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, 2014

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, 2014 with the comparative figures for the corresponding period in 2013 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30th June, 2014

		(Unaudited)	
		Six months ended 30th June,	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
			(restated)
Continuing operations			
Revenue	*(4)*	**439,667**	609,267
Cost of sales		**(253,519)**	(299,162)
Gross profit		**186,148**	310,105
Other income and gains	*(5)*	**55,564**	35,215
Marketing and distribution expenses		**(19,553)**	(25,002)
Administrative expenses		**(138,264)**	(128,968)
Other operating expenses		**(102,209)**	(14,127)
Net (decrease) increase in fair value of held-for-trading investments		**(5,384)**	3,922
Fair value gain on transfer of inventories of completed properties to investment properties		**267,229**	3,465
Increase in fair value of investment properties		**39,230**	205,831
Reversal of written down of inventories of completed properties		**348**	2,599
Amortisation of properties for development		**(55,923)**	(57,574)
Loss on voluntary liquidation of a subsidiary	*(6)*	**(77)**	–
Gain on disposal of a joint venture	*(7)*	**1,100**	–
Finance costs		**(96,058)**	(86,412)
Share of loss of associates		**(19)**	(19)
Share of profit of joint ventures		**45,749**	46,263
Profit before tax		**177,881**	295,298
Taxation	*(8)*	**(128,827)**	(226,362)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Cont'd)*
for the six months ended 30th June, 2014

	Notes	(Unaudited) Six months ended 30th June, 2014 HK$'000	2013 HK$'000 (restated)
Profit for the period from continuing operations		**49,054**	68,936
Discontinued operations			
Profit for the period from discontinued operations	*(9)*	**120,697**	14,414
Profit for the period	*(10)*	**169,751**	83,350
Profit attributable to owners of the Company			
from continuing operations		**69,970**	79,803
from discontinued operations		**119,835**	6,698
Profit for the period attributable to owners of the Company		**189,805**	86,501
Profit attributable to non-controlling interests			
from continuing operations		**(20,916)**	(10,867)
from discontinued operations		**862**	7,716
Profit for the period attributable to non-controlling interests		**(20,054)**	(3,151)
		169,751	83,350
		HK cents	*HK cents*
Earnings per share	*(11)*		
from continuing operations and discontinued operations			
Basic		**12.60**	5.74
from continuing operations			
Basic		**4.64**	5.30

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 30th June, 2014

	(Unaudited) Six months ended 30th June, 2014 HK$'000	2013 HK$'000
Profit for the period	**169,751**	83,350
Other comprehensive (expense) income		
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation to presentation currency	**(3,611)**	195,304
Items that may be subsequently reclassified to profit or loss:		
Share of change in fair value of available-for-sale investments	**(1,256)**	2,193
Impairment loss on available-for-sale investments reclassified to profit or loss	**3,692**	2,358
Reserves released upon disposal of properties	**85**	182
	2,521	4,733
Other comprehensive (expense) income for the period	**(1,090)**	200,037
Total comprehensive income for the period	**168,661**	283,387
Total comprehensive income attributable to:		
Owners of the Company	**188,715**	277,241
Non-controlling interests	**(20,054)**	6,146
	168,661	283,387

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30th June, 2014

	Notes	(Unaudited) 30th June, 2014 HK$'000	(Audited) 31st December, 2013 HK$'000
Non-current Assets			
Property, plant and equipment		**667,367**	1,025,635
Deposits for acquisition of property, plant and equipment and investment properties		**16,675**	87,695
Investment properties		**9,251,616**	8,629,406
Properties for development		**6,527,903**	6,512,536
Deposits for acquisition of properties for development		**198,450**	198,450
Prepaid lease payments on land use rights		**64,943**	106,848
Other assets – properties interests		**21,446**	22,015
Interests in associates		**9,057**	9,076
Interests in joint ventures		**1,525,883**	1,480,664
Loans receivable		**316,456**	322,257
Available-for-sale investments		**446,593**	219,472
Goodwill		**640**	640
Deferred tax assets		**113,169**	171,703
		19,160,198	18,786,397
Current Assets			
Inventories of properties			
– under development		**3,118,273**	3,291,737
– completed		**2,928,737**	2,376,395
Other inventories		**15,618**	66,638
Amounts due from associates		**2,563**	2,563
Amounts due from joint ventures		**428,969**	394,747
Amounts due from non-controlling shareholders		**13,090**	13,090
Loans receivable		**87,940**	58,458
Trade, bills and other receivables, deposits and prepayments	*(12)*	**412,289**	801,838
Prepaid lease payments on land use rights		**1,806**	2,805
Financial assets designated as at fair value through profit or loss		**–**	252,838
Other principal protected deposits		**–**	325,326
Held-for-trading investments		**20,105**	25,489
Prepaid tax		**43,220**	5,873
Pledged bank deposits		**139**	12,585
Bank balances and cash		**1,938,953**	1,939,209
		9,011,702	9,569,591
Assets classified as held for sale		**172,439**	248,010
		9,184,141	9,817,601

