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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

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, 2012 with the comparative figures for the corresponding period in 2011 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2012

		(Unaudited) Six months ended 30th June,	
		2012	2011
	Notes	***HK$'000***	*HK$'000* (Restated)
Revenue	*(4)*	**691,961**	812,659
Cost of sales		**(455,805)**	(525,877)
Gross profit		**236,156**	286,782
Other income and gains	*(5)*	**63,142**	64,762
Marketing and distribution expenses		**(18,483)**	(16,939)
Administrative expenses		**(143,770)**	(142,223)
Other operating expenses		**(22,214)**	(26,521)
Net increase in fair value of held-for-trading investments		**2,551**	936
Fair value gain on transfer of inventories of completed properties to investment properties		**12,775**	12,275
Increase in fair value of investment properties		**275,002**	241,724
(Write-down) reversal of write-down of inventories of completed properties		**(14,906)**	169
Recoveries of bad and doubtful debts		**2,133**	41,065
Amortisation of properties for development		**(42,678)**	(28,257)
Gain on disposal of a subsidiary		**–**	118,785
Finance costs		**(87,374)**	(73,572)
Share of loss of associates		**(40)**	(18)
Share of profit of jointly controlled entities		**133,784**	217,318
Profit before tax		**396,078**	696,286
Taxation	*(6)*	**(168,527)**	(232,779)
Profit for the period	*(7)*	**227,551**	463,507

CONDENSED CONSOLIDATED INCOME STATEMENT *(Cont'd)*
For the six months ended 30th June, 2012

		(Unaudited) **Six months ended 30th June,**	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
			(Restated)
Profit for the period attributable to:			
Owners of the Company		**219,655**	458,159
Non-controlling interests		**7,896**	5,348
		227,551	463,507
		HK cents	*HK cents*
Earnings per share	*(8)*		
Basic		**14.58**	30.41

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30th June, 2012

	(Unaudited) Six months ended 30th June,	
	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Profit for the period	**227,551**	463,507
Other comprehensive (expense) income		
Exchange differences arising on translation of foreign operations	**598**	251,362
Share of other comprehensive (expense) income of jointly controlled entities	**(13,384)**	32,124
Decrease in fair value of available-for-sale investments	**(6,110)**	(9,397)
Impairment loss on available-for-sale investments reclassified to profit or loss	**8,888**	–
Reserves released upon disposal of properties	**–**	53
Other reserves realised on disposal of a subsidiary	**–**	30,843
Surplus on revaluation of properties upon transfer to investment properties	**–**	7,339
Other comprehensive (expense) income for the period	**(10,008)**	312,324
Total comprehensive income for the period	**217,543**	775,831
Total comprehensive income attributable to:		
Owners of the Company	**210,039**	759,061
Non-controlling interests	**7,504**	16,770
	217,543	775,831

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2012

	Notes	**(Unaudited) 30th June, 2012 *HK$'000***	(Audited) 31st December, 2011 *HK$'000* (Restated)
Non-current Assets			
Property, plant and equipment		**859,767**	799,915
Deposits for acquisition of property, plant and equipment		**332**	2,241
Investment properties		**6,938,890**	6,615,050
Properties for development		**6,473,788**	4,668,777
Deposits for acquisition of properties for development		**194,261**	1,767,902
Prepaid lease payments on land use rights		**109,021**	110,523
Interests in associates		**7,292**	7,332
Interests in jointly controlled entities		**1,131,488**	829,101
Loans receivable		**31,304**	–
Available-for-sale investments		**124,329**	130,439
Goodwill		**640**	640
Deferred tax assets		**65,975**	74,927
		15,937,087	15,006,847
Current Assets			
Inventories of properties			
– under development		**1,296,024**	1,146,044
– completed		**1,880,888**	1,675,850
Other inventories		**50,538**	63,097
Amounts due from associates		**2,601**	2,601
Amounts due from jointly controlled entities		**437,986**	395,031
Amounts due from non-controlling shareholders		**12,767**	12,767
Loans receivable		**358,871**	209,850
Trade and other receivables, deposits and prepayments	*(9)*	**490,863**	665,665
Prepaid lease payments on land use rights		**2,745**	2,638
Financial assets designated as at fair value through profit or loss		**236,309**	351,167
Other structured deposits		**163,912**	189,225
Held-for-trading investments		**17,570**	15,019
Prepaid tax		**7,100**	9,249
Pledged bank deposits		**157,860**	52,922
Bank balances and cash		**1,790,846**	2,234,901
		6,906,880	7,026,026
Assets classified as held for sale		**933,259**	853,008
		7,840,139	7,879,034

