/period.

Valuation of inventories of properties

Inventories of properties (Note 15) of RMB1,028,994,000, RMB1,280,771,000, RMB1,158,753,000 and RMB1,316,549,000 as at 31st December, 2015, 2016 and 2017 and 30th September, 2018 are stated at the lower of cost and net realisable value.

The management determined the net realisable value of inventories of completed properties with reference to the estimated market prices of inventories of completed properties, which takes into account a number of factors including recent prices achieved for similar property types in the same project or by similar properties in the PRC.

The management determined the net realisable value of inventories of properties under development with reference to costs incurred to date; the estimated costs to completion and the estimated market prices of inventories of completed properties, which takes into account a number of factors including recent prices achieved for similar property types in the same project or by similar properties in the PRC.

Based on the management's assessment, no write-down of inventories and reversal of write-down of inventories were recognised in profit or loss during the Relevant Period.

Land appreciation tax ("LAT")

PRC LAT is levied at progressive rates on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Target Company is subject to LAT in the PRC. The details of implementation have been announced by local tax bureaux in the city that the Target Company operates, however, the Target Company has not finalised its LAT calculation and payments with local tax bureaux. Accordingly, significant judgements are required in determining the amount of land appreciation and its related taxes. The Target Company recognises these liabilities based on the management's best estimates according to the understanding of the tax rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determination is made.

5. REVENUE AND SEGMENT INFORMATION

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Target Company that are regularly reviewed by the chief operating decision maker, being the board of directors in order to allocate resources and to assess performance.

The Target Company is principally engaged in the business of real estate development and operation and property management in the PRC and the management has regarded this business as the only dominant reportable operating segment to be reported to the chief operating decision maker. Thus, no analysis of segment revenue, segment results, segment assets and segment liabilities are presented for the Relevant Period.

The Target Company's operation is located in the PRC. During the Relevant Period, all of the Target Company's revenue were derived from its PRC customers. In addition, at the end of each reporting date, all of the Target Company's specified non-current assets were located in the PRC.

Revenue recognised by the Target Company during the Relevant Period represents the fair value of consideration received in respect of sales of properties. During the Relevant Period, no customer individually contributed more than 10% of the Target Company's total revenue.

6. OTHER INCOME AND GAIN

	Year ended 31st December,			Nine months ended 30th September,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Bank interest income	68	268	138	98	133
Forfeiture of deposits received	–	500	90	90	300
	68	768	228	188	433

7. FINANCE COSTS

	Year ended 31st December,			Nine months ended 30th September,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interests charges on:					
Bank loans	288	14,319	24,034	17,163	16,600
Loan from the ultimate holding company *(Note 23)*	20,701	21,609	–	–	–
Loan from an intermediate holding company *(Note 23)*	–	–	–	–	1,135
	20,989	35,928	24,034	17,163	17,735
Less: Amount capitalised in properties under development	(20,989)	(35,928)	(24,034)	(17,163)	(17,735)
	–	–	–	–	–

8. (LOSS)/PROFIT BEFORE TAX

	Year ended 31st December,			Nine months ended 30th September,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss)/Profit before tax is stated after charging/ (crediting):					
(a) Staff costs (including director's emoluments *(Note 12.1)*)					
– Salaries and other costs	260	1,097	4,128	1,892	4,197
– Contributions to defined contribution retirement plans	37	112	320	250	397
	297	1,209	4,448	2,142	4,594
Less: Amount capitalised in properties under development	(293)	(1,196)	(3,804)	(1,999)	(3,937)
	4	13	644	143	657
(b) Other items:					
Depreciation	2	7	31	21	38
Auditors' remuneration	20	24	47	9	75

9. TAXATION

Under the Law of the PRC Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Target Company is subject to the PRC Enterprise Income Tax ("EIT") at the applicable tax rate of 25%.

