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, 2011

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, 2011 with the comparative figures for the corresponding period in 2010 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2011

		(Unaudited) Six months ended 30th June,	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
Revenue	*(4)*	**812,659**	735,487
Cost of sales		**(525,877)**	(381,464)
Gross profit		**286,782**	354,023
Other income and gains	*(5)*	**64,762**	41,164
Marketing and distribution expenses		**(16,939)**	(16,589)
Administrative expenses		**(142,223)**	(114,996)
Other operating expenses		**(26,521)**	(16,219)
Net increase (decrease) in fair value of held-for-trading investments		**936**	(7,561)
Fair value gain on transfer of inventories of completed properties to investment properties		**12,275**	4,763
Increase in fair value of investment properties		**241,724**	134,381
Reversal of write-down of inventories of completed properties		**169**	–
Recovery of bad and doubtful debts		**41,065**	2,373
Amortisation of properties for development		**(28,257)**	(27,658)
Gain on disposal of a subsidiary		**118,785**	–
Gain on site relocation compensation	*(6)*	**–**	507,505
Finance costs		**(73,572)**	(64,651)
Share of (loss) profit of associates		**(18)**	1,397
Share of profit of jointly controlled entities		**259,952**	150,690
Profit before tax		**738,920**	948,622
Taxation	*(7)*	**(168,716)**	(229,135)
Profit for the period	*(8)*	**570,204**	719,487

CONDENSED CONSOLIDATED INCOME STATEMENT *(Cont'd)*
For the six months ended 30th June, 2011

		(Unaudited) Six months ended 30th June,	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
Profit for the period attributable to:			
Owners of the Company		**564,564**	541,087
Non-controlling interests		**5,640**	178,400
		570,204	719,487
		HK cents	*HK cents*
Earnings per share	*(9)*		
Basic		**37.47**	35.91

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2011

	(Unaudited) Six months ended 30th June,	
	2011	2010
	HK$'000	*HK$'000*
Profit for the period	**570,204**	719,487
Other comprehensive income (expenses)		
Exchange differences arising on translation of foreign operations	**263,808**	(487)
Share of other comprehensive income of jointly controlled entities	**35,487**	3
Decrease in fair value of available-for-sale investments	**(9,397)**	(5,737)
Reserves released upon disposal of properties	**53**	139
Other reserves realised on disposal of a subsidiary	**30,843**	–
Surplus on revaluation of properties upon transfer to investment properties	**7,339**	–
Other comprehensive income (expenses) for the period	**328,133**	(6,082)
Total comprehensive income for the period	**898,337**	713,405
Total comprehensive income attributable to:		
Owners of the Company	**881,133**	535,027
Non-controlling interests	**17,204**	178,378
	898,337	713,405

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2011

	Notes	(Unaudited) 30th June, 2011 HK$'000	(Audited) 31st December, 2010 HK$'000
Non-current Assets			
Property, plant and equipment		**784,450**	639,205
Deposits for acquisition of property, plant and equipment		**2,292**	41
Investment properties		**7,126,590**	6,651,340
Properties for development		**3,997,951**	3,586,628
Deposits for acquisition of properties for development		**2,018,009**	1,426,113
Prepaid lease payments on land use rights		**106,047**	90,753
Interests in associates		**7,390**	7,408
Interests in jointly controlled entities		**762,790**	776,838
Loans receivable		**48,250**	47,059
Available-for-sale investments		**99,668**	112,340
Goodwill		**640**	640
Deferred tax assets		**47,125**	37,559
		15,001,202	13,375,924
Current Assets			
Inventories of properties			
– under development		**1,097,414**	1,169,064
– completed		**874,280**	601,011
Other inventories		**42,717**	43,994
Amount due from associates		**3,244**	3,244
Amounts due from jointly controlled entities		**382,521**	101,503
Amounts due from non-controlling shareholders		**12,459**	12,166
Loans receivable		**44,011**	160,505
Trade and other receivables, deposits and prepayments	*(10)*	**1,161,137**	1,080,966
Prepaid lease payments on land use rights		**2,504**	1,824
Financial assets designated as at fair value through profit or loss		**332,185**	35,608
Held-for-trading investments		**25,200**	24,131
Prepaid tax		**21,173**	15,810
Pledged bank deposits		**128,177**	288,183
Bank balances and cash		**2,510,675**	2,923,509
		6,637,697	6,461,518
Assets classified as held for sale		**1,634**	736,113
		6,639,331	7,197,631