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*
At 30th June, 2012

	Notes	(Unaudited) 30th June, 2012 HK$'000	(Audited) 31st December, 2011 HK$'000 (Restated)
Current Liabilities			
Trade and other payables	*(10)*	**2,701,195**	2,376,776
Pre-sale deposits		**141,118**	84,910
Tax liabilities		**590,869**	637,644
Dividends payable to non-controlling shareholders		**1,150**	5,972
Membership debenture		**4,437**	4,312
Interest-bearing borrowings		**2,104,843**	1,745,355
Interest-free borrowings		**36,119**	34,637
		5,579,731	4,889,606
Liabilities associated with assets classified as held for sale		**235,352**	217,347
		5,815,083	5,106,953
Net Current Assets		**2,025,056**	2,772,081
Total Assets less Current Liabilities		**17,962,143**	17,778,928
Capital and Reserves			
Share capital		**301,354**	301,354
Reserves		**12,965,318**	12,847,162
Equity attributable to owners of the Company		**13,266,672**	13,148,516
Non-controlling interests		**944,849**	785,323
Total Equity		**14,211,521**	13,933,839
Non-current Liabilities			
Interest-bearing borrowings		**1,353,714**	1,596,980
Deferred rental income from a tenant		**84,352**	88,792
Rental deposits from tenants		**24,602**	24,499
Membership debentures		**44,319**	43,066
Deferred tax liabilities		**2,243,635**	2,091,752
		3,750,622	3,845,089
		17,962,143	17,778,928

Notes:

(1) Review by auditor

The interim financial report of the Group for the six months ended 30th June, 2012 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 ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

(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, 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2011.

In the current period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

Under the amendments to HKAS 12 "Deferred Tax – Recovery of Underlying Assets", investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company ("Directors") reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodies in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group recognises deferred taxes on changes in fair value of the Group's investment properties in the People's Republic of China ("PRC") taking into account the land appreciation tax ("LAT") and enterprise income tax payable upon sales of those investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the deferred tax was measured based on the assumption that the carrying amounts of the properties would be recovered through use and did not recognise LAT on changes in fair value of investment properties. Amendments to HKAS 12 have been applied retrospectively.

The effects of the change in accounting policy on the results for the current and preceding periods described above by line items are as follows:

	(Unaudited) Six months ended 30th June, 2012 HK$'000	2011 HK$'000
Condensed consolidated income statement		
Decrease in share of profit of jointly controlled entities	**(29,051)**	(42,634)
Increase in taxation	**(61,624)**	(64,063)
Decrease in profit for the period	**(90,675)**	(106,697)
Increase (decrease) in profit for the period attributable to non-controlling interests	**104**	(292)
Decrease in profit for the period attributable to owners of the Company	**(90,779)**	(106,405)

	(Unaudited) Six months ended 30th June, 2012 HK$'000	2011 HK$'000
Condensed consolidated statement of comprehensive income		
Decrease in exchange difference arising on translation	**–**	(12,446)
Decrease in share of other comprehensive income of jointly controlled entities	**–**	(3,363)
Decrease in profit for the period	**(90,675)**	(106,697)
Decrease in total comprehensive income	**(90,675)**	(122,506)
Increase (decrease) in total comprehensive income attributable to non-controlling interests	**104**	(434)
Decrease in total comprehensive income attributable to owners of the Company	**(90,779)**	(122,072)

		(Unaudited)	
	As originally stated *HK$'000*	**Adjustments** *HK$'000*	**As restated** *HK$'000*
Condensed consolidated income statement for the six months ended 30th June, 2011			
Share of profit of jointly controlled entities	259,952	(42,634)	217,318
Taxation	(168,716)	(64,063)	(232,779)
Profit for the period	570,204	(106,697)	463,507
Profit for the period attributable to non-controlling interests	5,640	(292)	5,348
Profit for the period attributable to owners of the Company	564,564	(106,405)	458,159

