天安中國投資有限公司

TIAN AN CHINA INVESTMENTS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 28)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

The board of directors ("Board") of Tian An China Investments Company Limited ("Company") announces that the unaudited consolidated results of the Company and its subsidiaries ("Group") for the six months ended 30th June, 2013 with the comparative figures for the corresponding period in 2012 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30th June, 2013

		(Unaudited)	
		Six months ended 30th June,	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
Revenue	*(4)*	**915,936**	691,961
Cost of sales		**(581,588)**	(455,805)
Gross profit		**334,348**	236,156
Other income and gains	*(5)*	**53,276**	63,142
Marketing and distribution expenses		**(27,199)**	(18,483)
Administrative expenses		**(148,353)**	(143,770)
Other operating expenses		**(14,143)**	(22,214)
Net increase in fair value of held-for-trading investments		**3,922**	2,551
Fair value gain on transfer of inventories of completed properties to investment properties		**3,465**	12,775
Increase in fair value of investment properties		**205,831**	275,002
Reversal of (write-down of) inventories of completed properties		**2,599**	(14,906)
Recoveries of bad and doubtful debts		**21**	2,133
Amortisation of properties for development		**(57,574)**	(42,678)
Finance costs		**(88,888)**	(87,374)
Share of loss of associates		**(19)**	(40)
Share of profit of joint ventures		**46,263**	133,784
Profit before tax		**313,549**	396,078
Taxation	*(6)*	**(230,199)**	(168,527)
Profit for the period	*(7)*	**83,350**	227,551

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Cont'd)*
for the six months ended 30th June, 2013

		(Unaudited) Six months ended 30th June,	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
Profit for the period attributable to:			
Owners of the Company		**86,501**	219,655
Non-controlling interests		**(3,151)**	7,896
		83,350	227,551
		HK cents	*HK cents*
Earnings per share	*(8)*		
Basic		**5.74**	14.58

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 30th June, 2013

	(Unaudited) Six months ended 30th June, 2013 HK$'000	2012 HK$'000
Profit for the period	**83,350**	227,551
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation to presentation currency	**195,304**	587
Items that may be subsequently reclassified to profit or loss:		
Share of change in fair value of available-for-sale investments of joint ventures	**–**	(13,373)
Increase (decrease) in fair value of available-for-sale investments	**2,193**	(6,110)
Impairment loss on available-for-sale investments reclassified to profit or loss	**2,358**	8,888
Reserves released upon disposal of properties	**182**	–
	4,733	(10,595)
Other comprehensive income (expense) for the period	**200,037**	(10,008)
Total comprehensive income for the period	**283,387**	217,543
Total comprehensive income attributable to:		
Owners of the Company	**277,241**	210,039
Non-controlling interests	**6,146**	7,504
	283,387	217,543

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30th June, 2013

	Notes	(Unaudited) 30th June, 2013 HK$'000	(Audited) 31st December, 2012 HK$'000
Non-current Assets			
Property, plant and equipment		**973,221**	947,755
Deposits for acquisition of property, plant and equipment		**86,599**	84,306
Investment properties		**8,344,069**	8,020,410
Properties for development		**6,939,553**	7,014,323
Deposits for acquisition of properties for development		**196,878**	195,345
Prepaid lease payments on land use rights		**107,067**	107,626
Other assets – properties interests		**21,739**	–
Interests in associates		**7,252**	7,271
Interests in joint ventures		**1,253,408**	1,239,338
Loans receivable		**37,544**	33,068
Available-for-sale investments		**258,229**	130,828
Goodwill		**640**	640
Deferred tax assets		**146,664**	123,455
		18,372,863	17,904,365
Current Assets			
Inventories of properties			
– under development		**2,424,946**	1,802,616
– completed		**2,030,113**	2,111,133
Other inventories		**56,100**	75,591
Amounts due from associates		**2,563**	2,563
Amounts due from joint ventures		**387,342**	495,822
Amounts due from non-controlling shareholders		**12,926**	12,767
Loans receivable		**131,025**	148,883
Trade, bills and other receivables, deposits and prepayments	*(9)*	**641,704**	473,894
Prepaid lease payments on land use rights		**2,770**	2,745
Financial assets designated as at fair value through profit or loss		**196,428**	308,956
Other principal protected deposits		**379,381**	216,613
Held-for-trading investments		**21,704**	17,782
Prepaid tax		**7,283**	4,002
Pledged bank deposits		**5,937**	80,340
Bank balances and cash		**1,835,852**	1,206,762
		8,136,074	6,960,469

