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天安中國投資有限公司

TIAN AN CHINA INVESTMENTS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 28)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR 2018

The board of directors (“Board”) of Tian An China Investments Company Limited (“Company”) announces that the audited consolidated results of the Company and its subsidiaries (“Group”) for the year ended 31st December, 2018 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	(3)	3,291,719	1,112,881
Cost of sales		(1,909,020)	(504,974)
Gross profit		1,382,699	607,907
Other income and gains	(4)	320,912	149,944
Marketing and distribution expenses		(54,060)	(86,850)
Administrative expenses		(342,400)	(305,972)
Other operating expenses		(20,532)	(105,485)
Net decrease in fair value of held-for-trading investments		–	(15,444)
Net decrease in fair value of financial assets at fair value through profit or loss		(68,246)	–
Net decrease in fair value of equity securities at fair value through profit or loss		(29,597)	–
Fair value gain on transfer of inventories of completed properties to investment properties		229,137	115,313
Increase in fair value of investment properties		201,283	338,453
(Write-down of) reversal of write-down of inventories of completed properties		(4,014)	1,020
Amortisation of properties for development		(26,111)	(35,802)
Gain on disposal of a subsidiary	(5)	–	1,633,977
Gain on bargain purchase of a subsidiary	(6)	–	60,856
Finance costs		(155,964)	(153,841)
Share of profit of associates		55,688	99,148
Share of profit of joint ventures		378,774	253,219

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)*For the year ended 31st December, 2018*

	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Profit before tax		1,867,569	2,556,443
Taxation	(7)	(609,458)	(464,337)
Profit for the year	(8)	<u>1,258,111</u>	<u>2,092,106</u>
Profit for the year attributable to:			
Owners of the Company		1,251,202	2,054,142
Non-controlling interests		6,909	37,964
		<u>1,258,111</u>	<u>2,092,106</u>
		HK\$	HK\$
Earnings per share	(9)		
Basic		<u>0.83</u>	<u>1.36</u>

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

For the year ended 31st December, 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year	<u>1,258,111</u>	<u>2,092,106</u>
Other comprehensive (expense) income		
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation to presentation currency	(314,492)	575,923
Share of other comprehensive (expense) income of associates and joint ventures	(64,920)	113,986
Net change in fair value of investments in equity instruments at fair value through other comprehensive income	(66,636)	–
Deferred tax effect on change in fair value of investment in an equity instrument at fair value through other comprehensive income	3,603	–
Surplus on revaluation of properties and prepaid lease payments upon transfer to investment properties	4,210	10,007
Deferred tax effect on revaluation of properties upon transfer to investment properties	(6,039)	(6,848)
	<u>(444,274)</u>	<u>693,068</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(67,605)	19,231
Net change in fair value of available-for-sale investments	–	(119,376)
Impairment loss on available-for-sale investments classified to profit or loss	–	78,168
Deferred tax effect on change in fair value of available-for-sale investments	–	2,338
Others	763	–
	<u>(66,842)</u>	<u>(19,639)</u>
Other comprehensive (expense) income for the year	<u>(511,116)</u>	<u>673,429</u>
Total comprehensive income for the year	<u>746,995</u>	<u>2,765,535</u>
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	759,152	2,725,766
Non-controlling interests	(12,157)	39,769
	<u>746,995</u>	<u>2,765,535</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment		234,312	258,871
Investment properties		13,622,280	13,100,399
Properties for development		3,818,333	3,485,361
Deposits for acquisition of properties for development		193,245	236,196
Prepaid lease payments on land use rights		39,212	58,281
Other assets – properties interests		17,225	18,142
Interests in associates		2,891,331	2,939,345
Interests in joint ventures		5,304,245	2,950,262
Loans receivable		264,305	122,972
Available-for-sale investments		–	292,370
Financial assets at fair value through profit or loss		114,790	–
Equity instruments at fair value through other comprehensive income		211,698	–
Club memberships		10,500	–
Deferred tax assets		116,962	98,698
		26,838,438	23,560,897
Current Assets			
Inventories of properties			
– under development		1,797,689	1,762,245
– completed		3,993,950	3,557,462
Other inventories		415	1,952
Amounts due from associates		202,792	223,992
Amounts due from joint ventures		1,333,437	1,789,769
Amounts due from non-controlling shareholders		18,391	18,832
Loans receivable		1,369,144	664,471
Trade and other receivables, deposits and prepayments	<i>(11)</i>	331,494	441,271
Prepaid lease payments on land use rights		892	898
Held-for-trading investments		–	81,527
Financial assets at fair value through profit or loss		229,885	–
Equity securities at fair value through profit or loss		49,390	–
Prepaid tax		2,791	84,170
Pledged bank deposits		552,663	186,202
Bank balances and cash		2,293,386	4,782,753
		12,176,319	13,595,544