	(Unaudited)		
	As originally stated	**Adjustments**	**As restated**
	HK$'000	*HK$'000*	*HK$'000*
Condensed consolidated statement of comprehensive income for the six months ended 30th June, 2011			
Exchange difference arising on translation	263,808	(12,446)	251,362
Share of other comprehensive income of jointly controlled entities	35,487	(3,363)	32,124
Profit for the period	570,204	(106,697)	463,507
Total comprehensive income for the period	898,337	(122,506)	775,831
Total comprehensive income attributable to non-controlling interests	17,204	(434)	16,770
Total comprehensive income attributable to owners of the Company	881,133	(122,072)	759,061

The effect of the change in accounting policy described above on the financial position of the Group as at the beginning of the comparative period, i.e. 1st January, 2011, is as follows:

	As originally stated	**Adjustments**	**As restated**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position as at 1st January, 2011			
Interests in jointly controlled entities	776,838	(139,577)	637,261
Deferred tax liabilities	(1,452,374)	(516,539)	(1,968,913)
Effects on net assets	(675,536)	(656,116)	(1,331,652)
Retained earnings	(6,185,978)	635,253	(5,550,725)
Exchange translation reserves	(1,238,142)	14,947	(1,223,195)
Non-controlling interests	(773,574)	5,916	(767,658)
Effects on equity	(8,197,694)	656,116	(7,541,578)

The effect of the change in accounting policy described above on the financial position of the Group as at the end of the immediately preceding financial year, i.e. 31st December, 2011, is as follows:

	As originally stated *HK$'000*	Adjustments *HK$'000*	As restated *HK$'000*
Consolidated statement of financial position as at 31st December, 2011			
Interests in jointly controlled entities	1,033,275	(204,174)	829,101
Liabilities associated with assets classified as held for sale	(125,425)	(91,922)	(217,347)
Deferred tax liabilities	(1,574,344)	(517,408)	(2,091,752)
Effects on net assets	(666,494)	(813,504)	(1,479,998)
Retained earnings	(6,913,384)	757,172	(6,156,212)
Exchange translation reserves	(1,851,375)	50,066	(1,801,309)
Non-controlling interests	(791,589)	6,266	(785,323)
Effects on equity	(9,556,348)	813,504	(8,742,844)

Impact on basic earnings per share

	(Unaudited) Six months ended 30th June, **2012** *HK cents*	2011 *HK cents*
Basic earnings per share before adjustments	**20.60**	37.47
Adjustments arising on the application of the amendments to HKAS 12	**(6.02)**	(7.06)
Reported basic earnings per share	**14.58**	30.41

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements 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 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 includes 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 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, 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 jointly controlled entities	**70,198**	**63,929**	**–**	**(343)**	**133,784**
Profit before tax					**396,078**
As at 30th June, 2012					
ASSETS					
Segment assets	**10,063,117**	**8,080,621**	**821,465**	**161,655**	**19,126,858**
Interests in associates	**7,292**	**–**	**–**	**–**	**7,292**
Interests in jointly controlled entities	**492,832**	**577,472**	**–**	**61,184**	**1,131,488**
Amounts due from associates	**2,601**	**–**	**–**	**–**	**2,601**
Amounts due from jointly controlled entities	**392,266**	**–**	**–**	**45,720**	**437,986**
Unallocated corporate assets					**3,071,001**
Consolidated total assets					**23,777,226**

	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, 2011 (Restated)					
SEGMENT REVENUE					
External sales	191,980	181,459	391,674	47,546	812,659
RESULTS					
Segment profit	121,662	363,681	43,585	26,817	555,745
Other income and gains					64,762
Unallocated corporate expenses					(67,949)
Finance costs					(73,572)
Share of loss of associates	(18)	–	–	–	(18)
Share of profit (loss) of jointly controlled entities	159,064	70,543	–	(12,289)	217,318
Profit before tax					696,286
As at 31st December, 2011 (Restated)					
ASSETS					
Segment assets	9,659,450	7,671,463	760,220	163,188	18,254,321
Interests in associates	7,332	–	–	–	7,332
Interests in jointly controlled entities	290,980	527,925	–	10,196	829,101
Amounts due from associates	2,601	–	–	–	2,601
Amounts due from jointly controlled entities	393,478	–	–	1,553	395,031
Unallocated corporate assets					3,397,495
Consolidated total assets					22,885,881