The provision for LAT is calculated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

	Year ended 31st December,			Nine months ended 30th September,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current PRC EIT	–	–	98,174	–	16,009
Current PRC LAT	–	–	163,332	–	19,324
Deferred tax *(Note 14)*	(254)	(375)	765	(497)	–
	(254)	(375)	262,271	(497)	35,333

The tax charge for the Relevant Period can be reconciled to the (loss)/profit per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31st December,			Nine months ended 30th September,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss)/Profit before tax	(1,072)	(1,559)	414,782	(2,081)	66,196
Tax on (loss)/profit before tax, calculated at the rate of 25%	(268)	(390)	103,696	(520)	16,549
Tax effects of non-deductible expenses	14	15	69	23	31
Effect of LAT	–	–	158,506	–	18,753
	(254)	(375)	262,271	(497)	35,333

10. DIVIDENDS

	Year ended 31st December,			Nine months ended 30th September,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Dividends paid	–	–	–	–	159,098

Dividends amounted to RMB159,098,000 was approved and paid during the nine months ended 30th September, 2018.

11. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful since the Target Company was a limited liability enterprise during the Relevant Period.

12. DIRECTOR'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

12.1 Director's emoluments

	Director's fees *RMB'000*	Salaries, service fees and other benefits *RMB'000*	Performance related incentive payments *RMB'000*	Retirement benefits scheme contribution *RMB'000*	Total *RMB'000*
Year ended 31st December, 2015					
Executive director					
Wang Shutao	–	–	–	–	–
Year ended 31st December, 2016					
Executive director					
Wang Shutao	–	–	–	–	–
Year ended 31st December, 2017					
Executive director					
Wang Shutao	–	–	–	–	–
Nine months ended 30th September, 2017 (unaudited)					
Executive director					
Wang Shutao	–	–	–	–	–
Nine months ended 30th September, 2018					
Executive director					
Wang Shutao	–	–	–	–	–

No emoluments has been received by the director in the capacity as a director/an employee of the Target Company during the Relevant Period.

12.2 Five highest paid individuals

The aggregate of the emoluments in respect of the five highest paid individuals during the Relevant Period were as follows:

	Year ended 31st December,			Nine months ended 30th September,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, fee and allowances	256	987	1,569	1,224	1,620
Contribution to defined contribution retirement plans	27	112	129	100	124
	283	1,099	1,698	1,324	1,744

The emoluments fell within the following bands:

	Year ended 31st December,			Nine months ended 30th September,	
	2015	**2016**	**2017**	**2017**	**2018**
				(Unaudited)	
Emolument bands:					
HK$nil – HK$1,000,000	5	5	5	5	5

During the Relevant Period, no emoluments were paid by the Target Company to the director or the above five highest paid individuals as an inducement to join or upon joining the Target Company or as compensation for loss of office as a director or management of the Target Company. No director or the five highest paid individual has waived or agreed to waive any emoluments during the Relevant Period.

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixture and equipment
	RMB'000
As at 1st January, 2015	
Cost	–
Accumulated depreciation	–
Net book value	–
Year ended 31st December, 2015	
Opening net book value	-
Additions	14
Depreciation	(2)
Closing net book value	12
As at 31st December, 2015 and 1st January, 2016	
Cost	14
Accumulated depreciation	(2)
Net book value	12

	Furniture, fixture and equipment *RMB'000*
Year ended 31st December, 2016	
Opening net book value	12
Additions	54
Depreciation	(7)
Closing net book value	59
As at 31st December, 2016 and 1st January, 2017	
Cost	68
Accumulated depreciation	(9)
Net book value	59
Year ended 31st December, 2017	
Opening net book value	59
Additions	78
Depreciation	(31)
Closing net book value	106
As at 31st December, 2017 and 1st January, 2018	
Cost	146
Accumulated depreciation	(40)
Net book value	106
Nine months ended 30th September, 2018	
Opening net book value	106
Additions	69
Depreciation	(38)
Closing net book value	137
As at 30th September, 2018	
Cost	215
Accumulated depreciation	(78)
Net book value	137

14. DEFERRED TAX ASSETS

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable tax rate of 25%.