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*
at 30th June, 2014

	Notes	(Unaudited) 30th June, 2014 HK$'000	(Audited) 31st December, 2013 HK$'000
Current Liabilities			
Trade, bills and other payables	(13)	**4,895,773**	4,463,515
Pre-sale deposits		**457,448**	504,930
Tax liabilities		**525,448**	660,769
Dividends payable to non-controlling shareholders		**–**	8,877
Membership debentures		**32,207**	32,763
Interest-bearing borrowings		**2,243,712**	2,161,696
Interest-free borrowings		**600,218**	514,651
		8,754,806	8,347,201
Liabilities associated with assets classified as held for sale		**96,250**	171,241
		8,851,056	8,518,442
Net Current Assets		**333,085**	1,299,159
Total Assets less Current Liabilities		**19,493,283**	20,085,556
Capital and Reserves			
Share capital		**5,206,483**	301,354
Reserves		**8,948,630**	13,762,984
Equity attributable to owners of the Company		**14,155,113**	14,064,338
Non-controlling interests		**296,275**	953,035
Total Equity		**14,451,388**	15,017,373
Non-current Liabilities			
Interest-bearing borrowings		**2,004,268**	2,077,967
Deferred rental income from a tenant		**68,280**	72,832
Rental deposits from tenants		**26,522**	23,297
Membership debentures		**21,220**	20,621
Deferred tax liabilities		**2,921,605**	2,873,466
		5,041,895	5,068,183
		19,493,283	20,085,556

Notes:

(1) Review by auditor

The interim financial report of the Group for the six months ended 30th June, 2014 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 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, 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2013.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The new Interpretation and amendments to HKFRSs have been applied retrospectively.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 "Recoverable Amount Disclosures for Non-Financial Assets" for the first time in the current interim period. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 "Fair Value Measurements". Other than the additional disclosures, the application of HKAS 36 has not had any material impact on the amounts recognised in the condensed consolidated financial statements.

Except as described above, the application of the other amendments and Interpretation to 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.

An operating segment regarding the manufacture, sales and trading of cement, clinker and construction materials was discontinued in the current period. The segment information reported below does not include any amounts for the discontinued operations, which are described in more detail in note 9.

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*	Other operations *HK$'000*	Consolidated *HK$'000*
For the six months ended 30th June, 2014				
Continuing operations				
SEGMENT REVENUE				
External sales	**164,190**	**212,118**	**63,359**	**439,667**
RESULTS				
Segment (loss) profit	**(104,189)**	**424,680**	**(96,776)**	**223,715**
Other income and gains				**55,564**
Unallocated corporate expenses				**(51,070)**
Finance costs				**(96,058)**
Share of loss of associates	**(19)**	**–**	**–**	**(19)**
Share of (loss) profit of joint ventures	**(19,491)**	**68,580**	**(3,340)**	**45,749**
Profit before tax from continuing operations				**177,881**
As at 30th June, 2014				
Continuing operations				
ASSETS				
Segment assets	**13,101,074**	**9,681,418**	**378,144**	**23,160,636**
Interests in associates	**9,057**	**–**	**–**	**9,057**
Interests in joint ventures	**671,439**	**838,514**	**15,930**	**1,525,883**
Amounts due from associates	**2,563**	**–**	**–**	**2,563**
Amounts due from joint ventures	**382,286**	**–**	**46,683**	**428,969**
Unallocated corporate assets				**3,217,231**
Consolidated total assets for continuing operations				**28,344,339**
LIABILITIES				
Segment liabilities	**3,943,618**	**308,832**	**94,922**	**4,347,372**
Unallocated corporate liabilities				**9,545,579**
Consolidated total liabilities for continuing operations				**13,892,951**