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)*At 31st December, 2018*

		2018	2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current Liabilities			
Trade and other payables	(12)	1,859,071	1,536,349
Contract liabilities		1,991,420	–
Pre-sale deposits		–	2,491,148
Tax liabilities		1,431,416	1,182,993
Interest-bearing borrowings		1,328,035	865,566
Interest-free borrowings		950,768	20,281
		<hr/> 7,560,710	<hr/> 6,096,337
Net Current Assets		<hr/> 4,615,609	<hr/> 7,499,207
Total Assets less Current Liabilities		<hr/> 31,454,047	<hr/> 31,060,104
Capital and Reserves			
Share capital		3,788,814	3,788,814
Reserves		20,094,264	19,636,466
Equity attributable to owners of the Company		23,883,078	23,425,280
Non-controlling interests		1,369,933	1,459,760
Total Equity		<hr/> 25,253,011	<hr/> 24,885,040
Non-current Liabilities			
Interest-bearing borrowings		3,402,238	3,513,564
Deferred rental income from a tenant		24,800	33,845
Rental deposits from tenants		22,145	15,932
Deferred tax liabilities		2,751,853	2,611,723
		<hr/> 6,201,036	<hr/> 6,175,064
		<hr/> 31,454,047	<hr/> 31,060,104

Notes:

(1) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The financial information relating to the financial years ended 31st December, 2018 and 2017 included in this announcement of annual results does not constitute the Company’s statutory annual financial statements for those financial years but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2017 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the CO. The Company’s auditor has reported on those financial statements for 2017. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the CO.

(2) Significant accounting policies

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The following table summarises the impacts of applying HKFRS 9 and HKFRS 15 on the Group’s consolidated statement of financial position as at 1st January, 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	Available- for-sale investments HK\$'000	Equity securities at fair value through profit or loss (previously classified as held-for-trading investments) HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Equity instruments at fair value through other comprehensive income HK\$'000	Club memberships HK\$'000	Pre-sale deposits HK\$'000	Contract liabilities HK\$'000	Revaluation reserves HK\$'000	Retained earnings HK\$'000
Closing balance at									
31st December, 2017	292,370	81,527	-	-	-	2,491,148	-	61,387	17,534,360
Reclassification – HKFRS 9	(292,370)	-	12,566	269,304	10,500	-	-	(77,903)	77,903
Reclassification – HKFRS 15	-	-	-	-	-	(2,491,148)	2,491,148	-	-
Opening balance at									
1st January, 2018	-	81,527	12,566	269,304	10,500	-	2,491,148	(16,516)	17,612,263

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
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 1 and HKAS 8	Definition of Material ⁵
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

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 for annual periods beginning on or after a date to be determined.

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January, 2020.

⁵ Effective for annual periods beginning on or after 1st January, 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company (“Directors”) anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows.

Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31st December, 2018, the Group has non-cancellable operating lease commitments of HK\$1,915,000 with remaining lease term to be ended within one year. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will apply practical expedient to account for these leases as short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 “Consolidated Financial Statements” and HKAS 28 “Investments in Associates and Joint Ventures” deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The amendments are to be applied prospectively to transactions occurring in annual periods beginning on or after a date to be determined. The Directors anticipate that the application of these amendments to HKFRS 10 and HKAS 28 may have an impact on the Group’s consolidated financial statements in future periods should such transactions arise.