The major component of recognised deferred tax assets and its movements during the Relevant Period were as follows:

	Tax losses
	RMB'000
As at 1st January, 2015	136
Credited to the profit or loss *(Note 9)*	254
As at 31st December, 2015 and 1st January, 2016	390
Credited to the profit or loss *(Note 9)*	375
As at 31st December, 2016 and 1st January, 2017	765
Charged to the profit or loss *(Note 9)*	(765)
As at 31st December, 2017 and 30th September, 2018	–

15. INVENTORIES OF PROPERTIES

	As at 31st December,			**As at 30th September,**
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Under development	1,028,994	1,280,771	786,854	987,410
Completed	–	–	371,899	329,139
	1,028,994	1,280,771	1,158,753	1,316,549

The Target Company's inventories of properties are situated in the PRC. All of the inventories of properties are stated at the lower of cost and net realisable value. Properties under development with carrying amount of RMB1,028,994,000, RMB527,276,000, RMB786,854,000 and nil as at 31st December, 2015, 2016 and 2017 and 30th September, 2018 are not expected to be realised within twelve months from the end of the reporting date.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31st December,			**As at 30th September,**
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	43	12	3,070	362
Other taxes recoverable	31	12,428	10,325	16,088
Deposits	500	650	650	200
Prepayments	–	10,030	6,974	12,658
	574	23,120	21,019	29,308

17. AMOUNTS DUE FROM/TO IMMEDIATE HOLDING COMPANY/AN INTERMEDIATE HOLDING COMPANY/ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES

The amounts due are unsecured, interest free and repayable on demand.

18. BANK BALANCES AND CASH

	As at 31st December,			As at 30th September,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank balances and cash as stated in the statements of financial position	32,479	38,583	45,023	73,665
Less: Restricted cash	(18,128)	(21,111)	(28,660)	(55,767)
Cash and cash equivalents	14,351	17,472	16,363	17,898

Cash at banks earns interest at floating rates based on daily bank deposit rates.

The amount of restricted cash represented guarantee deposits for construction of pre-sale properties denominated in RMB placed in designated accounts.

In accordance with relevant government requirements, the Target Company was required to place in designated bank accounts certain amount of pre-sale proceeds as guarantee deposits for the constructions of the related properties. Such guarantee deposits will be released after the completion of construction of the related properties.

19. TRADE AND OTHER PAYABLES

	As at 31st December,			As at 30th September,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	32,016	60,429	134,878	59,803
Retention money payables	1,667	7,040	10,219	657
Accruals and other payables	6,287	6,732	11,541	11,765
Other taxes payables	–	13,630	6,670	481
	39,970	87,831	163,308	72,706

As at 31st December, 2015, 2016 and 2017 and 30th September, 2018, the retentions held by the Target Company for contract works included in retention money payables under current liabilities of the Target Company was RMB1,667,000, RMB7,040,000, RMB10,219,000 and RMB657,000, respectively of which RMB1,667,000, RMB19,000, RMB657,000 and RMB657,000 are expected to be payable after more than one year.

As at the end of each reporting date, the ageing analysis of trade payables based on the date of service received or the billing date of contract works of trade payables were as follows:

	As at 31st December,			As at 30th September,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	31,957	59,422	131,818	53,226
Between 4 and 6 months	35	–	55	805
Between 7 and 12 months	24	182	1,327	–
Over 12 months	–	825	1,678	5,772
	32,016	60,429	134,878	59,803

20. CONTRACT LIABILITIES

	As at 31st December,			As at 30th September,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities arising from the advanced consideration received from customers expected to be recognised				
– within one year	–	909,330	31,923	412,806
– after one year	4,596	4,968	144,532	–
	4,596	914,298	176,455	412,806

Movements in contract liabilities during the Relevant Period were as follows:

