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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, 2015

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, 2015 with the comparative figures for the corresponding period in 2014 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS for the six months ended 30th June, 2015

		(Unaudited)	
		Six months ended 30th June,	
		2015	2014
	Notes	HK\$'000	HK\$'000
Continuing operations			
Revenue	(4)	573,097	439,667
Cost of sales		<u>(340,451)</u>	<u>(253,519)</u>
Gross profit		232,646	186,148
Other income and gains	(5)	50,378	55,912
Marketing and distribution expenses		(27,779)	(19,553)
Administrative expenses		(156,243)	(138,264)
Other operating expenses		(7,739)	(98,517)
Reversal (provision) of impairment loss on available-for-sales investments		10,636	(3,692)
Gain on disposal of available-for-sale investments		26,674	–
Net increase (decrease) in fair value of held-for-trading investments		13,612	(5,384)
Fair value gain on transfer of inventories of completed properties to investment properties		302,605	267,229
Increase in fair value of investment properties		132,737	39,230
Amortisation of properties for development		(40,303)	(55,923)
Gain on disposal of a subsidiary		18,693	–
Loss on voluntary liquidation of a subsidiary		–	(77)
Gain on disposal of a joint venture		–	1,100
Finance costs		(118,600)	(96,058)
Share of loss of associates		–	(19)
Share of (loss) profit of joint ventures		<u>(7,316)</u>	<u>45,749</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*
for the six months ended 30th June, 2015

		(Unaudited)	
		Six months ended 30th June,	
		2015	2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax		430,001	177,881
Taxation	(6)	(220,862)	(128,827)
Profit for the period from continuing operations		209,139	49,054
Discontinued operations			
Profit for the period from discontinued operations	(7)	–	120,697
Profit for the period	(8)	209,139	169,751
Profit attributable to owners of the Company			
from continuing operations		209,975	69,970
from discontinued operations		–	119,835
Profit for the period attributable to owners of the Company		209,975	189,805
(Loss) profit attributable to non-controlling interests			
from continuing operations		(836)	(20,916)
from discontinued operations		–	862
Loss for the period attributable to non-controlling interests		(836)	(20,054)
		209,139	169,751
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	(9)		
from continuing operations and discontinued operations			
Basic		13.94	12.60
from continuing operations			
Basic		13.94	4.64

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30th June, 2015

	(Unaudited)	
	Six months ended 30th June,	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>209,139</u>	<u>169,751</u>
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation to presentation currency	<u>(2,277)</u>	<u>(3,611)</u>
Items that may be subsequently reclassified to profit or loss:		
Share of change in fair value of available-for-sale investments	589,508	(1,256)
(Reversal) provision of impairment loss on available-for-sale investments reclassified to profit or loss	(10,636)	3,692
Reclassification adjustments in relating to available-for-sale investments disposal of during the period	(26,674)	–
Deferred tax effect on share of change in fair value of available-for-sale investments	(54,563)	–
Reserves released upon disposal of properties	–	85
	<u>497,635</u>	<u>2,521</u>
Other comprehensive income (expense) for the period	<u>495,358</u>	<u>(1,090)</u>
Total comprehensive income for the period	<u>704,497</u>	<u>168,661</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	705,333	188,715
Non-controlling interests	(836)	(20,054)
	<u>704,497</u>	<u>168,661</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30th June, 2015

	(Unaudited) 30th June, 2015 HK\$'000	(Audited) 31st December, 2014 HK\$'000
<i>Notes</i>		
Non-current Assets		
Property, plant and equipment	430,469	441,056
Deposits for acquisition of property, plant and equipment and investment properties	22	79,768
Investment properties	10,589,920	9,756,056
Properties for development	4,578,088	4,906,030
Deposits for acquisition of properties for development	179,993	179,993
Prepaid lease payments on land use rights	56,035	56,854
Other assets – properties interests	20,896	21,171
Interests in associates	3,974	3,974
Interests in joint ventures	1,595,611	1,411,556
Loans receivable	437,780	437,780
Available-for-sale investments	1,210,173	729,189
Goodwill	640	640
Deferred tax assets	86,948	119,045
	19,190,549	18,143,112
Current Assets		
Inventories of properties		
– under development	2,648,946	2,772,637
– completed	3,932,207	4,127,163
Other inventories	3,312	10,040
Amounts due from associates	2,563	2,563
Amounts due from joint ventures	968,221	1,041,711
Amounts due from non-controlling shareholders	20,253	14,102
Loans receivable	584,432	455,252
Trade and other receivables, deposits and prepayments	(10) 481,745	397,977
Prepaid lease payments on land use rights	1,593	1,593
Held-for-trading investments	73,537	23,092
Prepaid tax	40,972	27,528
Pledged bank deposits	139	139
Bank balances and cash	1,769,507	1,514,750
	10,527,427	10,388,547
Assets classified as held for sale	1,244,772	–
	11,772,199	10,388,547