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*
At 30th June, 2011

	Notes	(Unaudited) 30th June, 2011 HK$'000	(Audited) 31st December, 2010 HK$'000
Current Liabilities			
Trade and other payables	*(11)*	**1,632,072**	1,262,893
Pre-sale deposits		**543,777**	482,199
Tax liabilities		**563,049**	578,552
Interest-bearing borrowings		**846,330**	1,139,844
Interest-free borrowings		**34,387**	26,652
		3,619,615	3,490,140
Liabilities associated with assets classified as held for sale		**7,291**	392,602
		3,626,906	3,882,742
Net Current Assets		**3,012,425**	3,314,889
Total Assets less Current Liabilities		**18,013,627**	16,690,813
Capital and Reserves			
Share capital		**301,354**	301,354
Reserves		**13,021,691**	12,291,235
Equity attributable to owners of the Company		**13,323,045**	12,592,589
Non-controlling interests		**790,778**	773,574
Total Equity		**14,113,823**	13,366,163
Non-current Liabilities			
Interest-bearing borrowings		**2,113,214**	1,761,137
Deferred rental income from a tenant		**90,985**	93,074
Rental deposits from tenants		**20,716**	18,065
Membership debentures		**45,427**	–
Deferred tax liabilities		**1,629,462**	1,452,374
		3,899,804	3,324,650
		18,013,627	16,690,813

Notes:

(1) Review by auditor

The interim financial report of the Group for the six months ended 30th June, 2011 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 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") and with Hong Kong Accounting Standard ("HKAS") 34 *"Interim Financial Reporting"*.

(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.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2010.

In the current period, the Group has applied, for the first time, the following new or revised standards and interpretations ("new or revised HKFRSs") issued by HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 24 (Revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new or revised 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.

The Group has not early applied new or revised standards and amendments that have been issued but are not yet effective. The following new or revised standards and amendments have been issued after the date the consolidated financial statements for the year ended 31st December, 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
HKAS 19 (Revised in 2011)	Employee Benefits[1]
HKAS 27 (Revised in 2011)	Separate Financial Statements[1]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[1]

[1] Effective for annual periods on or after 1st January, 2013
[2] Effective for annual periods on or after 1st July, 2012

HKFRS 10 replaces the parts of HKAS 27 *"Consolidated and Separate Financial Statements"* that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

HKFRS 11 replaces HKAS 31 *"Interests in Joint Ventures"*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The application of HKFRS 11 might result in changes in the classification of the Group's joint arrangements and their accounting treatments. Specifically, the Group's jointly controlled entities that are currently accounted for using the equity method of accounting may be classified as joint operations in accordance with HKFRS 11.

These new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1st January, 2013. Earlier application is permitted provided that all of these new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for the financial year ending 31st December, 2013.

The Group is in the process of assessing the potential impact of the new or revised standards and amendments. The Group is not yet in position to determine the impact of these new or revised standards on the results of operations and financial position of the Group. These new or revised standards may result in changes in the results and financial position of the Group.

(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 operating divisions: property development, property investment, manufacture, sale and trading of cement, clinker and construction materials and other operations, that includes property management and golf course operation. Similarly, the Group's operating segments, reported to the Board of the Company for the purposes of resource allocation and performance assessment, also focused on the four main operating divisions.