(5) Other income and gains

	(Unaudited) Six months ended 30th June, 2012 HK$'000	2011 HK$'000
Dividend income on available-for-sale investments	**1,711**	12,315
Interest income on bank deposits	**14,690**	16,761
Interest income from loans receivable	**11,004**	3,900
Interest income on other structured deposits	**4,351**	–
Fair value gain on financial assets designated as at fair value through profit or loss	**8,321**	11,477
Other income	**23,065**	20,309
	63,142	64,762

(6) Taxation

	(Unaudited) Six months ended 30th June,	
	2012	2011
	HK$'000	*HK$'000*
		(Restated)
The charge comprises:		
PRC Enterprise Income Tax and LAT		
– current period	**31,625**	68,434
– under provision in prior years	**1,847**	3,852
	33,472	72,286
Deferred tax	**135,055**	160,493
	168,527	232,779

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. In accordance with the tax legislations applicable to foreign investment enterprises, a subsidiary is entitled to exemptions from the PRC Enterprise Income Tax for the two years commencing from the first profit-making year of operation in 2007 and thereafter, entitled to a 50% relief from the PRC Enterprise Income Tax for the following three years, and the tax rate is 25% since 2012.

(7) Profit for the period

	(Unaudited) Six months ended 30th June,	
	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**23,927**	19,110
Less: amount capitalised on properties under development	**(1,310)**	(705)
	22,617	18,405
Amortisation of:		
Properties for development	**42,678**	28,257
Prepaid lease payments on land use rights	**1,301**	1,570
Total depreciation and amortisation	**66,596**	48,232
Impairment loss on available-for-sale investments included in other operating expenses	**8,888**	–
Cost of inventories recognised as an expense	**357,562**	417,387
Exchange loss included in other operating expenses	**–**	7,785
Share of tax of jointly controlled entities (included in share of profit of jointly controlled entities)	**120,340**	323,208

(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,	
	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**219,655**	458,159

	(Unaudited) Six months ended 30th June,	
	2012	2011
	'000	*'000*
Number of shares		
Weighted average 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, 2012 and 30th June, 2011.

(9) Trade 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 120 days to 365 days to its customers.

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

	(Unaudited) 30th June, 2012	(Audited) 31st December, 2011
	HK$'000	*HK$'000*
Within 3 months	**260,826**	218,183
Between 4 and 6 months	**46,784**	72,797
Between 7 and 12 months	**42,021**	21,156
Over 12 months	**2,470**	1,208
	352,101	313,344

As at 31st December, 2011, other receivables included a deposit of HK$217,706,000 which was paid for acquisition of properties held for sales from a company, of which its entire interest is held by a director of a subsidiary, and the transaction was completed during the period ended 30th June, 2012.

(10) Trade and other payables

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

	(Unaudited) 30th June, 2012 *HK$'000*	(Audited) 31st December, 2011 *HK$'000*
Within 3 months	**228,968**	184,409
Between 4 and 6 months	**32,747**	12,833
Between 7 and 12 months	**20,312**	5,656
Over 12 months	**357,609**	362,645
	639,636	565,543

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the six months ended 30th June, 2012 was HK$692.0 million (2011: HK$812.7 million), a decrease of 14.9% compared to the same period of last year. The profit attributable to owners of the Company was HK$219.7 million (2011: HK$458.2 million (restated)), representing a 52.1% decrease over the corresponding period of last year. As a result of the application of the amendments to HKAS 12, the results of the prior years have been restated as disclosed in note 3 to the condensed consolidated financial statements.

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

(1) no realised contributions from non-core disposals: in 2011, a non-core disposal resulted in a gain of HK$118.8 million;

(2) a decrease in contribution from sales of completed properties;

(3) a lower contribution from the cement division; and

(4) a decrease in share of profit of jointly controlled entities of 38%;

Earnings per share amounted to HK14.58 cents (2011: HK30.41 cents (restated)), while net asset value per share attributable to owners of the Company was HK$8.80 at the end of June 2012 (December 2011: HK$8.73 (restated)).

