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 2017

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, 2017 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*(3)*	**1,112,881**	1,894,465
Cost of sales		**(504,974)**	(1,228,083)
Gross profit		**607,907**	666,382
Other income and gains	*(4)*	**149,944**	598,314
Marketing and distribution expenses		**(86,850)**	(76,949)
Administrative expenses		**(305,972)**	(295,985)
Other operating expenses		**(105,485)**	(100,903)
Net decrease in fair value of held-for-trading investments		**(15,444)**	(245)
Fair value gain on transfer of inventories of completed properties to investment properties		**115,313**	116,257
Increase in fair value of investment properties		**338,453**	1,835
Reversal of (write-down of) inventories of completed properties		**1,020**	(2,526)
Amortisation of properties for development		**(35,802)**	(54,857)
Gain on disposal of subsidiaries	*(5)*	**1,633,977**	3,937,675
Gain on bargain purchase of subsidiaries	*(6)*	**60,856**	1,588,570
Finance costs		**(153,841)**	(179,817)
Share of profit of associates		**99,148**	12,169
Share of profit of joint ventures		**253,219**	89,984

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Cont'd)*

For the year ended 31st December, 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Profit before tax		**2,556,443**	6,299,904
Taxation	*(7)*	**(464,337)**	(591,656)
Profit for the year	*(8)*	**2,092,106**	5,708,248
Profit (loss) for the year attributable to:			
Owners of the Company		**2,054,142**	5,712,954
Non-controlling interests		**37,964**	(4,706)
		2,092,106	5,708,248
		HK$	*HK$*
Earnings per share	*(9)*		
Basic		**1.36**	3.79

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31st December, 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	**2,092,106**	5,708,248
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation to presentation currency	**575,923**	(768,864)
Share of other comprehensive income (expense) of associates and joint ventures	**113,986**	(99,623)
Surplus on revaluation properties and prepaid lease payments upon transfer to investment properties	**10,007**	88
Deferred tax effect on revaluation of properties upon transfer to investment properties	**(6,848)**	(22)
	693,068	(868,421)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operation	**19,231**	–
Net change in fair value of available-for-sale investments	**(119,376)**	(61,313)
Impairment loss on available-for-sale investments classified to profit or loss	**78,168**	–
Revaluation reserves released upon disposal of available-for-sale investments to profit or loss	**–**	(202,667)
Deferred tax effect on share of change in fair value of available-for-sale investments	**2,338**	19,167
	(19,639)	(244,813)
Other comprehensive income (expense) for the year	**673,429**	(1,113,234)
Total comprehensive income for the year	**2,765,535**	4,595,014
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**2,725,766**	4,600,896
Non-controlling interests	**39,769**	(5,882)
	2,765,535	4,595,014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current Assets			
Property, plant and equipment		**258,871**	399,357
Investment properties		**13,100,399**	10,862,281
Properties for development		**3,485,361**	1,999,170
Deposits for acquisition of properties for development		**236,196**	165,862
Prepaid lease payments on land use rights		**58,281**	78,678
Other assets – properties interests		**18,142**	17,815
Interests in associates		**2,939,345**	3,565,352
Interests in joint ventures		**2,950,262**	2,167,330
Loans receivable		**122,972**	116,250
Available-for-sale investments		**292,370**	371,553
Deferred tax assets		**98,698**	72,736
		23,560,897	19,816,384
Current Assets			
Inventories of properties			
– under development		**1,762,245**	1,890,234
– completed		**3,557,462**	3,557,606
Other inventories		**1,952**	686
Amounts due from associates		**223,992**	6,488
Amounts due from joint ventures		**1,789,769**	994,782
Amounts due from non-controlling shareholders		**18,832**	17,986
Loans receivable		**664,471**	406,813
Trade and other receivables, deposits and prepayments	*(11)*	**441,271**	394,934
Prepaid lease payments on land use rights		**898**	886
Held-for-trading investments		**81,527**	98,217
Prepaid tax		**84,170**	52,175
Pledged bank deposits		**186,202**	269,786
Bank balances and cash		**4,782,753**	4,330,115
		13,595,544	12,020,708
Assets classified as held for sale		**–**	1,854,742
		13,595,544	13,875,450