	As at 31st December,			As at 30th September,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	–	4,596	914,298	176,455
Received from customers	4,596	909,702	227,082	350,521
Amount recognised as revenue during the year/period:				
– amount received in the prior year/period	–	–	(909,330)	(31,923)
– amount received in current year/period	–	–	(55,595)	(82,247)
At the end of the year/period	4,596	914,298	176,455	412,806

21. BORROWINGS

	As at 31st December,			As at 30th September,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans, secured *(note a)*	148,500	336,000	432,000	431,000
Loan from ultimate holding company, unsecured *(note b)*	364,000	–	–	–
	512,500	336,000	432,000	431,000

As at the end of each reporting date, the borrowings were repayable as follows:

	As at 31st December,			As at 30th September,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount based on scheduled repayment date repayable:				
Within one year	364,000	–	–	–
More than one year, but not exceeding two years	–	–	–	431,000
More than two year, but not exceeding five years	148,500	336,000	432,000	–
	512,500	336,000	432,000	431,000

Notes:

(a) As at 31st December, 2015, the Target Company's secured bank loans amounted to RMB148,500,000 borne fixed interest rate at 4.9875% per annum and were secured by the Target Company's properties under development with carrying amount of RMB869,265,000.

As at 31st December, 2016, the Target Company's secured bank loans amounted to RMB336,000,000 borne fixed interest rate at 4.9875% per annum and secured by properties under development with carrying amount of RMB869,265,000.

As at 31st December, 2017, the Target Company's secured bank loans amounted to RMB432,000,000 borne fixed interest rate at the range from 4.9875% to 6.1750% per annum and secured by properties under development and completed properties with carrying amount of RMB473,222,000 and RMB170,826,000 respectively.

As at 30th September, 2018, the Target Company's secured bank loans amounted to RMB431,000,000 borne fixed interest rate at the range from 4.9875% to 6.1750% per annum and secured by properties under development and completed properties with carrying amount of RMB473,222,000 and RMB152,280,000 respectively.

(b) As at 31st December, 2015, the Target Company's unsecured loan from ultimate holding company amounted to RMB364,000,000 borne fixed rate at the range from 4.07% to 6.75% per annum and repayable within one year. The loan was fully repaid during the year ended 31st December, 2016.

22. SHARE CAPITAL AND RESERVES

22.1 Share capital

	RMB'000
Registered capital	
As at 1st January, 2015	20,000
Increase in registered capital	380,000
As at 31st December, 2015, 2016, 2017 and 30th September, 2018	400,000

Pursuant to the written resolutions of the shareholder passed on 31st May, 2015, the registered capital of the Target Company has been increased by RMB380,000,000 from RMB20,000,000 to RMB400,000,000 to provide additional working capital to the Target Company.

22.2 Reserves

The movements for each component of the Target Company's equity during the Relevant Period are set out in the statements of changes in equity.

Statutory reserve

In accordance with the Company Law of the PRC, each of the company that was registered in the PRC is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with the PRC Generally Accepted Accounting Principles, to the statutory reserve until the balance of the reserve funds reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided that the remaining balance of the statutory reserve is not less than 25% of the registered capital.

23. RELATED PARTY TRANSACTIONS

In addition to the details as disclosed in Note 17 and Note 21 above, during the Relevant Period, the Target Company had the following transactions with its related parties.

	Year ended 31st December,			**Nine months ended 30th September,**	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest expenses charged by ultimate holding company capitalised in inventories of properties *(Note 7)*	20,701	21,609	–	–	–
Interest expenses charged by an intermediate holding company capitalised in inventories of properties *(Note 7) (note)*	–	–	–	–	1,135

Note: During the nine months ended 30th September, 2018, the Target Company paid interest expenses of RMB1,135,000 to an intermediate holding company in connection with the loan from the intermediate holding company amounted to RMB116,500,000. The loan is unsecured, borned fixed interest rate at 7% per annum and fully repaid in April 2018.

24. RETIREMENT BENEFIT PLANS

The employees of the Target Company is member of state-managed retirement benefit schemes operated by the PRC government. The Target Company is required to contribute certain percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Target Company with respect to the retirement benefit schemes is to make the specified contributions.