Amendments to HKFRSs Annual Improvements to HKFRSs 2015-2017 Cycle

The annual improvement packages amended the following four standards.

HKAS 12 Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

HKAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

HKFRS 3 Business Combinations

The amendments clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

HKFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its previously held interest in the joint operation.

The Directors anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

(3) Segment information

The Group's revenue for the year was derived mainly from activities carried out and located in the People's Republic of China ("PRC") and Hong Kong. The Group's basis of organisation is determined based on three main operations: property development, property investment and other operations that comprises mainly property management. Similarly, the Group's reportable and operating segments, reported to the Executive Directors of the Company, the chief operating decision maker, for the purposes of resource allocation and performance assessment, also focused on these three main operations. For the property investment segment, it includes business activities of a listed property investment subsidiary. No reportable and operating segments of the listed property investment subsidiary are separately presented as its results, assets and liabilities are prepared and reviewed together with the Group's other property investment activities for the internal performance assessment purposes.

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

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the year ended 31st December, 2018				
SEGMENT REVENUE				
External sales	<u>2,627,241</u>	<u>502,788</u>	<u>161,690</u>	<u>3,291,719</u>
RESULTS				
Segment profit (loss)	861,912	682,936	(7,414)	1,537,434
Other income and gains				320,912
Unallocated corporate expenses				(269,275)
Finance costs				(155,964)
Share of (loss) profit of associates	(589)	56,277	–	55,688
Share of profit of joint ventures	186,949	167,673	24,152	<u>378,774</u>
Profit before tax				<u>1,867,569</u>
As at 31st December, 2018				
ASSETS				
Segment assets	9,998,416	13,796,057	47,582	23,842,055
Interests in associates	209,618	2,681,713	–	2,891,331
Interests in joint ventures	2,284,224	2,827,431	192,590	5,304,245
Amounts due from associates	2,563	200,229	–	202,792
Amounts due from joint ventures	1,264,933	–	68,504	1,333,437
Unallocated corporate assets				<u>5,440,897</u>
Consolidated total assets				<u>39,014,757</u>
LIABILITIES				
Segment liabilities	4,603,578	2,404,756	108,316	7,116,650
Unallocated corporate liabilities				<u>6,645,096</u>
Consolidated total liabilities				<u>13,761,746</u>

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the year ended 31st December, 2017				
SEGMENT REVENUE				
External sales	<u>495,608</u>	<u>463,214</u>	<u>154,059</u>	<u>1,112,881</u>
RESULTS				
Segment profit	1,762,715	684,499	8,646	2,455,860
Other income and gains				149,944
Unallocated corporate expenses				(247,887)
Finance costs				(153,841)
Share of profit of associates	97	99,051	–	99,148
Share of profit (loss) of joint ventures	189,405	126,641	(62,827)	<u>253,219</u>
Profit before tax				<u>2,556,443</u>
As at 31st December, 2017				
ASSETS				
Segment assets	9,393,975	13,296,194	46,772	22,736,941
Interests in associates	214,943	2,724,402	–	2,939,345
Interests in joint ventures	568,604	2,219,029	162,629	2,950,262
Amounts due from associates	2,563	221,429	–	223,992
Amounts due from joint ventures	1,722,913	–	66,856	1,789,769
Unallocated corporate assets				<u>6,516,132</u>
Consolidated total assets				<u>37,156,441</u>
LIABILITIES				
Segment liabilities	3,848,018	2,308,773	22,078	6,178,869
Unallocated corporate liabilities				<u>6,092,532</u>
Consolidated total liabilities				<u>12,271,401</u>

(4) **Other income and gains**

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend income		
– unlisted shares	2,111	2,254
– listed shares	1,656	999
Interest income on bank deposits	51,195	36,773
Interest income from loans receivable	221,840	39,443
Interest income from joint ventures	8,008	22,252
Net exchange gain	–	18,976
Subsidy income	103	828
Other income	35,999	28,419
	<u>320,912</u>	<u>149,944</u>

(5) **Gain on disposal of a subsidiary**

During the year ended 31st December, 2017, the Group disposed of its entire equity interests in a subsidiary and assigned part of the shareholders' loans to an independent third party. The disposed subsidiary is incorporated in the British Virgin Islands and holds 50% equity interest in a company established in the PRC ("PRC Company") which is engaged in property development in the PRC and its remaining 50% equity interest is also owned by another subsidiary of the Group. As a result, the PRC Company became a joint venture ("JV Company") of the Group upon completion of this disposal.