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*Continued*)
at 30th June, 2015

		(Unaudited) 30th June, 2015 HK\$'000	(Audited) 31st December, 2014 HK\$'000
	<i>Notes</i>		
Current Liabilities			
Trade and other payables	(11)	4,233,920	3,989,503
Pre-sale deposits		1,313,017	758,648
Tax liabilities		644,990	708,215
Membership debentures		36,760	32,040
Interest-bearing borrowings		1,489,870	1,776,156
Interest-free borrowings		775,885	593,482
		<u>8,494,442</u>	<u>7,858,044</u>
Liabilities associated with assets classified as held for sale		<u>261,530</u>	<u>–</u>
		<u>8,755,972</u>	<u>7,858,044</u>
Net Current Assets		<u>3,016,227</u>	<u>2,530,503</u>
Total Assets less Current Liabilities		<u>22,206,776</u>	<u>20,673,615</u>
Capital and Reserves			
Share capital		3,788,814	3,788,814
Reserves		12,211,013	11,656,357
		<u>15,999,827</u>	<u>15,445,171</u>
Equity attributable to owners of the Company		15,999,827	15,445,171
Non-controlling interests		21,691	32,633
		<u>16,021,518</u>	<u>15,477,804</u>
Non-current Liabilities			
Interest-bearing borrowings		3,678,534	2,626,949
Deferred rental income from a tenant		59,176	63,728
Rental deposits from tenants		29,963	29,578
Membership debentures		17,347	21,837
Deferred tax liabilities		2,400,238	2,453,719
		<u>6,185,258</u>	<u>5,195,811</u>
		<u>22,206,776</u>	<u>20,673,615</u>

Notes:

(1) Review by auditor

The interim financial report of the Group for the six months ended 30th June, 2015 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 (“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, 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2014.

In the current interim period, the Group has applied for the first time in the following new and revised 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 HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of the above amendments to HKFRSs in the current period has had no material effect on the amounts reported and/or 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 three main operations: property development, property investment 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 three 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 during the period ended 30th June, 2014. The segment information reported below does not include any amounts for the discontinued operations, which are described in more detail in note 7.

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

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the six months ended 30th June, 2015				
Continuing operations				
SEGMENT REVENUE				
External sales	<u>285,349</u>	<u>221,756</u>	<u>65,992</u>	<u>573,097</u>
RESULTS				
Segment (loss) profit	(25,835)	553,972	(18,909)	509,228
Other income and gains				50,378
Unallocated corporate expenses				(3,689)
Finance costs				(118,600)
Share of (loss) profit of joint ventures	(91,081)	106,016	(22,251)	<u>(7,316)</u>
Profit before tax from continuing operations				<u>430,001</u>
As at 30th June, 2015				
Continuing operations				
ASSETS				
Segment assets	12,857,112	10,828,107	175,238	23,860,457
Interests in associates	3,974	–	–	3,974
Interests in joint ventures	599,009	1,021,887	(25,285)	1,595,611
Amounts due from associates	2,563	–	–	2,563
Amounts due from joint ventures	916,679	–	51,542	968,221
Unallocated corporate assets				<u>4,531,922</u>
Consolidated total assets for continuing operations				<u>30,962,748</u>
LIABILITIES				
Segment liabilities	5,304,091	2,193,413	82,981	7,580,485
Unallocated corporate liabilities				<u>7,360,745</u>
Consolidated total liabilities for continuing operations				<u>14,941,230</u>

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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	(104,537)	424,680	(96,776)	223,367
Other income and gains				55,912
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 31st December, 2014				
Continuing operations				
ASSETS				
Segment assets	12,269,916	10,066,718	196,297	22,532,931
Interests in associates	3,974	–	–	3,974
Interests in joint ventures	519,759	896,022	(4,225)	1,411,556
Amounts due from associates	2,563	–	–	2,563
Amounts due from joint ventures	994,967	–	46,744	1,041,711
Unallocated corporate assets				3,538,924
Consolidated total assets for continuing operations				28,531,659
LIABILITIES				
Segment liabilities	4,189,846	2,090,765	91,372	6,371,983
Unallocated corporate liabilities				6,681,872
Consolidated total liabilities for continuing operations				13,053,855