	Property development HK$'000	Property investment HK$'000	Other operations HK$'000	Consolidated HK$'000
For the six months ended 30th June, 2013 (restated)				
Continuing operations				
SEGMENT REVENUE				
External sales	341,373	209,451	58,443	609,267
RESULTS				
Segment profit (loss)	29,706	332,635	(16,697)	345,644
Other income and gains				35,215
Unallocated corporate expenses				(45,393)
Finance costs				(86,412)
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 from continuing operations				295,298
As at 31st December, 2013				
Continuing operations				
ASSETS				
Segment assets	12,672,746	9,103,110	343,245	22,119,101
Interests in associates	9,076	–	–	9,076
Interests in joint ventures	679,773	783,338	17,553	1,480,664
Amounts due from associates	2,563	–	–	2,563
Amounts due from joint ventures	348,066	–	46,681	394,747
Unallocated corporate assets				3,666,992
Consolidated total assets for continuing operations				27,673,143
LIABILITIES				
Segment liabilities	3,475,908	373,897	201,356	4,051,161
Unallocated corporate liabilities				9,499,532
Consolidated total liabilities for continuing operations				13,550,693

(5) Other income and gains

	(Unaudited) Six months ended 30th June,	
	2014	2013
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Dividend income		
– unlisted shares	**287**	2,243
– listed shares	**71**	–
Interest income from a joint venture	**1,705**	–
Interest income on bank deposits	**12,614**	4,916
Interest income from loans receivable	**21,405**	12,938
Other income	**19,482**	15,118
	55,564	35,215

(6) Loss on voluntary liquidation of a subsidiary

During the period ended 30th June, 2014, the Group voluntarily liquidated of a subsidiary, which is established in the PRC and is inactive, resulting in a loss on voluntary liquidation of HK$77,000 and exchange translation reserve of HK$1,779,000 was released to retained earnings.

(7) Gain on disposal of a joint venture

During the period ended 30th June, 2014, the Group disposed of its entire 40% interest in a joint venture, which is established in the PRC and is engaged in property management, to the joint venture partner for cash proceeds of HK$1, resulting in a gain on disposal of HK$1,100,000 and exchange translation reserve of HK$574,000 was released to retained earnings.

(8) Taxation

	(Unaudited) Six months ended 30th June,	
	2014	2013
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax	**11,762**	43,980
– Land Appreciation Tax	**4,878**	69,890
	16,640	113,870
(Over) under provision in prior years		
– PRC Enterprise Income Tax	**(15,608)**	188
– Land Appreciation Tax	**(6,999)**	2,251
	(22,607)	2,439
	(5,967)	116,309
Deferred tax	**134,794**	110,053
	128,827	226,362

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.

(9) Discontinued operations

On 7th December, 2013, the Group entered into a sale and purchase agreement with an independent third party in relation to the disposal of approximately 56.06% interest in a subsidiary at the cash consideration of HK$532,800,000. The shares of the subsidiary are listed on the Main Board of the Stock Exchange and the subsidiary is engaged in the manufacture and sales of cement, clinker and slag, trading of cement and provision of technical services with operations in Shandong and Shanghai, the PRC. On 28th January, 2014, the ordinary resolution for approving the sale and purchase agreement was duly passed by the shareholders of the Company at an extraordinary general meeting and the transaction was completed on 4th February, 2014.

The profit for the period from discontinued manufacture, sales and trading of cement, clinker and construction materials operations is set out below. The comparative figures in the condensed consolidated statement of profit or loss have been restated to re-present the manufacture, sales and trading of cement, clinker and construction materials operations as discontinued operations.