During the years ended 31st December, 2015, 2016, 2017 and the nine months ended 30th September, 2017 and 2018, the Target Company made contributions to the retirement benefits schemes of RMB37,000, RMB112,000, RMB320,000, RMB250,000 (unaudited), and RMB397,000 respectively.

25. CONTINGENT LIABILITIES

Details of the Target Company's contingent liabilities as at the end of each reporting date were as follows:

	As at 31st December,			As at 30th September,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in respect of mortgage loans granted to buyers of completed properties	–	563,357	598,781	328,402

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Target Company is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks include market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk. The Target Company's overall risk management strategy seeks to minimise potential adverse effects on the Target Company's financial performance. Risk management is carried out by the management of the Target Company and approved by the board of directors.

The Target Company's exposure to these risks and the financial risk management policies and practices used by the Target Company to manage these risks are described below.

26.1 Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and liabilities:

	As at 31st December,			As at 30th September,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
At amortised costs				
– Other receivables and deposits	543	662	3,720	562
– Amount due from immediate holding company	–	374,537	333,500	55,897
– Amount due from an intermediate holding company	–	–	2,537	–
– Amounts due from fellow subsidiaries	–	–	–	30,024
– Bank balances and cash	32,479	38,583	45,023	73,665
	33,022	413,782	384,780	160,148

	As at 31st December,			As at 30th September,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
At amortised costs:				
– Trade and other payables	39,970	74,201	156,638	72,225
– Amount due to ultimate holding company	483	99	–	–
– Amount due to immediate holding company	106,144	–	–	–
– Amounts due to fellow subsidiaries	–	–	114	99
– Borrowings	512,500	336,000	432,000	431,000
	659,097	410,300	588,752	503,324

The Target Company's major financial instruments include other receivables, amounts due from/to ultimate holding company/immediate holding company/an intermediate holding company/fellow subsidiaries, bank balances and cash, trade and other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

26.2 Market risk

The Target Company's activities expose primarily to the financial risks of changes in interest rates and foreign currency exchange rates (see below). There has been no change to the Target Company's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Target Company does not have any significant exposures to the interest rate risk as all of the interest bearing borrowings bears fixed interest rate.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Target Company do not have any significant exposures to the foreign currency risk as the Target Company conducts its business in the PRC and all of its business activities were denominated and settled in RMB. In addition, as at the end of each reporting date, all of its financial instruments were denominated in RMB.

26.3 Credit risk

As at the end of each reporting date, the Target Company's maximum exposure to credit risk on recognised financial assets is limited to the carrying amount at the end of each reporting period as summarised in Note 26.1.

In order to minimise the credit risk, the monitoring procedures are carried out to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Company also makes periodic collective assessments as well as individual assessment on the recoverability of other receivables and amount due from immediate holding company/an intermediate holding company/fellow subsidiaries based on historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The director estimated that the expected credit losses for other receivables and amount due from immediate holding company/an intermediate holding company/fellow subsidiaries are insignificant. The Target Company has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

26.4 Liquidity risk

The Target Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Target Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Company can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

	On demand or within one year	Over 1 year but within 5 years	Total undiscounted cash flow	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31st December, 2015				
Trade and other payables	38,303	1,667	39,970	39,970
Amount due to ultimate holding company	483	–	483	483
Amount due to immediate holding company	106,144	–	106,144	106,144
Borrowings	376,355	173,154	549,509	512,500
	521,285	174,821	696,106	659,097
As at 31st December, 2016				
Trade and other payables	74,182	19	74,201	74,201
Amount due to ultimate holding company	99	–	99	99
Borrowings	16,758	375,025	391,783	336,000
	91,039	375,044	466,083	410,300
As at 31st December, 2017				
Trade and other payables	155,981	657	156,638	156,638
Amounts due to fellow subsidiaries	114	–	114	114
Borrowings	23,013	462,579	485,592	432,000
	179,108	463,236	642,344	588,752
As at 30th September, 2018				
Trade and other payables	71,568	657	72,225	72,225
Amounts due to fellow subsidiaries	99	–	99	99
Borrowings	22,963	444,337	467,300	431,000
	94,630	444,994	539,624	503,324