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*
At 31st December, 2017

	Notes	2017 HK$'000	2016 HK$'000
Current Liabilities			
Trade and other payables	(12)	**1,536,349**	1,472,025
Pre-sale deposits		**2,491,148**	1,681,943
Tax liabilities		**1,182,993**	1,030,401
Interest-bearing borrowings		**865,566**	1,064,869
Interest-free borrowings		**20,281**	219,895
		6,096,337	5,469,133
Liabilities associated with assets classified as held for sale		**–**	1,382,110
		6,096,337	6,851,243
Net Current Assets		**7,499,207**	7,024,207
Total Assets less Current Liabilities		**31,060,104**	26,840,591
Capital and Reserves			
Share capital		**3,788,814**	3,788,814
Reserves		**19,636,466**	17,724,397
Equity attributable to owners of the Company		**23,425,280**	21,513,211
Non-controlling interests		**1,459,760**	538,184
Total Equity		**24,885,040**	22,051,395
Non-current Liabilities			
Interest-bearing borrowings		**3,513,564**	2,451,281
Deferred rental income from a tenant		**33,845**	40,405
Rental deposits from tenants		**15,932**	25,813
Deferred tax liabilities		**2,611,723**	2,271,697
		6,175,064	4,789,196
		31,060,104	26,840,591

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, 2017 and 2016 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, 2016 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 2016. 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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, the application of the 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.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. The application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
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 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1st January, 2018
2 Effective for annual periods beginning on or after 1st January, 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1st January, 2021

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

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- 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 entity satisfies a performance obligation

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

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. 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.

In contrast to lessee accounting, 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 and 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.

Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction. For example, change in use for transfer from properties under development for sale in the ordinary course of business to investment properties could be evidenced by inception of an operating lease to another party. Currently, the Group accounts for such transfer only upon commencement of an operating lease.

(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 hotel and 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 *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Consolidated *HK$'000*
For the year ended 31st December, 2017				
SEGMENT REVENUE				
External sales	**495,608**	**463,214**	**154,059**	**1,112,881**
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)**	**253,219**
Profit before tax				**2,556,443**
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				**6,516,132**
Consolidated total assets				**37,156,441**
LIABILITIES				
Segment liabilities	**3,848,018**	**2,308,773**	**22,078**	**6,178,869**
Unallocated corporate liabilities				**6,092,532**
Consolidated total liabilities				**12,271,401**

	Property development HK$'000	Property investment HK$'000	Other operations HK$'000	Consolidated HK$'000
For the year ended 31st December, 2016				
SEGMENT REVENUE				
External sales	1,362,183	396,695	135,587	1,894,465
RESULTS				
Segment profit (loss)	4,007,717	2,018,285	(19,658)	6,006,344
Other income and gains				598,314
Unallocated corporate expenses				(227,090)
Finance costs				(179,817)
Share of profit of associates	12,169	–	–	12,169
Share of profit (loss) of joint ventures	(11,850)	127,239	(25,405)	89,984
Profit before tax				6,299,904
As at 31st December, 2016				
ASSETS				
Segment assets	9,754,678	11,242,137	28,281	21,025,096
Interests in associates	428,550	3,136,802	–	3,565,352
Interests in joint ventures	265,815	1,672,105	229,410	2,167,330
Amounts due from associates	2,563	3,925	–	6,488
Amounts due from joint ventures	927,498	–	67,284	994,782
Unallocated corporate assets				5,932,786
Consolidated total assets				33,691,834
LIABILITIES				
Segment liabilities	4,328,502	2,053,333	9,062	6,390,897
Unallocated corporate liabilities				5,249,542
Consolidated total liabilities				11,640,439

(4) Other income and gains

	2017	2016
	HK$'000	*HK$'000*
Dividend income		
– unlisted shares	**2,254**	644
– listed shares	**999**	5,633
Interest income on bank deposits	**36,773**	25,763
Interest income from loans receivable	**39,443**	82,917
Interest income from joint ventures	**22,252**	102,952
Revaluation reserves released upon disposal of available-for-sale investments to profit or loss	**–**	202,667
Deposits forfeited for termination of disposal of subsidiaries	**–**	145,693
Net exchange gain	**18,976**	–
Subsidy income	**828**	1,959
Other income	**28,419**	30,086
	149,944	598,314

(5) Gain on disposal of subsidiaries

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 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 remaining 50% equity interest in the property development company in the PRC became a joint venture ("JV Company") of the Group upon completion of this disposal.