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

	Property development *HK$'000*	Property investment *HK$'000*	Manufacture, sale 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					
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**	**113,177**	**–**	**(12,289)**	**259,952**
Profit before tax					**738,920**
Taxation					**(168,716)**
Profit for the period					**570,204**
As at 30th June, 2011					
ASSETS					
Segment assets	**8,184,207**	**7,330,434**	**810,740**	**164,579**	**16,489,960**
Interests in associates	**10,577**	**–**	**–**	**57**	**10,634**
Interests in jointly controlled entities	**645,332**	**462,791**	**–**	**37,188**	**1,145,311**
Unallocated corporate assets					**3,994,628**
Consolidated total assets					**21,640,533**

	Property development *HK$'000*	Property investment *HK$'000*	Manufacture, sale and trading of cement, clinker and construction materials *HK$'000*	Other operations *HK$'000*	Consolidated *HK$'000*
For the six months ended 30th June, 2010					
SEGMENT REVENUE					
External sales	359,814	166,982	161,884	46,807	735,487
RESULTS					
Segment profit (loss)	131,163	236,465	499,364	(13,693)	853,299
Other income and gains					41,164
Unallocated corporate expenses					(33,277)
Finance costs					(64,651)
Share of profit (loss) of associates	(816)	2,213	–	–	1,397
Share of profit of jointly controlled entities	94,090	54,832	–	1,768	150,690
Profit before tax					948,622
Taxation					(229,135)
Profit for the period					719,487
As at 31st December, 2010					
ASSETS					
Segment assets	7,736,045	6,856,813	632,462	386,270	15,611,590
Interests in associates	10,595	–	–	57	10,652
Interests in jointly controlled entities	439,817	428,628	–	9,896	878,341
Unallocated corporate assets					4,072,972
Consolidated total assets					20,573,555

(5) Other income and gains

	(Unaudited) Six months ended 30th June,	
	2011	2010
	HK$'000	*HK$'000*
Dividend income on available-for-sale investments	**12,315**	146
Interest income on bank deposits and receivables	**20,661**	22,093
Imputed interest income on non-current interest-free receivables	**–**	2,712
Gain on disposal of held-for-trading investments	**–**	83
Fair value gain on financial assets designated as at fair value through profit or loss	**11,477**	5,171
Other income	**20,309**	10,959
	64,762	41,164

(6) Gain on site relocation compensation

On 27th November, 2009, the Group entered into a site relocation compensation agreement with Shanghai Municipal Government for land resumption in respect of land use right which was held by a non wholly-owned subsidiary. During the six months ended 30th June, 2010, the Group had completed the required relocation. The compensation resulted in a gain of HK$507,505,000 to the Group. Profit after tax attributable to the owners of the Company in respect of the site relocation amounted to HK$190,238,000 for the six months ended 30th June, 2010.

(7) Taxation

	(Unaudited) Six months ended 30th June,	
	2011	2010
	HK$'000	*HK$'000*
The charge comprises:		
PRC Enterprise Income Tax and Land Appreciation Tax ("LAT")		
– current period provision	**68,434**	212,153
– under provision in prior years	**3,852**	5,525
	72,286	217,678
Deferred tax	**96,430**	11,457
	168,716	229,135

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. The subsidiary can continue to entitle such tax concession according to the Law of the PRC on Enterprise Income Tax promulgated on 16th March, 2007 and the charge of PRC Enterprise Income Tax for the period has been provided for after taking these tax incentive into account.

(8) Profit for the period

	(Unaudited) Six months ended 30th June,	
	2011	2010
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**19,110**	15,418
Less: amount capitalised on properties under development	**(705)**	(845)
	18,405	14,573
Amortisation of:		
Properties for development	**28,257**	27,658
Prepaid lease payments on land use rights	**1,570**	1,259
Total depreciation and amortisation	**48,232**	43,490
Cost of inventories recognised as expenses	**417,387**	302,678
Exchange loss (gain) included in other operating expenses	**7,785**	(121)
Share of tax of associates (included in share of profit of associates)	**–**	1,149
Share of tax of jointly controlled entities (included in share of profit of jointly controlled entities)	**280,574**	174,115

(9) Earnings per share

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

	(Unaudited) Six months ended 30th June,	
	2011	2010
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic earnings per share (profit for the period attributable to owners of the Company)	**564,564**	541,087

	(Unaudited) Six months ended 30th June,	
	2011	2010
	'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, 2011 and 30th June, 2010.