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*
at 30th June, 2013

	Notes	(Unaudited) 30th June, 2013 HK$'000	(Audited) 31st December, 2012 HK$'000
Current Liabilities			
Trade, bills and other payables	(10)	**3,784,962**	2,816,611
Pre-sale deposits		**469,969**	291,209
Tax liabilities		**692,170**	638,314
Dividends payable to non-controlling shareholders		**4,200**	1,150
Membership debentures		**27,333**	26,527
Interest-bearing borrowings		**1,527,404**	1,398,006
Interest-free borrowings		**509,073**	663,447
		7,015,111	5,835,264
Net Current Assets		**1,120,963**	1,125,205
Total Assets less Current Liabilities		**19,493,826**	19,029,570
Capital and Reserves			
Share capital		**301,354**	301,354
Reserves		**13,374,001**	13,157,031
Equity attributable to owners of the Company		**13,675,355**	13,458,385
Non-controlling interests		**952,575**	953,929
Total Equity		**14,627,930**	14,412,314
Non-current Liabilities			
Interest-bearing borrowings		**2,041,035**	1,941,966
Deferred rental income from a tenant		**76,417**	79,913
Rental deposits from tenants		**28,672**	27,573
Membership debentures		**24,531**	23,646
Deferred tax liabilities		**2,695,241**	2,544,158
		4,865,896	4,617,256
		19,493,826	19,029,570

Notes:

(1) Review by auditor

The interim financial report of the Group for the six months ended 30th June, 2013 has been reviewed by our auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and an unmodified review conclusion has been issued.

(2) Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

(3) Significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2012.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee, and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

HKFRS 11 Joint Arrangements

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures", and the guidance contained in a related interpretation, HK(SIC) – Int 13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separated entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

The directors of the Company concluded that the application of HKFRS 10, 11 and 12 do not have material impact on the amounts reported in the condensed consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements in annual report.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applied to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009-2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (CODM) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment. As a result, such information is presented in note 4.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and disclosures set out in these condensed consolidated financial statements.

(4) Segment information

The Group's revenue for the period was derived mainly from activities carried out and located in the People's Republic of China ("PRC") other than Hong Kong. The Group's basis of organisation is determined based on four main operations: property development, property investment, manufacture, sales and trading of cement, clinker and construction materials and other operations, that comprises mainly hotel and property management and golf course operation. Similarly, the Group's reportable and operating segments, reported to the Executive Directors of the Company for the purposes of resource allocation and performance assessment, also focused on the four main operations.

The Group has not included total asset information as part of segment information.

The following is an analysis of the Group's revenue, results and assets by reportable and operating segments:

	Property development *HK$'000*	Property investment *HK$'000*	Manufacture, sales and trading of cement, clinker and construction materials *HK$'000*	Other operations *HK$'000*	Consolidated *HK$'000*
For the six months ended 30th June, 2013					
SEGMENT REVENUE					
External sales	**341,373**	**209,451**	**306,669**	**58,443**	**915,936**
RESULTS					
Segment profit (loss)	**29,706**	**332,635**	**1,703**	**(15,735)**	**348,309**
Other income and gains					**53,276**
Unallocated corporate expenses					**(45,392)**
Finance costs					**(88,888)**
Share of loss of associates	**(19)**	**–**	**–**	**–**	**(19)**
Share of profit (loss) of joint ventures	**2,768**	**63,012**	**–**	**(19,517)**	**46,263**
Profit before tax					**313,549**
As at 30th June, 2013					
ASSETS					
Segment assets	**11,855,747**	**8,569,512**	**845,145**	**305,654**	**21,576,058**
Interests in associates	**7,252**	**–**	**–**	**–**	**7,252**
Interests in joint ventures	**543,559**	**688,418**	**–**	**21,431**	**1,253,408**
Amounts due from associates	**2,563**	**–**	**–**	**–**	**2,563**
Amounts due from joint ventures	**340,672**	**–**	**–**	**46,670**	**387,342**
Unallocated corporate assets					**3,282,314**
Consolidated total assets					**26,508,937**
LIABILITIES					
Segment liabilities	**2,804,634**	**208,657**	**35,522**	**146,196**	**3,195,009**
Unallocated corporate liabilities					**8,685,998**
Consolidated total liabilities					**11,881,007**