	(Unaudited) Six months ended 30th June,	
	2014	2013
	HK$'000	*HK$'000*
Profit of manufacture, sales and trading of cement, clinker and construction materials operations for the period	**2,880**	14,414
Gain on disposal of a subsidiary	**160,388**	–
Tax on gain on disposal	**(42,571)**	–
	120,697	14,414

The results of the manufacture, sales and trading of cement, clinker and construction materials operations for the period from 1st January, 2014 to 4th February, 2014, which have been included in the condensed consolidated statement of profit or loss, were as follows:

	(Unaudited) Period ended 4th February, 2014	(Unaudited) Six months ended 30th June, 2013
	HK$'000	*HK$'000*
Revenue	**80,991**	306,669
Cost of sales	**(72,791)**	(282,427)
Other income	**3,236**	18,061
Expenses	**(6,947)**	(24,052)
Profit before taxation	**4,489**	18,251
Taxation	**(1,609)**	(3,837)
Profit for the period	**2,880**	14,414
Profit for the period from discontinued operations included the following:		
Depreciation of property, plant and equipment	**1,784**	10,498
Amortisation of prepaid lease payments on land use rights	**83**	493
Cost of inventories recognised as expenses	**72,791**	282,427

During the period, manufacture, sales and trading of cement, clinker and construction materials operations contributed HK$41,102,000 (2013: paid HK$40,146,000) to the Group's net operating cash flows, paid HK$4,452,000 (2013: contributed HK$111,232,000) in respect of investing activities and paid HK$15,856,000 (2013: paid HK$21,762,000) in respect of financing activities.

The net assets of the manufacture, sales and trading of cement, clinker and construction materials operations as at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	420,071
Deposit for acquisition of property, plant and equipment	86,418
Prepaid lease payment on land use rights	39,102
Inventories of properties completed	4,315
Other inventories	56,295
Loans receivable	34,502
Trade, bills and other receivables, deposits and prepayments	394,191
Financial assets designated as at fair value through profit or loss	254,237
Other principal protected deposits	326,642
Pledged bank deposits	8,490
Bank balances and cash	16,821
Trade, bills and other payables	(159,318)
Tax liabilities	(90,471)
Dividend payable to non-controlling shareholders	(8,877)
Interest-free borrowings	(90)
Interest-bearing borrowings	(102,430)
Deferred tax liabilities	(39,530)
Non-controlling interests	(636,706)
Net assets disposed	603,662
Gain on disposal	160,388
Fair value of the remaining interest retained in the subsidiary classified as an available-for-sale investments	(231,250)
Net proceeds on disposals, comprising	532,800
– Cash consideration received in current period	479,520
– Cash consideration received in prior year as deposit	53,280
	532,800
Exchange translation reserve transferred to retained earnings *(Note)*	52,908
Other reserve transferred to retained earnings	(16,035)
Net cash inflow arising on disposal:	
Cash consideration received in current period	479,520
Bank balances and cash disposed of	(16,821)
	462,699

Note:

Since the functional currencies of the disposed subsidiaries and the Company are the same, exchange differences accumulated in exchange translation reserve relating to the disposed subsidiaries are transferred from exchange translation reserve to retained earnings at the time of disposal.

(10) Profit for the period

	(Unaudited) Six months ended 30th June, **2014** *HK$'000*	2013 *HK$'000*
Profit for the period from continuing operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**15,718**	14,987
Less: amount capitalised on properties under development	**(2,321)**	(1,383)
	13,397	13,604
Amortisation of:		
Other assets – properties interests	**569**	–
Properties for development	**55,923**	57,574
Prepaid lease payments on land use rights	**496**	914
Total depreciation and amortisation	**70,385**	72,092
Impairment loss on available-for-sale investments (included in other operating expenses)	**3,692**	2,358
Cost of inventories recognised as expenses	**138,306**	176,008
Net exchange (gain) loss	**(172)**	3,545
Share of tax of joint ventures (included in share of profit of joint ventures)	**89,698**	40,282

(11) Earnings per share

From continuing and discontinued operations

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, **2014** *HK$'000*	2013 *HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**189,805**	86,501

	(Unaudited) Six months ended 30th June, **2014** *'000*	2013 *'000*
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**1,506,769**	1,506,769

From continuing operations

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

	(Unaudited) Six months ended 30th June,	
	2014	2013
	HK$'000	*HK$'000*
Earnings figures are calculated as follows:		
Profit for the period attributable to owners of the Company	**189,805**	86,501
Profit for the period from discontinued operations	**(119,835)**	(6,698)
Earnings for the purpose of basic earnings per share from continuing operations	**69,970**	79,803

From discontinued operations

Earnings per share for the discontinued operations is HK7.96 cents per share (2013: HK0.44 cents), based on the profit for the period from discontinued operations of HK$119,835,000 (2013: HK$6,698,000) and the denominators detailed above for earnings per share.