(10) Trade and other receivables

Rental receivables from tenants are payable upon presentation of invoice. The Group generally allows a credit period of 30 to 120 days to property purchasers and other customers. The following is an aged analysis of trade receivables by invoice date at the end of the reporting period:

	(Unaudited) 30th June, 2011 *HK$'000*	(Audited) 31st December, 2010 *HK$'000*
Not yet due	**26,407**	35,648
Within 3 months	**295,897**	138,322
Between 4 and 6 months	**37,092**	28,107
Between 7 and 12 months	**9,415**	11,422
Over 12 months	**3,910**	22,546
	372,721	236,045

As at 30th June, 2011, other receivables included a deposit of HK$553,176,000 (31st December, 2010: HK$290,224,000). The deposit was paid for acquisition of properties from an independent third party and the transaction is expected to be completed by the end of 2011. In addition, other receivables also included site relocation compensation receivable of HK$60,241,000 (31st December, 2010: HK$58,824,000) and is expected to be received within twelve months from the end of the reporting period.

(11) Trade and other payables

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

	(Unaudited) 30th June, 2011 *HK$'000*	(Audited) 31st December, 2010 *HK$'000*
Not yet due	**–**	–
Within 3 months	**280,321**	229,741
Between 4 and 6 months	**11,049**	7,649
Between 7 and 12 months	**8,588**	2,648
Over 12 months	**256,039**	233,399
	555,997	473,437

On 23rd March, 2011, the Group entered into a sale and purchase agreement with a third party. Pursuant to the sale and purchase agreement, the Group agreed to sell the 50% shareholding and the shareholder's loan in a subsidiary which is engaged in property investment for a cash consideration of RMB450,000,000 (equivalent to approximately HK$542,169,000). A non-refundable deposit of HK$256,067,000 was received during the current period and had been included in trade and other payables. Pursuant to the agreement, the remaining consideration will be received on or before 22nd September, 2012. As at 30th June, 2011, the transaction is not expected to be completed within twelve months from the end of the reporting period and hence the assets and liabilities of the subsidiary are not classified as held for sale as at 30th June, 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the six months ended 30th June, 2011 was HK$812.7 million (2010: HK$735.5 million), an increase of 10.5% compared to the same period of last year. The profit attributable to owners of the Company was HK$564.6 million (2010: HK$541.1 million), representing a 4.3% increase over the corresponding period of last year.

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

(1) an increase in rental income of 9%; and

(2) revaluation gains in respect of the Group's investment property portfolio.

The reduction in gross profit margin of the Group for the period was due to the decrease in revenue generated from the property development segment, which usually enjoys a higher gross profit margin, and the increase in revenue from the cement business (excluding gain on site relocation compensation in 2010) which has a lower gross profit margin.

Earnings per share amounted to HK37.47 cents (2010: HK35.91 cents), while net asset values per share attributable to owners of the Company was HK$8.84 at the end of June 2011 (December 2010: HK$8.36).

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, sale and trading of cement and clinker in China.

An outline of our achievements in the first half of 2011 is described below:

(1) We have continued to dispose of non-core assets. During the period, we completed the disposal of our interest in Jiangmen Tian An Garden. We also entered into a new sale and purchase agreement with the buyer of the Zhaoqing project to restructure the disposal on terms satisfactory to Tian An. The disposal of our 50% interest in Huiyang Danshui project is expected to be completed before the end of 2012.

(2) Total attributable sales of the Group amounted to 40,000 m^2 in the first half of 2011 (2010: 47,800 m^2), representing a decrease of 16%. A total attributable gross floor area ("GFA") of approximately 84,700 m^2 (2010: 54,400 m^2) of residential/commercial properties was completed during the period under review, representing an increase of 56%. By the end of 2011 half year, a total attributable GFA of approximately 620,300 m^2 (2010: 472,000 m^2) was under construction, representing a 31% increase over the corresponding date of last year, including Shanghai Tian An Villa (Phase 2 Part 1), Shanghai Tian An Place (Phase 1 Parts 1 and 2), Wuxi Manhattan (Phase 1 Part 2), Nantong Tian An Garden (Phases 4 and 5), Changzhou Tian An Villas (Phase 2 Part 1), Changzhou Tian An Cyber

Park (Phase 2), Nanjing Tian An Cyber Park (Phase 1), Wuxi Tian An Intelligent 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 4), Guangzhou Tian An Panyu Hi-Tech Ecological Park (Phase 5), Dongguan Tian An Cyber Park (Phase 1) and Tianjin Tian An Cyber Park (in Xiqing District) (Phase 1).