	Property development HK$'000	Property investment HK$'000	Manufacture, sales and trading of cement, clinker and construction materials HK$'000	Other operations HK$'000	Consolidated HK$'000
For the six months ended 30th June, 2012					
SEGMENT REVENUE					
External sales	83,529	206,793	344,613	57,026	691,961
RESULTS					
Segment (loss) profit	(84,817)	418,306	9,884	(7,789)	335,584
Other income and gains					63,142
Unallocated corporate expenses					(49,018)
Finance costs					(87,374)
Share of loss of associates	(40)	–	–	–	(40)
Share of profit (loss) of joint ventures	70,198	63,929	–	(343)	133,784
Profit before tax					396,078
As at 31st December, 2012					
ASSETS					
Segment assets	11,411,774	8,233,794	830,005	157,204	20,632,777
Interests in associates	7,271	–	–	–	7,271
Interests in joint ventures	617,849	580,682	–	40,807	1,239,338
Amounts due from associates	2,563	–	–	–	2,563
Amounts due from joint ventures	450,100	–	–	45,722	495,822
Unallocated corporate assets					2,487,063
Consolidated total assets					24,864,834
LIABILITIES					
Segment liabilities	1,739,594	196,093	13,643	196,180	2,145,510
Unallocated corporate liabilities					8,307,010
Consolidated total liabilities					10,452,520

(5) Other income and gains

	(Unaudited) Six months ended 30th June, 2013 HK$'000	2012 HK$'000
Dividend income on available-for-sale investments	**2,243**	1,711
Interest income on bank deposits	**7,016**	14,690
Interest income from loans receivable	**14,682**	11,004
Interest income on other principal protected deposits	**4,827**	4,351
Fair value gain on financial assets designated as at fair value through profit or loss	**8,093**	8,321
Other income	**16,415**	23,065
	53,276	63,142

(6) Taxation

	(Unaudited) Six months ended 30th June, 2013 HK$'000	2012 HK$'000
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax	**50,976**	27,286
– Land Appreciation Tax	**69,890**	4,339
	120,866	31,625
(Over) under provision in prior years		
– PRC Enterprise Income Tax	**(1,330)**	133
– Land Appreciation Tax	**2,251**	1,714
	921	1,847
	121,787	33,472
Deferred tax	**108,412**	135,055
	230,199	168,527

No provision for Hong Kong Profits Tax has been made as the group companies operating in Hong Kong do not have any assessable profit for both periods. The PRC Enterprise Income Tax is calculated at the rates applicable to respective subsidiaries.

(7) Profit for the period

	(Unaudited) Six months ended 30th June, 2013 HK$'000	2012 HK$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**25,485**	23,927
Less: amount capitalised on properties under development	**(1,383)**	(1,310)
	24,102	22,617
Amortisation of:		
Properties for development	**57,574**	42,678
Prepaid lease payments on land use rights	**1,407**	1,301
Total depreciation and amortisation	**83,083**	66,596
Impairment loss on available-for-sale investments (included in other operating expenses)	**2,358**	8,888
Cost of inventories recognised as expenses	**458,435**	357,562
Net exchange loss (gain)	**3,545**	(1,566)
Share of tax of joint ventures (included in share of profit of joint ventures)	**40,282**	120,340

(8) Earnings per share

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

	(Unaudited) Six months ended 30th June,	
	2013	2012
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**86,501**	219,655

	(Unaudited) Six months ended 30th June,	
	2013	2012
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**1,506,769**	1,506,769

No diluted earnings per share has been presented for both periods as there were no outstanding potential ordinary shares during the six months ended 30th June, 2013 and 30th June, 2012.

(9) Trade, bills and other receivables

Proceeds receivable in respect of sale 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 1 year to its customers.

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

	(Unaudited) 30th June, 2013	(Audited) 31st December, 2012
	HK$'000	*HK$'000*
Within 3 months	**210,430**	167,107
Between 4 and 6 months	**35,512**	58,319
Between 7 and 12 months	**51,340**	25,791
Over 12 months	**2,848**	3,509
	300,130	254,726

As at 30th June, 2013, other receivables included a deposit of HK$94,750,000 which was paid for acquisition of properties held for sales from a third party and the transaction have not yet completed as at 30th June, 2013.