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 2012 is described below:

(1) We have introduced a strategic investor into our Tianjin Tian An Intelligent Port project. We expect the investor to add value to the commercial aspect of the project.

(2) Total attributable sales (including sales of jointly controlled entities and pre-sales of properties under construction) of the Group amounted to 42,500 m^2 in the first half of 2012 (2011: 40,000 m^2). A total attributable gross floor area ("GFA") of approximately 60,200 m^2 (2011: 84,700 m^2) was completed, a drop of 29%.

    By the end of 2012 half year, a total attributable GFA of approximately 836,700 m^2 (2011: 620,300 m^2) was under construction, representing a 35% 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), Wuxi Tian An Intelligent Park (Phase 1 Part 1), 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), Changchun Tian An City One (Phase 4 Part 1), Nanjing Tian An Cyber Park (Phase 1), Nantong Tian An Cyber Park (Phase 1 Part 1), Jiangyin Tian An Cyber Park (Phase 1), Shenzhen Tian An Longgang Cyber Park (Phase 3), Foshan Tian An Nanhai Cyber Park (Phase 5), Guangzhou Tian An Panyu Hi-Tech Ecological Park (Phase 6 Part 2), Dongguan Tian An Cyber Park (Phase 1), Tianjin Tian An Cyber Park (Phase 1), Changzhou Tian An Cyber Park (Phase 1 Parts 3 and 4) and Chongqing Tian An Cyber Park (Phase 1).

(3) Rental income increased by 14% as compared with 2011.

(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. It is worthwhile noting that our Panyu cyberpark was visited by President Hu Jin Tao during a routine inspection tour of Guangdong last year and could be interpreted as a tacit recognition of the success of our cyberpark model of development.

    As far as our eastern and northern cyberparks are concerned, Nanjing Tian An Cyber Park (Phase 1), Changzhou Tian An Cyber Park (Phase 1 Parts 3 and 4), Wuxi Tian An Intelligent Park (Phase 1 Part 1), Chongqing Tian An Cyber Park (Phase 1), Jiangyin Tian An Cyber Park (Phase 1) and Tianjin Tian An Cyber Park (Phase 1) have substantially completed their construction works for their respective phases and we have commenced pre-sales and pre-letting for these projects. Nantong Tian An Cyber Park (Phase 1 Part 1) and Tianjin Tian An Intelligent Port project in Dongli District (Phase 1) have started construction works and we expect them to be completed in 2013 and 2014 respectively.

(5) As foreshadowed in our 2011 annual report, Tian An has commenced its first urban renewal project in Huawei New City Area in Longgang District of Shenzhen. Site clearance for phase 1 of the project with GFA of 550,000m^2 has substantially been completed and we expect to commence foundation works at the end of 2012.

(6) The cement division, which includes the production and trading of cement and related products in Shandong province and Shanghai, contributed a segment profit of HK$9.9 million in the first half of 2012, a reduction from HK$43.6 million for the corresponding period of 2011, due to a decline in cement selling prices. The spin-off of the cement division and its separate listing on the main board of the Stock Exchange under Allied Cement Holdings Limited (stock code: 1312) was accomplished on 18th January, 2012, raising gross proceeds of HK$165 million.

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, 2012, the total bank balances and cash reserves of the Group were approximately HK$1,948.7 million, providing sufficient working capital for the daily operations of the Group.

As at 30th June, 2012, the total borrowings of the Group amounted to approximately HK$3,494.7 million (31st December, 2011: HK$3,377.0 million), including current liabilities of HK$2,141.0 million (31st December, 2011: HK$1,780.0 million) and non-current liabilities of HK$1,353.7 million (31st December, 2011: HK$1,597.0 million). The gearing ratio (net debt over total equity) of the Group was 11% (31st December, 2011: 8% (restated)). 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 market interest rates.

Approximately 72% 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 71% of the Group's borrowings bear interest at fixed rates while the remainders are at floating rates.