26.5 Capital risk management

The Target Company manages its capital to ensure to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Target Company consists of debts, which include the amounts due to ultimate holding company, immediate holding company and fellow subsidiaries and borrowings disclosed in Note 17 and Note 21 respectively, net of bank balances and cash and equity attributable to the owners of the Target Company, comprising share capital and reserves.

The director review the capital structure periodically. As a part of this review, the director considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the director, the Target Company will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt, if necessary. The strategy remains unchanged from prior year and throughout the Relevant Period.

26.6 Fair value measurement

The director of the Target Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

27. NOTES TO THE STATEMENTS OF CASH FLOWS

Reconciliations of liabilities arising from financing activities

The changes in the Target Company's liabilities arising from financing activities can be classified as follows:

	Bank borrowings	**Loan from an intermediate holding company**	**Loan from ultimate holding company**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1st January, 2015	–	–	298,000	298,000
Cash-flows:				
– Proceeds	148,500	–	97,500	246,000
– Repayment	–	–	(31,500)	(31,500)
As at 31st December, 2015 and 1st January, 2016	148,500	–	364,000	512,500
Cash-flows:				
– Proceeds	331,500	–	1,259,000	1,590,500
– Repayment	(144,000)	–	(1,623,000)	(1,767,000)
As at 31st December, 2016 and 1st January, 2017	336,000	–	–	336,000
Cash-flows:				
– Proceeds	248,000	–	–	248,000
– Repayment	(152,000)	–	–	(152,000)
As at 31st December, 2017 and 1st January, 2018	432,000	–	–	432,000
Cash-flows:				
– Proceeds	–	116,500	–	116,500
– Repayment	(1,000)	(116,500)	–	(117,500)
As at 30th September, 2018	431,000	–	–	431,000
As at 31st December, 2016 and 1st January, 2017	336,000	–	–	336,000
Cash-flows:				
– Proceeds	248,000	–	–	248,000
– Repayment	(1,000)	–	–	(1,000)
As at 30th September, 2017 (unaudited)	583,000	–	–	583,000

28. UNSATISFIED CONTRACTS

Details of unsatisfied contracts related to property development as at the end of each reporting date were as follows:

	As at 31st December,			As at 30th September,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expected to be recognised within one year	–	965,460	110,717	1,677,010
Expected to be recognised after one year	22,276	91,349	625,159	–
	22,276	1,056,809	735,876	1,677,010

29. SUBSEQUENT EVENT

On 29th September, 2018, Shanghai Xiangyu and Shanghai Tianrong Real Estate Company Limited* (上海天築置業有限公司) ("Shanghai Tianrong"), a subsidiary of Tian An China Investments Company Limited entered into the capital increase agreement (the "Capital Increase Agreement"), pursuant to which Shanghai Xiangyu and Shanghai Tianrong agreed to increase the registered capital and capital reserves of the Target Company by way of capital contribution made by Shanghai Tianrong in the amount of RMB1,301,260,000. Pursuant to the Capital Increase Agreement, the registered capital of the Target Company shall be increased from RMB400,000,000 to RMB800,000,000 and the remaining capital contribution by Shanghai Tianrong in the amount of RMB901,260,000 shall be allocated to the capital reserves of the Target Company. The registration of the increase in registered capital and capital reserves of the Target Company with the relevant industry and commerce department in the PRC was completed on 19th October, 2018.

30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30th September, 2018.