During the year ended 31st December, 2016, the Group disposed of its entire interests in five subsidiaries to independent third parties. One of the subsidiaries is established in the PRC and is engaged in property investment in the PRC. Two of the subsidiaries are incorporated in the British Virgin Islands and their subsidiary and joint venture are engaged in property development and management of golf courses in the PRC respectively. One of the subsidiaries is incorporated in the British Virgin Islands and its subsidiary is engaged in property development in the PRC. The other subsidiary is incorporated in the British Virgin Islands and is holding a loan receivable.

Details of the disposals are as follows:

The net liabilities of the subsidiaries at the date of disposals were as follows:

	2017	2016
	HK$'000	*HK$'000*
Net liabilities disposed of:		
Property, plant and equipment	**245**	126,899
Investment properties	**–**	153,000
Properties for development	**914,558**	741,777
Prepaid lease payments on land use rights	**–**	12,177
Obligations in excess of interest in a joint venture	**–**	(198,114)
Amount due from a joint venture	**–**	458,808
Inventories of properties under development	**971,778**	1,239,814
Other inventories	**–**	2,346
Loan receivable	**–**	401,535
Trade and other receivables, deposits and prepayments	**7,208**	3,597
Bank balances and cash	**25,287**	5,244
Shareholders' loans	**(1,004,906)**	(1,314,348)
Trade and other payables	**(763,674)**	(386,309)
Pre-sale deposits	**(13,056)**	(21,127)
Membership debentures	**–**	(50,942)
Interest-bearing borrowings	**(679,214)**	(865,357)
Interest-free borrowings	**–**	(472,329)
Deferred tax liabilities	**–**	(62,887)
Net liabilities disposed	**(541,774)**	(226,216)
Non-controlling interests	**–**	25,665
Assignment of shareholders' loans	**677,743**	1,314,348
Gain on disposals	**1,633,977**	3,937,675
Fair value of the remaining interests retained in the subsidiary classified to interests in joint ventures *(Note i)*	**(627,828)**	–
Proceeds of disposals	**1,142,118**	5,051,472
– Cash consideration received in current year	**419,487**	3,004,765
– Cash consideration for assignment of shareholders' loans	**677,743**	1,314,348
– Cash consideration received in prior years as deposit	**44,888**	732,359
	1,142,118	5,051,472
Exchange translation reserve transferred to retained earnings *(Note ii)*	**(23,176)**	23,637
Other reserves transferred to retained earnings *(Note iii)*	**–**	(40,883)
Net cash inflow arising on disposals:		
Cash consideration received in current year	**419,487**	3,004,765
Cash consideration for assignment of shareholders' loans	**677,743**	1,314,348
Bank balances and cash disposed of	**(25,287)**	(5,244)
	1,071,943	4,313,869

Notes:

(i) Included in the fair value of the remaining interests 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) Since the functional currencies of the disposed subsidiaries 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 subsidiaries are transferred from exchange translation reserve to retained earnings at the time of disposal.

(iii) Other reserves represented the fair value adjustment from acquisition of the subsidiary in prior years.

(6) Gain on bargain purchase of subsidiaries

For 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 bargain purchase. The amount of 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 *HK$'000*	**Fair value adjustments** *HK$'000* *(Note i)*	**Fair value** *HK$'000*
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)
	763,634	–	763,634
Non-controlling interests *(Note ii)*			(177,895)
Interests in an associate			(246,637)
Gain on bargain purchase of a subsidiary			(60,856)
Consideration, satisfied by cash			278,246
Net cash outflow arising on acquisition:			
Cash consideration paid			278,246
Bank balances and cash acquired			(146,724)
			131,522

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.