(10) Trade, bills and other payables

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

	(Unaudited) 30th June, 2013 *HK$'000*	(Audited) 31st December, 2012 *HK$'000*
Within 3 months	**159,025**	139,612
Between 4 and 6 months	**19,377**	68,989
Between 7 and 12 months	**8,177**	20,243
Over 12 months	**364,430**	368,864
	551,009	597,708

As at 30th June, 2013, the Group received HK$1,627,491,000 (31st December, 2012: HK$763,280,000) deposits for disposal of properties for development and properties under development for sales through disposal of subsidiaries, which are included in trade, bills and other payables. The transactions have not yet completed up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the six months ended 30th June, 2013 was HK$915.9 million (2012: HK$692.0 million), an increase of 32% compared to the same period of last year. The profit attributable to owners of the Company was HK$86.5 million (2012: HK$219.7 million), representing a 61% decrease over the corresponding period of last year.

The decrease in profit for the period was the result of:

(1) a decrease of 65% in the share of profit of joint ventures because of less recognised sales and completion of properties;

(2) a decrease in revaluation gains in respect of the Group's investment properties portfolio; and

(3) a lower contribution from the cement division.

Earnings per share amounted to HK5.74 cents (2012: HK14.58 cents), while net asset value per share attributable to owners of the Company was HK$9.08 at the end of June 2013 (December 2012: HK$8.93).

Business Review

The Group is engaged principally in the development of high-end apartments, villas, office buildings and commercial properties, property investment and property management, as well as the manufacture, sales and trading of cement and clinker in China.

An outline of our achievements in the first half of 2013 is described below:

(1) We have introduced a strategic investor into our Fuzhou Dengyun Resort and Shanghai Tian An Villas projects. We expect the investor to further improve the potential profitabilities of these two projects.

(2) Total attributable recognised sales (including joint ventures) of the Group amounted to 28,700 m^2 in the first half of 2013 (2012: 32,200 m^2), a decrease of 11%. A total attributable gross floor area ("GFA") of approximately 7,200 m^2 (2012: 60,200 m^2) was completed, a drop of 88%.

However, on a positive note, during the same period, the total attributable sales of properties before revenue recognition (including joint ventures) of the Group amounted to 97,400 m^2 (2012: 10,300 m^2), a more than 8 times increase from the prior period.

By the end of the 2013 half year, a total attributable GFA of approximately 875,600 m^2 (2012: 836,700 m^2) was under construction, representing a 5% increase over the corresponding date of last year, including Shanghai Tian An Villa (Phase 2 Part 1), Shanghai Tian An Place (Phase 1 Part 2), Wuxi Manhattan (Phase 1 Part 2), Nantong Tian An Garden (Phase 5 Part 2), Changzhou Tian An Villas (Phase 2 Part 2), Huizhou Danshui Tian An Sun Life City (Phase 1 Part 1), Fuzhou Dengyun Resort (Phase 1 Part 2), Changchun Tian An City One (Phase 4 Part 1), Guangzhou Tian An Panyu Hi-Tech Ecological Park (Phases 7 and 8), Foshan Tian An Nanhai Cyber Park (Phases 5 and 6), Dongguan Tian An Cyber Park (Phase 2), Wuxi Tian An Intelligent Park (Phase 1 Part 1), Nanjing Tian An Cyber Park (Phases 1 and 2), Nantong Tian An Cyber Park (Phase 1 Part 1), Jiangyin Tian An Cyber Park (Phase 1), Chongqing Tian An Cyber Park (Phase 2) and Tianjin Tian An Cyber Park (Phases 2 and 3).

(3) Rental income continued to increase as compared with 2012.

(4) Cyberpark: Our southern cyberparks have been progressing well. The projects in Shenzhen, Panyu, Longgang, Foshan and Dongguan all performed in line with our expectations.

As far as our eastern and northern cyberparks are concerned, Tianjin Tian An Cyber Park (Phase 1) has completed its construction works and we have commenced sales and letting for this project. Wuxi Tian An Intelligent Park (Phase 1 Part 1), Nanjing Tian An Cyber Park (Phases 1 and 2), Nantong Tian An Cyber Park (Phase 1 Part 1), Jiangyin Tian An Cyber Park (Phase 1), Chongqing Tian An Cyber Park (Phase 2) and Tianjin Tian An Cyber Park (Phases 2 and 3) have commenced construction and we expect them to be completed in the second half of 2013 or 2014.