(5) Other income and gains

	(Unaudited)	
	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
Continuing operations		
Dividend income		
– unlisted shares	461	287
– listed shares	832	71
Interest income on bank deposits	7,050	12,614
Interest income from loans receivable	31,291	21,405
Interest income from a joint venture	1,536	1,705
Reversal of write-down of inventories of completed properties	749	348
Other income	8,459	19,482
	<u>50,378</u>	<u>55,912</u>

(6) Taxation

	(Unaudited)	
	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
Continuing operations		
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax	12,513	11,762
– Land Appreciation Tax	18,836	4,878
	<u>31,349</u>	<u>16,640</u>
Under (over) provision in prior years		
– PRC Enterprise Income Tax	2,171	(15,608)
– Land Appreciation Tax	1,353	(6,999)
	<u>3,524</u>	<u>(22,607)</u>
	34,873	(5,967)
Deferred tax	185,989	134,794
	<u>220,862</u>	<u>128,827</u>

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

(7) **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% interests in a subsidiary at the cash consideration of HK\$532,800,000 and the remaining interests in the subsidiary are classified as an available-for-sale investments. 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 are 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) Period ended 4th February, 2014 HK\$'000
Profit of manufacture, sales and trading of cement, clinker and construction materials operations for the period	2,880
Gain on disposal of a subsidiary	160,388
Tax on gain on disposal	(42,571)
	<hr/>
	120,697
	<hr/>

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, are as follows:

	(Unaudited) Period ended 4th February, 2014 HK\$'000
Revenue	80,991
Cost of sales	(72,791)
Other income	3,236
Expenses	(6,947)
	<hr/>
Profit before taxation	4,489
Taxation	(1,609)
	<hr/>
Profit for the period	2,880
	<hr/>

Profit for the period from discontinued operations included the following:

Depreciation of property, plant and equipment	1,784
Amortisation of prepaid lease payments on land use rights	83
Cost of inventories recognised as expenses	72,791
	<hr/>

During the period up to the date of disposal, manufacture, sales and trading of cement, clinker and construction materials operations contributed HK\$41,102,000 to the Group's net operating cash flows, paid HK\$4,452,000 in respect of investing activities and paid HK\$15,856,000 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 are as follows:

	<i>HK\$'000</i>
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)
	<hr/>
Net assets disposed	1,240,368
Non-controlling interests	(636,706)
Gain on disposal	160,388
Fair value of the remaining interests retained in the subsidiary classified as the available-for-sale investments	(231,250)
	<hr/>
Net proceeds on disposals, comprising	532,800
	<hr/>
– Cash consideration received during the period ended 30th June, 2014	479,520
– Cash consideration received in prior year as deposit	53,280
	<hr/>
	532,800
	<hr/>
Exchange translation reserve transferred to retained earnings (<i>Note</i>)	52,908
	<hr/>
Other reserve transferred to retained earnings	(16,035)
	<hr/>
Net cash inflow arising on disposal:	
Cash consideration received during the period ended 30th June, 2014	479,520
Bank balances and cash disposed of	(16,821)
	<hr/>
	462,699
	<hr/>

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.

(8) Profit for the period

	(Unaudited)	
	Six months ended 30th June,	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period from continuing operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	16,018	15,718
Less: amount capitalised on properties under development	<u>(2,921)</u>	<u>(2,321)</u>
	13,097	13,397
Amortisation of:		
Other assets – properties interests	275	569
Properties for development	40,303	55,923
Prepaid lease payments on land use rights	<u>815</u>	<u>496</u>
Total depreciation and amortisation	<u>54,490</u>	<u>70,385</u>
Cost of inventories recognised as expenses	213,632	138,306
Net exchange loss (gain)	81	(172)
Share of tax of joint ventures included in share of profit of joint ventures	<u>133,190</u>	<u>89,698</u>

(9) 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,	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<u>209,975</u>	<u>189,805</u>

	(Unaudited)	
	Six months ended 30th June,	
	2015	2014
	<i>'000</i>	<i>'000</i>
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	<u>1,506,769</u>	<u>1,506,769</u>

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,	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings figures are calculated as follows:		
Profit for the period attributable to owners of the Company	209,975	189,805
Profit for the period from discontinued operations	—	(119,835)
Earnings for the purpose of basic earnings per share from continuing operations	<u>209,975</u>	<u>69,970</u>

From discontinued operations

During the period ended 30th June, 2014, earnings per share for the discontinued operations was HK7.96 cents per share, based on the profit for the period from discontinued operations of HK\$119,835,000 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, 2015 and 30th June, 2014.