For the year ended 31st December, 2016

The Group acquired four subsidiaries, detailed information is illustrated below:

(a) The Group acquired approximately 90.65% interest in Asiasec Properties Limited ("ASL", formerly known as Dan Form Holdings Company Limited), a listed company in Hong Kong, for a total consideration of HK$3,096,495,000. The principal businesses of ASL and its subsidiaries are engaged in the property investment, property leasing and estate management in Hong Kong. This transaction has been accounted for as acquisition of business, using acquisition accounting. In relation to the acquisition, the Group had made competitive offer price in acquiring the shares of ASL 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 the bargain purchase. The amount of bargain purchase arising as a result of the acquisition of ASL is HK$1,588,570,000.

The net assets acquired in the ASL's transaction are as follows:

	Acquirees' carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	82,096	77,728	159,824
Investment properties	1,121,881	–	1,121,881
Prepaid lease payments on land use rights	22,755	15,077	37,832
Interests in associates	3,136,801	–	3,136,801
Available-for-sale investments	47,146	–	47,146
Trade and other receivables, deposits and prepayments	8,578	–	8,578
Amount due from an associate	3,925	–	3,925
Bank balances and cash	981,503	–	981,503
Trade and other payables	(26,470)	–	(26,470)
Tax liabilities	(431)	–	(431)
Interest-free borrowings	(139,823)	–	(139,823)
Deferred taxation	(147,629)	(14,836)	(162,465)
	5,090,332	77,969	5,168,301
Non-controlling interests *(Note)*			(483,236)
Gain on bargain purchase of subsidiaries			(1,588,570)
Consideration, satisfied by cash			3,096,495
Net cash outflow arising on acquisition:			
Cash consideration paid			3,096,495
Bank balances and cash acquired			(981,503)
			2,114,992

Note:

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.

(b) Another three transactions included the acquisition of the entire interest in one subsidiary for a consideration of HK$315,400,000 and its joint venture is holding golf courses in the PRC. The other two transactions were the acquisition of the entire interests in two subsidiaries and shareholders' loans for a total consideration of HK$100,700,000. The two subsidiaries are holding property investment projects. These transactions are accounted for as acquisitions of assets.

The net assets acquired in the other transactions are as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	258
Investment properties	123,664
Interests in joint ventures	258,422
Trade and other receivables, deposits and prepayments	1,689
Amount due from a joint venture	62,992
Amount due from a non-controlling shareholder	9
Bank balances and cash	13,024
Shareholders' loans	(32,473)
Trade and other payables	(1,536)
Deferred taxation	(23,265)
	402,784
Non-controlling interests	(19,157)
Settlement of shareholders' loans	32,473
Consideration, satisfied by cash	416,100
Net cash outflow arising on acquisitions:	
Cash consideration paid	416,100
Bank balances and cash acquired	(13,024)
	403,076

(7) Taxation

	2017	2016
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
– Hong Kong Profits Tax	**4,545**	–
– Overseas Tax	**4,547**	–
– PRC Enterprise Income Tax	**157,121**	441,976
– Land Appreciation Tax ("LAT")	**80,267**	25,606
	246,480	467,582
(Over) under provision in prior years		
– Hong Kong Profits Tax	**(29)**	–
– PRC Enterprise Income Tax	**(2,870)**	7,079
– LAT	**–**	(23)
	(2,899)	7,056
	243,581	474,638
Deferred tax	**220,756**	117,018
	464,337	591,656

Hong Kong Profits Tax is calculated at the rate of 16.5% on the estimated assessable profit for the year. The PRC Enterprise Income Tax is calculated at the rates applicable to respective subsidiaries. Overseas Tax is charged at the appropriate current rates of taxation ruling in the relevant countries.