* For identification purposes only

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

A. Unaudited Pro Forma Financial Information of the Enlarged Group in connection with the Possible Investment (as defined in the Circular)

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 30th June, 2018, which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Possible Investment by the Group, as if it had taken place on 30th June, 2018 (the "Unaudited Pro Forma Financial Information of the Enlarged Group"). The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, on the basis which is consistent with the accounting policies and presentation format of the Group.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30th June, 2018 as set out in the Group's interim report published on 7th September, 2018 after making pro forma adjustments as if the Possible Investment had taken place on 30th June, 2018. The accounting policies and methods of computation used in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group are consistent with those used in the unaudited consolidated financial statements of the Group for the six months ended 30th June, 2018.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information of the Enlarged Group may not give a true picture of the financial position of the Enlarged Group that would have been attained had the Possible Investment been completed on 30th June, 2018, nor purport to predict the Enlarged Group's future financial position.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Group for the six months ended 30th June, 2018 and other financial information included elsewhere in this Supplemental Circular.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AFTER COMPLETION OF THE POSSIBLE INVESTMENT

	The Group as at 30th June, 2018 HK$'000 *(Note 1)*	Pro forma adjustments HK$'000 *(Note 2)*	HK$'000 *(Note 3)*	Unaudited pro forma Enlarged Group as at 30th June, 2018 HK$'000
Non-current assets				
Property, plant and equipment	250,853	–	–	250,853
Investment properties	13,409,397	–	–	13,409,397
Properties for development	3,754,035	–	–	3,754,035
Deposits for acquisition of properties for development	232,063	–	–	232,063
Prepaid lease payments on land use rights	57,753	–	–	57,753
Other assets – properties interests	18,099	–	–	18,099
Interests in associates	2,988,205	–	–	2,988,205
Interests in joint ventures	3,489,927	1,495,701	–	4,985,628
Loans receivable	192,033	–	–	192,033
Financial assets at fair value through profit or loss	392,890	–	–	392,890
Equity instruments at fair value through other comprehensive income	235,092	–	–	235,092
Club memberships	10,500	–	–	10,500
Deferred tax assets	110,370	–	–	110,370
	25,141,217	1,495,701	–	26,636,918
Current assets				
Inventories of properties				
– under development	1,494,515	–	–	1,494,515
– completed	2,705,679	–	–	2,705,679
Other inventories	1,620	–	–	1,620
Amounts due from associates	123,802	–	–	123,802
Amounts due from joint ventures	1,531,059	–	–	1,531,059
Amounts due from non-controlling interests	19,048	–	–	19,048
Loans receivable	1,204,006	–	–	1,204,006
Trade and other receivables, deposits and prepayments	454,357	–	–	454,357
Prepaid lease payments on land use rights	901	–	–	901
Equity securities at fair value through profit or loss	66,126	–	–	66,126
Prepaid tax	957	–	–	957
Pledged bank deposits	187,302	–	–	187,302
Bank balances and cash	3,556,411	(1,495,701)	(3,300)	2,057,410
	11,345,783	(1,495,701)	(3,300)	9,846,782

	The Group as at 30th June, 2018 HK$'000 *(Note 1)*	Pro forma adjustments HK$'000 *(Note 2)*	HK$'000 *(Note 3)*	Unaudited pro forma Enlarged Group as at 30th June, 2018 HK$'000
Current liabilities				
Trade and other payables	1,545,323	–	–	1,545,323
Contract liabilities	916,899	–	–	916,899
Tax liabilities	1,366,681	–	–	1,366,681
Interest-bearing borrowings	1,098,160	–	–	1,098,160
Interest-free borrowings	261,390	–	–	261,390
	5,188,453	–	–	5,188,453
Non-current liabilities				
Interest-bearing borrowings	3,393,297	–	–	3,393,297
Deferred rental income from a tenant	29,967	–	–	29,967
Rental deposits from tenants	21,759	–	–	21,759
Deferred tax liabilities	2,801,767	–	–	2,801,767
	6,246,790	–	–	6,246,790
Net assets	25,051,757	–	(3,300)	25,048,457

Notes:

(1) The amounts are extracted from the latest published condensed consolidated financial statements of the Group for the six months ended 30th June, 2018 as set out in the interim report of the Company for the six months ended 30th June, 2018 published on 7th September, 2018.