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, 2012, bank deposits of HK$157.9 million, interest in a subsidiary of HK$112.0 million, aggregate carrying values of property, plant and equipment, development properties and investment properties of approximately HK$237.3 million, HK$3,217.0 million and HK$6,049.6 million respectively, were pledged for banking facilities and other loans granted to the Group and mortgage loans granted to property purchasers and trade payables.

Contingent Liabilities

A portion of a property for development that is held by a jointly controlled entity with carrying value of HK$3.0 million is under idle land investigation by the local authority. The piece of land owned by the jointly controlled entity 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 development progress of property for development of a jointly controlled entity with carrying value of HK$102.8 million cannot wholly fulfill building covenants under land grant contracts. The whole piece of land of this jointly controlled entity is under phased construction stage. The development of more than half of the piece of land was either completed or under development, except for a portion of vacant land for the remaining development of the whole project. Moreover, further development of another property for development of the Group with carrying value of HK$363.1 million has been overdue. In order to comply with the requirements of local authorities, the Group has made application to restructure the ownership of that property for development and new subsidiaries will be established to hold and develop that property. Further, a land site included in investment property of the Group with carrying value of HK$346.9 million had been identified as idle land by the local authority. The Group has invited another investor to develop this land site jointly. 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 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, 2012, guarantees given to banks in respect of mortgage loans granted to property purchasers and bank facilities utilised by an investee classified as available-for-sale investments amounted to approximately HK$122.5 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$201.0 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, 2012, the Group including its subsidiaries but excluding associates and jointly controlled entities, employed 2,212 (31st December, 2011: 2,192) 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. It has also increased the speed of its low cost housing programme in all major cities. However, with the poor global economic outlook, monetary policy has been slightly loosened with the lowering of the reserve requirement ratio and loan interest rates in the first half of 2012. With government controls still in place, the sentiment in the short term cannot be good. 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 (2011: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30th June, 2012, 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") (previously known as Code on Corporate Governance Practices ("Former 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 (then B.1.3 of the Former CG Code) and C.3.3

Code provisions B.1.3 and C.3.3 of the Former 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.1.3 of the Former CG Code except that the Remuneration Committee shall review (as opposed to determine under the code provision) and 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). Certain amendments have been made to the Former CG Code with effect from 1st April, 2012 ("CG Amendments"), including code provision B.1.2 of CG Code (then B.1.3 of the Former CG Code), which now accommodates a model where the remuneration committee performs an advisory role as to the remuneration packages of the executive directors and senior management. Accordingly, the revised terms of reference of the Remuneration Committee are in compliance with the new code provision B.1.2 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 new code provision B.1.2).

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 Former 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 discharged 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. Following the CG Amendments, code provision C.3.3 of the CG Code remains unchanged and the above-stated deviation in relation thereto applies.

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, 2011. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the relevant terms of reference as adopted and amended by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

(2) Code Provision A.6.7

Following the CG Amendments, code provision A.6.7 of the CG Code came into force on 1st April, 2012, which stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagements, some Non-Executive Directors (including Independent Non-Executive Directors) could not attend the extraordinary general meeting of the Company held on 2nd April, 2012 and the annual general meeting of the Company held on 24th May, 2012 ("AGM"). However, at the respective general meeting of the Company, there were Executive Directors and a Non-Executive Director and/or an Independent Non-Executive Director present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company ("Shareholders").

(3) 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, one Non-Executive Director and another Executive Director, being the delegate of the Audit, Remuneration and Nomination Committees were present thereat to be available to answer any question to ensure effective communication with the Shareholders.

Except as stated above, following the CG Amendments, the Company has continued to comply with the applicable code provisions of the CG Code and also adopted a revised set of corporate governance documentation which is in line with the new applicable code provisions of the CG Code. In summary, the Company, while adopting the applicable code provisions in the CG Code, has made enhancement in the following major areas:

(1) the Board shall perform the corporate governance duties for the Group;

(2) a Nomination Committee was set up with a majority of its members being Independent Non-Executive Directors; and

(3) a Shareholders' Communication Policy was adopted by which the Shareholders can communicate with the Company and the Board.

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, 2012. 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, 2012.

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

Hong Kong, 22nd August, 2012

As at the date of this announcement, the Board comprises Mr. Hu Aimin (Deputy Chairman), 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), Mr. Ng Qing Hai, 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.