(5) Tian An has commenced the first urban renewal project in Huawei New City Area in the Longgang District of Shenzhen. Site clearance for phase 1 of the project with GFA of 531,000 m^2 has been completed and we have commenced foundation works. We have also started clearing the land for future phases. Although this means an increased outlay of capital, it is expected to reduce complications when we start developing these phases.

(6) Allied Cement Holdings Limited, which is a listed subsidiary of the Group and is engaged principally in the production and trading of cement and related products in Shandong province and Shanghai, reported a profit attributable to its shareholders of HK$10.0 million for the first half of 2013, a reduction from HK$14.7 million in 2012, mainly due to a decline in cement selling prices.

Financial Review

Liquidity and Financing

The Group always maintains its liquidity at a healthy level with a balanced portfolio of financial resources. As at 30th June, 2013, the total bank balances and cash reserves of the Group were approximately HK$1,841.8 million, providing sufficient working capital for the daily operations of the Group.

As at 30th June, 2013, the total borrowings of the Group amounted to approximately HK$4,077.5 million (31st December, 2012: HK$4,003.4 million), including current liabilities of HK$2,036.5 million (31st December, 2012: HK$2,061.4 million) and non-current liabilities of HK$2,041.0 million (31st December, 2012: HK$1,942.0 million). The gearing ratio (net debt over total equity) of the Group was 15% (31st December, 2012: 19%). 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 58% 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 78% 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 30th June, 2013, bank deposits of HK$5.9 million, interest in a subsidiary of HK$169.1 million, other principal protected deposits of HK$51.4 million, aggregate carrying values of property, plant and equipment, development properties and investment properties of approximately HK$321.4 million, HK$2,239.0 million and HK$6,654.9 million respectively, were pledged for banking facilities and other loans granted to the Group and mortgage loans granted to property purchasers and bills payables.

Contingent Liabilities

A portion of a property for development that is held by a joint venture with carrying value of HK$3.0 million is under idle land investigation by the local authority. The piece of land owned by the joint venture was entitled for 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 of the land for the remaining development of the whole project. The Group is currently working diligently to prevent the possible classification as idle land for the above land development, 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 may not materialise.

As at 30th June, 2013, guarantees given to banks in respect of mortgage loans granted to property purchasers and bank facilities utilised by the joint ventures amounted to approximately HK$573.2 million. All the guarantees provided by the Group were requested by banks and under normal commercial terms. Legal actions were taken against the Group resulting in possible contingent liabilities of approximately HK$188.7 million. The Group has assessed the claims and obtained legal advice, and considers that either it is too early to assess the range of possible liability at this stage or no additional provision is required to be made.

Employees

As at 30th June, 2013, the Group including its subsidiaries but excluding associates and joint ventures, employed 2,159 (31st December, 2012: 2,294) 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 central government is still concerned with the perceived high property prices. Accordingly, it has restricted the number of homes that can be purchased as well as foreign investment in the property sector and imposed individual income tax on properties sold by individuals. It has also increased the extent of its low cost housing programme in all major cities. Moreover, the monetary policy was tight in the first half of 2013. With government controls still in place, the sentiment in the short term is somewhat negative. However, we remain confident of the longer term prospects of the property market in China.

INTERIM DIVIDEND

The Board considers that it is prudent to retain an appropriate level of funds to take advantage of business opportunities as and when they arise, and therefore does not intend to declare an interim dividend (2012: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30th June, 2013, 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:

(1) 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 an effective internal control system; and (iii) can promote (as opposed to ensure under the code provision) the co-ordination between the internal and external auditors, and check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced.

The reasons for the above deviations were set out in the Corporate Governance Report contained in the Company's Annual Report for the financial year ended 31st December, 2012. The Board 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.

(2) Code Provision E.1.2

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting and also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

Due to another business engagement, Mr. Lee Seng Hui, the Chairman of the Board, was unable to attend the AGM. However, Mr. Edwin Lo King Yau, an Executive Director of the Company, took the chair of that meeting and a Non-Executive Director, being a member of the Audit Committee, and two Independent Non-Executive Directors, being the chairmen of Remuneration and Nomination Committees were present thereat and were available to answer questions to ensure effective communication with the shareholders of the Company.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30th June, 2013. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by HKICPA, and on the interim results announcement of its listed subsidiary, as well as reports obtained from management. The Audit Committee has not undertaken detailed independent audit checks.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30th June, 2013.

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

Hong Kong, 23rd August, 2013

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), Dr. Moses Cheng Mo Chi and Mr. Lee Shu Yin 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.