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, 2014 and 30th June, 2013.

(12) 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, 2014	(Audited) 31st December, 2013
	HK$'000	*HK$'000*
Within 3 months	**7,087**	283,933
Between 4 and 6 months	**435**	57,296
Between 7 and 12 months	**359**	10,671
over 12 months	**2,421**	6,127
	10,302	358,027

As at 30th June, 2014, other receivables included the deposits of HK$100,166,000 (31st December, 2013: HK$96,886,000) which was paid for acquisition of properties held for sales from third parties and the transaction has not yet completed at the end of the reporting period.

(13) 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, 2014	(Audited) 31st December, 2013
	HK$'000	*HK$'000*
Within 3 months	**277,141**	192,648
Between 4 and 6 months	**24,289**	68,641
Between 7 and 12 months	**25,849**	4,386
Over 12 months	**307,508**	304,997
	634,787	570,672

As at 30th June, 2014, the Group has received HK$2,326,212,000 (31st December, 2013: HK$2,116,309,000) deposits for disposal of properties for development and properties under development through disposal of subsidiaries, which are included in trade, bills and other payables. The transactions have not yet completed at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group from continuing operations for the six months ended 30th June, 2014 was HK$439.7 million (2013: HK$609.3 million), a decrease of 28% compared to the same period of last year, due to lower recognised property development sales. The profit attributable to owners of the Company from continuing operations amounted to HK$70.0 million (2013: HK$79.8 million). However, including both continuing and discontinued operations, the profit attributable to owners of the Company was HK$189.8 million (2013: HK$86.5 million), representing a 119% increase over the corresponding period of last year.

The increase in profit for the period was the result of a realised gain on disposal of the shares in a listed subsidiary of HK$81.6 million and an unrealised gain on holding the remaining shares of HK$78.8 million, totalling HK$160.4 million before tax or HK$117.8 million after tax.

Earnings per share (including continuing and discontinued operations) amounted to HK12.60 cents (2013: HK5.74 cents), while net asset value per share attributable to owners of the Company was HK$9.39 at the end of June 2014 (December 2013: HK$9.33).

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 in China. During the period up to 4th February, 2014, it was also engaged in the manufacture, sales and trading of cement and clinker in China (please see below for details).

An outline of our achievements in the first half of 2014 is described below:

(1) We have continued to dispose of non-core assets, including the Dalian Tian An Jinma Centre Project.

(2) Total attributable registered sales (including sales from joint ventures and pre-sales of properties under construction) of the Group amounted to 34,400 m^2 in the first half of 2014 (2013: 28,700 m^2), an increase of 20%. A total attributable gross floor area ("GFA") of approximately 197,200 m^2 (2013: 7,200 m^2) was completed, an increase of over 26 times.

By the end of the 2014 first half year, a total attributable GFA of approximately 1,224,500 m^2 (2013: 875,600 m^2) was under construction, representing a 40% increase over the corresponding date of last year, including Shenzhen Tian An Cloud Park (Phase 1), Shanghai Tian An Villa (Phase 2 Part 1), Shanghai Tian An Place (Phase 1 Part 2), Wuxi Manhattan (Phase 1 Part 2 and Phase 2), Changzhou Tian An Villas (Phase 2 Part 2), Fuzhou Dengyun Resort (Phase 1), Changchun Tian An City One (Phase 4 Part 1), Guangzhou Tian An Panyu Hi-Tech Ecological Park (Phase 8), Foshan Tian An Nanhai Cyber Park (Phase 6), Foshan Tian An Centre (Phase 1), Dongguan Tian An Cyber Park (Phase 4), Nanjing Tian An Cyber Park (Phase 2), Nantong Tian An Cyber Park (Phase 1 Part 2), Changzhou Tian An Cyber Park (Phase 2 Part 1 and Phase 3), Chongqing Tian An Cyber Park (Phase 2), Qingdao Tian An Cyber Park (Phase 1 Part 1), Tianjin Tian An Cyber Park (Phases 2 and 3) and Tianjin Tian An Intelligent Port (Phase 1).

(3) Rental income increased as compared with 2013. With the addition of Shenzhen Tian An Park Place, being Tower 3 and part of Tower 7 of Shenzhen Tian An Golf Garden (Phase 3), the rate of increase in rental income should improve.