Details of the disposal are as follows:

The net liabilities of the subsidiary at the date of disposal were as follows:

	2017 HK\$'000
Net liabilities disposed of:	
Property, plant and equipment	245
Properties for development	914,558
Inventories of properties under development	971,778
Trade and other receivables, deposits and prepayments	7,208
Bank balances and cash	25,287
Shareholders' loans	(1,004,906)
Trade and other payables	(763,674)
Pre-sale deposits	(13,056)
Interest-bearing borrowings	(679,214)
	<hr/>
Net liabilities disposed of	(541,774)
Assignment of shareholders' loans	677,743
Gain on disposal	1,633,977
Fair value of the remaining interests retained in the subsidiary classified to interest in a joint venture (<i>Note i</i>)	(627,828)
	<hr/>
Consideration on disposal	1,142,118
	<hr/>
Consideration satisfied by:	
– Cash received in the year ended 31st December, 2017	419,487
– Cash received for assignment of shareholders' loans	677,743
– Cash received in prior years as deposit	44,888
	<hr/>
	1,142,118
	<hr/>
Exchange translation reserve transferred to retained earnings (<i>Note ii</i>)	(23,176)
	<hr/>
Net cash inflow arising on disposal:	
Cash consideration received in the year ended 31st December, 2017	419,487
Cash consideration for assignment of shareholders' loans	677,743
Bank balances and cash disposed of	(25,287)
	<hr/>
	1,071,943
	<hr/>

Notes:

- (i) Included in the fair value of the remaining interest retained in the subsidiary classified to interests in joint ventures is the present value of an agreed distributable profit of HK\$547,169,000 to be received from the JV Company within three years from the date of completion of the disposal pursuant to a letter of confirmation dated 8th May, 2017.
- (ii) As the functional currencies of the disposed subsidiary and the Company are the same, exchange differences arising from translation of items to presentation currency accumulated in exchange translation reserve relating to the disposed subsidiary are transferred from exchange translation reserve to retained earnings at the time of disposal.

(6) Gain on bargain purchase of a subsidiary

During the year ended 31st December, 2017, the Group acquired additional approximately 41.26% interest in an associate, Tian An Australia Limited (“TIA”), for a total consideration of HK\$278,246,000. After acquisition, the Group holds approximately 76.70% equity interest in TIA and it becomes a subsidiary of the Group. TIA is a listed entity in Australia and its principal businesses is engaged in the property development in Australia. This transaction has been accounted for as acquisition of business, using acquisition accounting. In relation to the TIA acquisition, the Group had made competitive offer price in acquiring the shares of TIA from the existing shareholders. The intrinsic value of the properties had not been reflected by the market price and also the offer price made by the Group. After re-assessment by the management of the Group, the fair value of net identifiable assets exceeded the purchase consideration, resulting in gain on bargain purchase. The amount of gain on bargain purchase arising as a result of the acquisition of TIA is HK\$60,856,000.