(8) Profit for the year

	2017	2016
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**23,813**	28,354
Less: amount capitalised in properties under development	**(2,753)**	(2,770)
	21,060	25,584
Amortisation of:		
Other assets – properties interests	**500**	506
Properties for development *(Note)*	**35,802**	54,857
Prepaid lease payments on land use rights	**1,315**	1,223
Total depreciation and amortisation	**58,677**	82,170
Cost of inventories recognised as expenses	**277,515**	949,292
Net exchange (gain) loss	**(18,976)**	30,369
Allowance for bad and doubtful debts	**22,989**	–
Share of tax of joint ventures included in share of profit of joint ventures	**376,533**	276,216

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:

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**2,054,142**	5,712,954

	2017	2016
	'000	*'000*
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

No diluted earnings per share for both 2017 and 2016 were presented as there were no potential ordinary shares in issue for both 2017 and 2016.

(10) Dividend

	2017	2016
	HK$'000	*HK$'000*
Dividend recognised as distributions during the year:		
Special dividend paid in form of distribution of shares in a listed subsidiary (2016: Nil) *(Note)*	**489,700**	–
No interim dividend for 2016 paid (2016: for 2015 paid of HK15 cents per share)	**–**	226,015
	489,700	226,015
Interim dividend declared of HK20 cents (2016: Nil) per share	**301,354**	–
No special dividend declared in form of distribution of shares in a listed subsidiary (2016: HK32.5 cents)	**–**	489,700
	301,354	489,700

Subsequent to the end of the reporting period, the interim dividend of HK20 cents (2016: Nil) per share in respect of the financial year ended 31st December, 2017 has been declared by the Board.

Note:

A special dividend in form of distribution in specie of 195,880,034 shares in ASL, a non wholly-owned subsidiary of the Company, ("ASL Shares") 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:

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**27,703**	8,497
Between 4 and 6 months	**268**	1,671
Between 7 and 12 months	**89**	281
Over 12 months	**1,290**	1,397
	29,350	11,846

As at 31st December, 2017, other receivables included a deposit of HK$148,871,000 (2016: HK$142,180,000) which was paid for acquisition of properties held for sale from third parties and the transaction has not yet completed at the end of the reporting period.

(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:

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**216,400**	260,283
Between 4 and 6 months	**32,935**	8,263
Between 7 and 12 months	**236,115**	709
Over 12 months	**404,163**	414,524
	889,613	683,779

As at 31st December, 2016, the Group has received HK$227,144,000 deposits for disposal of properties for development and properties under development through disposal of subsidiaries, which are included in trade and other payables. During the year ended 31st December, 2017, the disposal for deposit received of HK$44,888,000 has been completed and the disposals for deposits received of HK$182,256,000 have been terminated and refunded by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the year ended 31st December, 2017 was HK$1,112.9 million (2016: HK$1,894.5 million), a decrease of 41% compared to the year before. The profit attributable to owners of the Company amounted to HK$2,054.1 million (2016: HK$5,713.0 million), representing a decrease of 64% from 2016.

The decrease in profit for the year was mainly due to a lower contribution from disposal of non-core assets and the absence of a large one-off gain from a bargain purchase of an interest in a Hong Kong listed subsidiary, Asiasec Properties Limited. For 2017, disposal of non-core assets contributed HK$1,634.0 million (2016: HK$3,937.7 million). By increasing its stake in an Australian listed company, Tian An Australia Limited, at a discount to the stated net asset value, the Group also recorded a gain of HK$60.9 million in 2017 (2016: HK$1,588.6 million).

Earnings per share amounted to HK$1.36 (2016: HK$3.79), while the net asset value per share attributable to owners of the Company was HK$15.55 at the end of 2017 (2016: HK$14.28).

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 2017 is described below:

(1) We have continued to dispose of non-core assets.

(2) Total attributable registered sales (including sales from joint ventures and pre-sales of properties under construction) of the Group amounted to 203,300 m^2 in 2017 (2016: 365,100 m^2), a decrease of 44%. A total attributable gross floor area ("GFA") of approximately 284,700 m^2 (2016: 250,400 m^2) was completed, an increase of 14% from last year. For 2017, a total attributable GFA of approximately 902,700 m^2 (2016: 1,119,500 m^2) was under construction at the year end, representing a 19% decrease over the last year.