(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), Wuxi Tian An Intelligent Park (Phase 1 Part 1), Nanjing Tian An Cyber Park (Phase 1), Nantong Tian An Cyber Park (Phase 1 Part 1) and Jiangyin Tian An Cyber Park (Phase 1) have completed their construction works and we are in the process of either obtaining sale approvals, commencing sales or letting for these projects. Nanjing Tian An Cyber Park (Phase 2), Nantong Tian An Cyber Park (Phase 1 Part 2), Changzhou Tian An Cyber Park (Phase 2 Part 1 and Phase 3), Chongqing Tian An Cyber Park (Phase 2), Qingdao Tian An Cyber Park (Phase 1 Part 1), Tianjin Tian An Cyber Park (Phases 2 and 3) and Tianjin Tian An Intelligent Port (Phase 1) have commenced construction and we expect them to be completed in the second half of 2014 or 2015.

(5) Tian An's urban renewal project, Tian An Cloud Park, in Huawei New City Area in the Longgang District of Shenzhen is a large scale cyber park of approximately 4 times our standard size. Construction works of the superstructure of all seven towers of phase 1 of the project with GFA of approximately 531,600 m^2 (including basement) are progressing well and the development should be completed by the middle of 2015. We are obtaining approval for the pre-sale of this phase in the second half of 2014. We have been clearing the land for future phases. Although this means an increased outlay of resources either through capital injection or loans, it is expected to reduce complications when we start developing these phases.

(6) Tian An's sale of approximately 56.06% of the issued share capital of Allied Cement Holdings Limited was completed on 4th February, 2014 at the consideration of HK$532.8 million, with a remaining interest of approximately 18.94%. The total realised and unrealised gain amounting to approximately HK$160.4 million has been accounted for in 2014.

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, 2014, the total bank balances and cash reserves of the Group were approximately HK$1,939.1 million, providing sufficient working capital for the daily operations of the Group.

As at 30th June, 2014, the total borrowings of the Group amounted to approximately HK$4,848.2 million (31st December, 2013: HK$4,754.3 million), including current liabilities of HK$2,843.9 million (31st December, 2013: HK$2,676.3 million) and non-current liabilities of HK$2,004.3 million (31st December, 2013: HK$2,078.0 million). The gearing ratio (net debt over total equity) of the Group was 20% (31st December, 2013: 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 66% of the Group's outstanding borrowings will mature within 2 years. Since most of the investments and operations of the Group are carried out in the PRC, most of the bank borrowings are denominated in Renminbi which will be repaid in the same currency. Around 82% 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, 2014, bank deposits of HK$0.1 million, aggregate carrying values of property, plant and equipment, development properties and investment properties of approximately HK$187.7 million, HK$5,406.5 million and HK$6,900.0 million respectively, were pledged for banking facilities and other loans granted to the Group and mortgage loans granted to property purchasers.

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 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$41.1 million is also under idle land investigation by the local authority. This piece of land owned by the subsidiary has been developed by several phases and more than half was completed, except the last portion which is under the planning approval by the local authority. The Group is currently working diligently to prevent the possible classification 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 may not materialise.

As at 30th June, 2014, guarantees given to banks in respect of mortgage loans granted to property purchasers and bank facilities granted or utilised by the joint ventures amounted to approximately HK$2,008.0 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$154.7 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, 2014, the Group including its subsidiaries but excluding associates and joint ventures, employed 1,876 (31st December, 2013: 2,315) 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

With weak sales sentiment, there have been downward adjustments of property prices in most cities of China in the first half of 2014. Some local governments have relaxed the policy of restricting the number of homes that can be purchased in order to support the property market. Nevertheless, the monetary policy was still tight in the first half of 2014. Put it simply, the sentiment in the short term appears to be encouraging but is still 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 (2013: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30th June, 2014, 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, 2013. 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 annual general meeting of the Company held on 22nd May, 2014. However, Mr. Edwin Lo King Yau, an Executive Director of the Company, took the chair of that meeting and an Independent Non-Executive Director, being the chairman of the Nomination Committee and member of Audit and Remuneration 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, 2014. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by HKICPA as well as reports obtained from management. The Audit Committee has not undertaken detailed independent audit checks.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30th June, 2014.

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

Hong Kong, 22nd August, 2014

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.