The net assets acquired in TIA’s transaction are as follows:

	Acquirees’ carrying amount before combination <i>HK\$’000</i>	Fair value adjustments <i>HK\$’000</i> (Note i)	Fair value <i>HK\$’000</i>
Net assets acquired:			
Property, plant and equipment	1,525	–	1,525
Properties for development	522,035	–	522,035
Available-for-sale investments	38,282	–	38,282
Inventories of completed properties	37,690	–	37,690
Trade and other receivables, deposits and prepayments	27,345	–	27,345
Pledged bank deposits	3,721	–	3,721
Bank balances and cash	143,003	–	143,003
Trade and other payables	(9,967)	–	(9,967)
	<u>763,634</u>	<u>–</u>	<u>763,634</u>
Non-controlling interests (Note ii)			(177,895)
Interest in an associate			(246,637)
Gain on bargain purchase of a subsidiary			<u>(60,856)</u>
Consideration, satisfied by cash			<u>278,246</u>
Net cash outflow arising on acquisition:			
Cash consideration paid			278,246
Bank balances and cash acquired			<u>(146,724)</u>
			<u>131,522</u>

Notes:

- (i) The management of the Group has assessed and determined that the acquirees’ carrying amounts of assets and liabilities before combination approximate to the fair value at the acquisition date.
- (ii) The interests of non-controlling shareholders recognised at the acquisition date were measured at the non-controlling interests’ proportionate share of the fair value of the acquiree’s identifiable net assets.

(7) **Taxation**

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
The charge comprises:		
Current tax		
– Hong Kong Profits Tax	10,676	4,546
– Overseas Tax	3,423	4,547
– PRC Enterprise Income Tax	265,983	157,121
– Land Appreciation Tax	160,867	80,266
	440,949	246,480
Under (over) provision in prior years		
– Hong Kong Profits Tax	50	(29)
– Overseas Tax	(1,196)	–
– PRC Enterprise Income Tax	2,993	(2,870)
	1,847	(2,899)
Deferred tax	442,796	243,581
	166,662	220,756
	609,458	464,337

On 21st March, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (“Bill”) which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Under the Laws of the PRC on Enterprise Income Tax Law and Implementation Regulation of the Enterprise Income Tax Law, the tax rate applicable to the PRC subsidiaries is 25% from 1st January, 2008 onwards. Overseas Tax is charged at the appropriate current rates of taxation ruling in the relevant countries.

(8) Profit for the year

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	21,612	23,813
Less: amount capitalised in properties under development	(2,050)	(2,753)
	19,562	21,060
Amortisation of:		
Other assets – properties interests	500	500
Properties for development (<i>Note</i>)	26,111	35,802
Prepaid lease payments on land use rights	1,099	1,315
Total depreciation and amortisation	47,272	58,677
Cost of inventories recognised as expenses	1,632,504	277,515
Net exchange loss (gain)	4,620	(18,976)
Allowance for bad and doubtful debts	–	22,989

Note:

Amortisation of properties for development is recognised in profit or loss on a straight-line basis over the term of the relevant land leases, and is presented on the consolidated statement of profit or loss.

(9) Earnings per share

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

	2018 HK\$'000	2017 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	1,251,202	2,054,142

	2018 '000	2017 <i>'000</i>
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Number of shares

Number of ordinary shares in issue during the year for the purpose of basic earnings per share	1,506,769	1,506,769
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No diluted earnings per share for both 2018 and 2017 were presented as there were no potential ordinary shares in issue for both 2018 and 2017.

(10) Dividend

	2018 HK\$'000	2017 <i>HK\$'000</i>
Dividend recognised as distributions during the year:		
Interim dividend (in lieu of final dividend) paid in respect of 2017 (2017: Nil)	301,354	–
No special dividend paid in respect of 2017 (2017: Special dividend paid in form of distribution of shares in a listed subsidiary in respect of 2016) (<i>Note</i>)	–	489,700
	301,354	489,700
Interim dividend declared of HK20 cents (2017: HK20 cents) per share	301,354	301,354

Subsequent to the end of the reporting period, the interim dividend of HK20 cents (2017: HK20 cents) per share in respect of the financial year ended 31st December, 2018 has been declared by the Board.

Note:

A special dividend in form of distribution in specie of 195,880,034 shares in Asiasec Properties Limited (“ASL”), a non wholly-owned subsidiary of the Company, (“ASL Share(s)”) on the basis of 13 ASL Shares for every 100 shares of the Company (“Distribution in Specie”) in respect of the financial year ended 31st December, 2016 has been paid during the year ended 31st December, 2017. Based on the price HK\$2.5 per ASL Share (being the price of HK\$2.75 per ASL Share at which the Company acquired the ASL Shares in 2016 and adjusted by the special dividend of HK25 cents per ASL Share declared by ASL), the aggregate value of the ASL Shares to be distributed under the Distribution in Specie was approximately HK\$489,700,000, which represented a distribution of approximately HK32.5 cents per share of the Company.