(3) Rental income increased by 9% as compared with 2010.

(4) We will continue to devote significant efforts to our cyberpark investments. Our southern cyberparks have been progressing well. The projects in Shenzhen, Panyu, Longgang and Foshan all performed in line with our expectations. As far as our eastern and northern cyberparks are concerned, we expect completion of construction works for our Nanjing Tian An Cyber Park (Phase 1) and Changzhou Tian An Cyber Park (Phase 2) in 2011. Construction works in Wuxi Tian An Intelligent Park and Nantong Tian An Cyber Park have commenced and are progressing as planned. During the first half of 2011, we acquired additional landbank in Tianjin (in Dongli District) (870 mu) and Chongqing (540 mu), where we intend to build integrated business parks.

(5) Sales from production and trading of cement and related products by the operations in Shandong and Shanghai contributed a segment profit of HK$43.6 million.

Financial Review

Liquidity and Financing

As at 30th June, 2011, the Group maintained its liquidity at a healthy level with a balanced portfolio of financial resources. The total bank balances and cash reserves of the Group were approximately HK$2,638.9 million, providing sufficient working capital for the daily operations of the Group.

As at 30th June, 2011, the total borrowings of the Group amounted to approximately HK$2,993.9 million (31st December, 2010: HK$2,927.6 million), including current liabilities of HK$880.7 million (31st December, 2010: HK$1,166.5 million) and non-current liabilities of HK$2,113.2 million (31st December, 2010: HK$1,761.1 million). The gearing ratio (net debt over total equity) of the Group was 3% (31st December, 2010: negative of 2%). The borrowings were mainly used to finance the properties for development and properties under construction. Increase in finance costs is mainly due to the increase in market interest rates.

Approximately 75% of the Group's outstanding borrowings will mature within 2 years. Since 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 67% of the Group's borrowings bear interest at fixed rates while the remainder is 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, 2011, bank deposits of HK$128.2 million, held-for-trading investments of HK$5.6 million, aggregate carrying values of property, plant and equipment, development properties and investment properties of approximately HK$389.1 million, HK$2,083.2 million and HK$5,659.6 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$7.1 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 approximately half of the piece of land was either completed or under development, except for a portion of the land with 2 land use right certificates for the remaining development of the whole project. The development progress of properties for development of several jointly controlled entities with carrying value of totally HK$221.3 million cannot wholly fulfill building covenants under land grant contracts. The whole pieces of land of these jointly controlled entities are under phased construction stage and portion of them are either completed or under development, except for a portion of vacant land for the remaining development of the whole project. Further development of another property for development of the Group with carrying value of HK$268.0 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. A land site included in investment property of the Group with carrying value of HK$320.4 million had been identified as idle land by the local authority. The Group has invited another investor to develop this land site jointly. Foundation 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, 2011, 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$228.9 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$196.0 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, 2011, the Group including its subsidiaries but excluding associates and jointly controlled entities, employed 2,157 (31st December, 2010: 2,239) 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

Since the latter part of 2010, the central government has been concerned with the increase in property prices. Accordingly, it has tightened monetary policy, restricted the number of homes that can be purchased and increased its low cost housing programme. Foreign investment in residential properties has also been restricted. These measures have dampened sentiment in the short term but we remain confident of the longer term prospects of the property market in China. We will continue to position our Group to take advantage of opportunities as they are identified.

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 (2010: nil).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th June, 2011, the Company has applied the principles of, and complied with, the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

(1) Code Provisions B.1.3 and C.3.3

Code provisions B.1.3 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.1.3 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).

The terms of reference of the audit committee ("Audit Committee") adopted by the Company are in compliance with the code provision C.3.3 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.

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, 2010. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the terms of reference 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 arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to 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 20th May, 2011. However, Mr. Edwin Lo King Yau, an Executive Director of the Company, took the chair of that meeting and another Executive Director and a member of the Audit Committee were present thereat to be available to answer any question 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, 2011. 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, 2011.

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

Hong Kong, 19th August, 2011

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. Ng Qing Hai (Deputy 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.