(2) The adjustment represents the cash consideration of RMB1,301,260,000 (equivalent to approximately HK$1,495,701,000) paid for the Possible Investment.

According to the Tender and Capital Increase Agreement, the Group would make a capital contribution to increase the registered capital and capital reserve of the Target Company, which represents 50% equity interest of the Target Company. The Group will have the right to appoint three out of five directors in the board of the Target Company. Decision making process about the relevant activities of the Target Company will require unanimous approval in the board pursuant to the Tender and Capital Increase Agreement. The Group will have joint control over the Target Company upon completion of the Possible Investment. The Possible Investment is accounted for as an acquisition of a joint venture in accordance with Hong Kong Accounting Standard ("HKAS") 28 Investments in Associates and Joint Ventures using equity method.

(3) The adjustment represents the recognition of the estimated expenditures in related to the Possible Investment. The estimated expenditure of approximately HK$3,300,000 to be borne by the Group includes transaction cost, agency fee, legal fees, printing costs, accountants' fees, and other related expenses.

(4) A formal valuation of the identifiable assets, liabilities and contingent liabilities of the Target Company has been performed as at 30th June, 2018 and their fair values may be different with those used in preparing this unaudited pro forma statement of assets and liabilities of the Enlarged Group.

(5) For the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, conversion of HK$ and RMB is calculated at the exchange rate of HK$1 to RMB0.87. The exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, may be exchanged at this or any other rates or at all.

(6) Other than set out above, no other adjustment have been made to reflect any trading result or other transactions that the Group entered into subsequent to 30th June, 2018.

B. Report on Unaudited Pro Forma Financial Information of the Group and the Enlarged Group

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this Supplemental Circular.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Tian An China Investments Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Tian An China Investments Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30th June, 2018 and related notes as set out on pages II-1 to II-4 of the supplemental circular issued by the Company dated 31st January, 2019 (the "Supplemental Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-4 of the Supplemental Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Possible Investment (as defined in the Circular) on the Group's financial position as at 30th June, 2018 as if the Possible Investment had taken place at 30th June, 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the six months ended 30th June, 2018, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30th June, 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 31st January, 2019

1. RESPONSIBILITY STATEMENT

This Supplemental Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Enlarged Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Supplemental Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Supplemental Circular misleading.

2. EXPERTS AND CONSENTS

The following are the qualification of the experts who have been named in this Supplemental Circular or have given opinion or advice which are contained in this Supplemental Circular:

Name	Qualification
Grant Thornton Hong Kong Limited	Certified Public Accountants
Deloitte Touche Tohmatsu	Certified Public Accountants

The letter, report and/or opinion from each of the above experts are given as of the date of this Supplemental Circular for incorporation in this Supplemental Circular. Each of the above experts has given and has not withdrawn its written consent to the issue of this Supplemental Circular with the inclusion therein of its letter, report and/or opinion, as the case may be, and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of the above experts:

(a) did not have any direct or indirect interest in any assets which have since 31st December, 2017 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and

(b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

3. GENERAL

(a) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group.

(b) The registered office of the Company is 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.

(c) The company secretary of the Company is Ms. Cindy Yung Yee Mei, who is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

(d) The English texts of this Supplemental Circular shall prevail over the Chinese texts in the event of inconsistency.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Messrs. P. C. Woo & Co., at 12th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong during normal business hours for the period of 14 days from the date of this Supplemental Circular:

(a) the articles of association of the Company;

(b) the annual reports of the Company for the three financial years ended 31st December, 2017;

(c) the accountants' report on the Target Company prepared by Grant Thornton Hong Kong Limited, the text of which is set out in Appendix I to this Supplemental Circular;

(d) the accountants' report on the unaudited pro forma financial information of the Enlarged Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this Supplemental Circular;

(e) the written consents referred to in the paragraph under the heading "Experts and consents" in this appendix; and

(f) this Supplemental Circular.