(11) Trade and other receivables, deposits and prepayments

Proceeds receivable in respect of sales of properties are settled in accordance with the terms stipulated in the sale and purchase agreements.

Except for the proceeds from sales of properties and rental income from lease of properties which are payable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of 30 days to 120 days to its customers.

The following is an aged analysis of trade receivables at the end of the reporting period:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 3 months	8,334	27,703
Between 4 and 6 months	1,058	268
Between 7 and 12 months	8	89
Over 12 months	957	1,290
	<hr/> 10,357 <hr/>	<hr/> 29,350 <hr/>

As at 31st December, 2017, other receivables included a deposit of HK\$148,871,000 which was paid for acquisition of properties held for sale from third parties and the transaction had been completed during the year ended 31st December, 2018.

(12) Trade and other payables

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 3 months	682,391	216,400
Between 4 and 6 months	14,036	32,935
Between 7 and 12 months	69,338	236,115
Over 12 months	380,462	404,163
	<hr/> 1,146,227 <hr/>	<hr/> 889,613 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the year ended 31st December, 2018 was HK\$3,291.7 million (2017: HK\$1,112.9 million), an increase of 196% compared to the year before. The profit attributable to owners of the Company amounted to HK\$1,251.2 million (2017: HK\$2,054.1 million), representing a decrease of 39% from 2017.

The main reason for the decrease in profit for the year ended 31st December, 2018 was that there was gain on disposal of a subsidiary of approximately HK\$1,634.0 million for the year ended 31st December, 2017, whereas there was no disposal of subsidiary for the year ended 31st December, 2018.

Earnings per share amounted to HK\$0.83 (2017: HK\$1.36), while the net asset value per share attributable to owners of the Company was HK\$15.85 at the end of 2018 (2017: HK\$15.55).

Business Review

The Group is engaged principally in the development of apartments, villas, office buildings and commercial properties, property investment and property management on the mainland in the PRC, as well as property investment and property management in Hong Kong.

An outline of our achievements in 2018 is described below:

- (1) Although there was no one-off gain from disposal of a subsidiary, the Group booked substantial sales and contributions from its ongoing development projects.
- (2) Total attributable registered sales (including sales from joint ventures and pre-sales of properties under construction) of the Group amounted to 218,200 m² in 2018 (2017: 203,300 m²), an increase of 7%. A total attributable gross floor area (“GFA”) of approximately 371,100 m² (2017: 284,700 m²) was completed, an increase of 30% from last year. For 2018, a total attributable GFA of approximately 1,036,100 m² (2017: 902,700 m²) was under construction at the year end, representing an 15% increase over the last year.
- (3) Rental income was up by 9% as compared with 2017, due to the additional contribution from Beijing Park Apartments, Changchun Tian An City One, Nanjing Tian An Cyber Park and Nanjing Tian An International Building. The acquisition of South Place Hotel London during the first half of 2017 has also improved the rental income of the Group.
- (4) Cyberpark: There are a total of 15 cyberparks over 12 cities. The overall contribution of our cyberpark unit has increased. Those on the Pearl River Delta have been contributing most and we will concentrate on developing new cyberparks and urban renewal projects in this region where we have ample manpower and marketing resources.

- (5) Phase 2 of Tian An's urban renewal project, Tian An Cloud Park, in Huawei New City Area in the Longgang District of Shenzhen, with GFA of approximately 599,400 m² is under construction and is expected to be completed in 2019.
- (6) For the year ended 31st December, 2018, Asiasec Properties Limited reported a profit of HK\$112.7 million (2017: HK\$169.2 million) attributable to its shareholders.