(3) Rental income was up by 17% as compared with 2016, due mainly to the contribution from the Hong Kong listed subsidiary and the newly acquired London hotel.

(4) Cyberpark: There are a total of 15 cyberparks over 12 cities. The overall contribution of our cyberpark unit has increased, with sales and leasing improving in most of our cyberparks.

    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 m^2 is under construction and expected to be completed in 2018.

(6) For the year ended 31st December, 2017, Asiasec Properties Limited reported a profit of HK$169.2 million (2016: HK$61.8 million) attributable to its shareholders.

Plans for 2018

Objectives for 2018 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, 2017, the total bank balances and cash reserves of the Group were approximately HK$4,969.0 million (2016: HK$4,599.9 million), providing sufficient working capital for the daily operations of the Group.

As at 31st December, 2017, the total borrowings of the Group amounted to approximately HK$4,399.4 million (2016: HK$3,736.0 million), including current liabilities of HK$885.8 million (2016: HK$1,284.7 million) and non-current liabilities of HK$3,513.6 million (2016: HK$2,451.3 million). The gearing ratio (net debt over total equity) of the Group was negative of 2% (2016: negative of 4%). The borrowings were mainly used to finance the properties for development and properties under construction. Decrease in finance costs is mainly due to the decrease in market interest rates.

Approximately 40% 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 86% 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, 2017, bank deposits of HK$186.2 million, aggregate carrying values of property, plant and equipment, development properties and investment properties of approximately HK$168.2 million, HK$5,183.1 million and HK$8,825.1 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

A portion of a property for development that is held by a joint venture with carrying value of approximately HK$2.6 million is under idle land investigation by the local authority. The piece of land owned by the joint venture was held under several land use right certificates. The development of more than half of the piece of land was either completed or under development, except for a portion which is retained for the remaining development of the whole project. Another property for development that is held by a subsidiary of the Group with carrying value of approximately HK$36.4 million is 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$757.7 million had been identified as idle land by the local authority. The construction works for the first phase of development is in progress. 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 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.

As at 31st December, 2017, 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$1,652.5 million. All the guarantees provided by the Group were requested by banks and under normal commercial terms. Legal action were taken against the Group resulting in possible contingent liabilities of approximately HK$11.0 million. The Group has assessed the claims and obtained legal advices, and considers that the final outcome of the claims will not have material effect on the financial position of the Group.

Employees

As at 31st December, 2017, the Group including its subsidiaries but excluding associates and joint ventures, employed 1,980 (2016: 2,113) 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 and cool down the overheated property market, so as to restore a healthy and stable property market. In Hong Kong, where there is a shortage in the supply of land resulting in record land prices, the Group's controlling interest in Asiasec Properties Limited will help to mitigate the effects of Renminbi asset fluctuations. Although, it is expected that global market interest rates will go up in 2018 and may induce an adverse impact on the property market, we are 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, 2017 (2016: Nil) payable on or around Friday, 20th April, 2018 to the shareholders of the Company ("Shareholders") whose names appear on the register of members of the Company on Friday, 6th April, 2018.

For the year ended 31st December, 2016, the Board declared a special dividend in form of distribution in specie of 195,880,034 shares in Asiasec Properties Limited ("ASL Shares") on the basis of 13 ASL Shares for every 100 shares of the Company.

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, 2017, the register of members of the Company will be closed from Wednesday, 4th April, 2018 to Friday, 6th April, 2018 (both days inclusive), 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 Tuesday, 3rd April, 2018.

(2) For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company ("2018 AGM")

The 2018 AGM is scheduled to be held on Wednesday, 23rd May, 2018. For determining the entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Thursday, 17th May, 2018 to Wednesday, 23rd May, 2018 (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 2018 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 Wednesday, 16th May, 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the year ended 31st December, 2017, 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, 2017 ("2017 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 2017 Annual Report which will be sent to the Shareholders by the end of April 2018.

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, 2017.

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, 2017 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, 2017, 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, 16th March, 2018

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.