Plans for 2019

Objectives for 2019 are as follows:

- (1) We will continue to adjust the quality of our landbank through acquisitions and disposals and sale of our end products to balance the demands of short term returns and long term capital appreciation.
- (2) We will adjust our products and pricing as well as the speed of construction where necessary to assist the sale of our products in the current environment.
- (3) We hope to responsibly gear up our projects rather than over-utilising equity in order to increase our return on equity.
- (4) We will review our management and cost structure so as to improve efficiency and reduce expenses where possible.

Long term corporate strategies

- (1) The Group will retain certain development properties for investment where we believe these properties will provide increasing rental streams and corresponding increases in capital value.
- (2) We will concentrate our effort on developing our cyberpark and urban renewal units where we believe our products are welcomed by the government and the local market.

Financial Review

Liquidity and Financing

The Group always maintained its liquidity at a healthy level with a balanced portfolio of financial resources. As at 31st December, 2018, the total bank balances and cash reserves of the Group were approximately HK\$2,846.0 million (2017: HK\$4,969.0 million), providing sufficient working capital for the daily operations of the Group.

As at 31st December, 2018, the total borrowings of the Group amounted to approximately HK\$5,681.0 million (2017: HK\$4,399.4 million), including current liabilities of HK\$2,278.8 million (2017: HK\$885.8 million) and non-current liabilities of HK\$3,402.2 million (2017: HK\$3,513.6 million). The gearing ratio (net debt over total equity) of the Group was 11% (2017: negative of 2%). The borrowings were mainly used to finance the properties for development and properties under construction. Increase in finance costs is mainly due to the increase in borrowings.

Approximately 55% of the Group's outstanding borrowings will mature within 2 years. Since most of the investments and operation of the Group are carried out in the PRC, most of the bank borrowings are denominated in Renminbi which will be repaid in the same currency. Around 91% of the Group's borrowings bear interest at fixed rates while the remainders are at floating rates.

Due to maintaining flexible and sufficient cashflow for acquiring the potential quality landbank and accelerating construction works for our development projects, the Group intends to obtain proper bank borrowings with reasonable pricing terms. The management continuously monitors its gearing ratio and raises new external borrowings when necessary.

Risk of Foreign Exchange Fluctuation

The Group is required to maintain foreign currency exposure to cater for its recurring operating activities and present and potential investment activities, meaning it will be subject to reasonable exchange rate exposure. However, the Group will closely monitor this risk exposure as required.

Pledge on Assets

As at 31st December, 2018, bank deposits of approximately HK\$552.7 million, aggregate carrying values of property, plant and equipment, development properties and investment properties of approximately HK\$132.1 million, HK\$4,048.3 million and HK\$9,408.4 million respectively, were pledged for banking facilities granted to the Group, mortgage loans granted to property purchasers and guarantees in respect of utility supplies and government authorities for the development works.

Contingent Liabilities

Two pieces of properties for development that are held by joint ventures of the Group with carrying value of approximately HK\$74.3 million are under idle land investigation by the local authorities. These pieces of lands owned by the joint ventures were held under several land use right certificates. The development of more than half of the pieces of lands were either completed or under development, except for the portions which are retained for the remaining development of the whole projects. Another property for development that is held by a subsidiary of the Group with carrying value of approximately HK\$35.1 million is also under idle land investigation by the local authority. This piece of land owned by the subsidiary has been developed by several phases and more than half was completed, except the last portion which is under the planning approval by the local authority. Further, property for development that is held by another joint venture of the Group with carrying value of approximately HK\$755.5 million had been identified as idle land by the local authority. The construction works for the first phase of development is continuing during the year. The Group is currently working diligently to prevent the possible classification as idle land for those under idle land investigation and taking remedy action to prevent from prosecution for those had been identified as idle land, including negotiating the feasibility of development plans with local authorities. Based on legal advices, the Group has assessed the issue and considers that the idle land confiscation can be reversed. In the opinion of the Directors, the economic outflows caused by above cases are not probable.

As at 31st December, 2018, guarantees given to banks in respect of mortgage loans granted to property purchasers and bank facilities granted to or utilised by the joint ventures as well as guarantees granted in respect of utility supplies and government authorities for the property development works amounted to approximately HK\$1,272.0 million. All the guarantees provided by the Group were requested by banks and under normal commercial terms. No legal action was taken against the Group for material claim.

Employees

As at 31st December, 2018, the Group including its subsidiaries but excluding associates and joint ventures, employed 1,429 (2017: 1,980) persons. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

Business Outlook

The Group's main business market is mainland China, where there have been various measures by the authorities to regulate the high housing demand. In Hong Kong, there is a shortage in the supply of land resulting in high land prices. In China, the China's central bank had cut the reserve requirement ratio in January 2019 to stimulate the economy. We expect that global market interest rates will be stable and the trade war between China and the United States of America may abate in 2019. The property market is expected to be stable in 2019. We remain confident of the long term prospects of the property market in mainland China and Hong Kong.

DIVIDEND

The Board has declared an interim dividend of HK20 cents per share (in lieu of a final dividend) for the year ended 31st December, 2018 (2017 interim dividend (in lieu of a final dividend): HK20 cents per share) payable on or around Wednesday, 17th April, 2019 to the shareholders of the Company ("Shareholders") whose names appear on the register of members of the Company on Tuesday, 2nd April, 2019.

CLOSURE OF REGISTER OF MEMBERS

(1) For determining the entitlement to the interim dividend (in lieu of a final dividend)

For determining the entitlement to the interim dividend (in lieu of a final dividend) for the year ended 31st December, 2018, the register of members of the Company will be closed on Monday, 1st April, 2019 and Tuesday, 2nd April, 2019, during which period no transfer of shares of the Company will be registered. In order for a Shareholder to qualify for the interim dividend (in lieu of a final dividend), all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 29th March, 2019.

(2) For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company (“2019 AGM”)

The 2019 AGM is scheduled to be held on Wednesday, 22nd May, 2019. For determining the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Friday, 17th May, 2019 to Wednesday, 22nd May, 2019 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order for a Shareholder to be eligible to attend and vote at the 2019 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 16th May, 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the year ended 31st December, 2018, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (“CG Code”) as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

Code Provisions B.1.2 and C.3.3

Code provisions B.1.2 and C.3.3 of the CG Code stipulate that the terms of reference of the remuneration committee and audit committee should include, as a minimum, those specific duties as set out in the respective code provisions.

The terms of reference of the remuneration committee (“Remuneration Committee”) adopted by the Company are in compliance with the code provision B.1.2 of the CG Code except that the Remuneration Committee shall make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to executive directors and senior management under the code provision).

The terms of reference of the audit committee (“Audit Committee”) adopted by the Company are in compliance with the code provision C.3.3 of the CG Code except that the Audit Committee (i) shall recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditors to supply non-audit services; (ii) only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has performed its duty to have effective risk management and internal control systems; and (iii) can promote (as opposed to ensure under the code provision) the co-ordination between the internal and external auditors, and check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced.

The reasons for the above deviations are set out in the Corporate Governance Report to be contained in the Company's Annual Report for the financial year ended 31st December, 2018 ("2018 Annual Report"). The Board has reviewed the terms during the year under review and considers that the Remuneration Committee and the Audit Committee should continue to operate according to the relevant terms of reference as adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

Further information on the Company's corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2018 Annual Report which will be sent to the Shareholders by the end of April 2019.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31st December, 2018.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st December, 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

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

Hong Kong, 15th March, 2019

As at the date of this announcement, the Board comprises Mr. Song Zengbin (Deputy Chairman), Mr. Patrick Lee Seng Wei (Managing Director), Mr. Ma Sun (Deputy Managing Director), Mr. Edwin Lo King Yau and Mr. Tao Tsan Sang being the Executive Directors; Mr. Lee Seng Hui (Chairman) and Dr. Moses Cheng Mo Chi being the Non-Executive Directors; and Mr. Francis J. Chang Chu Fai, Mr. Jin Hui Zhi, Mr. Ngai Wah Sang and Ms. Lisa Yang Lai Sum being the Independent Non-Executive Directors.