(10) 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 30 days to 120 days to its customers.

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

	(Unaudited)	(Audited)
	30th June,	31st December,
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	8,809	8,700
Between 4 and 6 months	930	588
Between 7 and 12 months	413	365
over 12 months	<u>2,297</u>	<u>2,160</u>
	<u>12,449</u>	<u>11,813</u>

As at 30th June, 2015, other receivables included the deposits of HK\$96,886,000 (31st December, 2014: 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.

(11) 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, 2015 <i>HK\$'000</i>	(Audited) 31st December, 2014 <i>HK\$'000</i>
Within 3 months	357,885	628,944
Between 4 and 6 months	59,942	18,254
Between 7 and 12 months	29,354	8,537
Over 12 months	345,794	314,500
	<hr/> 792,975 <hr/>	<hr/> 970,235 <hr/>

As at 30th June, 2015, the Group has received HK\$1,719,104,000 (31st December, 2014: HK\$1,232,736,000) deposits for disposal of properties for development and properties under development through disposal of subsidiaries, which are included in trade 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, 2015 was HK\$573.1 million (2014: HK\$439.7 million), an increase of 30% compared to the same period of last year. The profit attributable to owners of the Company (including continuing and discontinued operations) amounted to HK\$210.0 million (2014: HK\$189.8 million), representing a 10.6% increase over the corresponding period of last year.

The increase in profit for the period was the result of an increase in revaluation gains in respect of the Group's investment property portfolio and higher recognised property development sales.

Earnings per share (including continuing and discontinued operations) amounted to HK13.94 cents (2014: HK12.60 cents), while net asset value per share attributable to owners of the Company was HK\$10.62 at the end of June 2015 (31st December, 2014: HK\$10.25).

Business Review

The Group is engaged principally in the development of apartments, villas, office buildings and commercial properties, property investment and property management in China.

An outline of our achievements in the first half of 2015 is described below:

- (1) We have continued to dispose of non-core assets.
- (2) Total attributable registered sales (including sales from joint ventures and pre-sales of properties under construction) of the Group amounted to 61,600 m² in the first half of 2015 (2014: 34,400 m²), an increase of 79%. A total attributable gross floor area (“GFA”) of approximately 148,500 m² (2014: 197,200 m²) was completed, a decrease of 25%.

By the end of the 2015 first half year, a total attributable GFA of approximately 1,122,100 m² (2014: 1,224,500 m²) was under construction, representing a 8% decrease over the corresponding date of last year, including Shenzhen Tian An Cloud Park (Phase 1), Shanghai Tian An Villa (Phase 2 Part 1), Wuxi Manhattan (Phase 1 Part 2 and Phase 2), Fuzhou Dengyun Resort (Phase 1), Huizhou Huiyang Tian An Sun Life City (Phase 1 Part 2 and Phase 2), Changchun Tian An City One (Phase 4 Part 1), Dalian Tian An Jinma Centre, Foshan Tian An Centre (Phases 2 and 3), Longgang Tian An Cyber Park (Phase 4 Part 2), Changzhou Tian An Cyber Park (Phase 2 Part 1), Nantong Tian An Cyber Park (Phase 1 Part 2), Chongqing Tian An Cyber Park (Phase 3), Qingdao Tian An Cyber Park (Phase 1), Tianjin Tian An Cyber Park (Phases 2, 3 and 4) and Tianjin Tian An Intelligent Port (Phase 1).

- (3) Rental income continued to increase and was up by 4.5% as compared with 2014.
- (4) Cyberpark: The overall contribution of our cyberpark unit has been below our expectations as the slowing Chinese economy affected sales and leasing.

Where necessary, we have slowed down construction of future phases to alleviate pressure on sales and leasing of current phases. By focusing on sales of existing stock, we also hope to reduce overall bank debt of the cyberpark unit.

- (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 cyberpark 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 m² (including basement) are progressing well, of which a total GFA of 193,200 m² was completed in the first half of 2015. The remaining portion of Phase 1 has recently been completed. We have commenced the leasing and pre-sales of Phase 1 since November 2014 and 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.

Sales and leasing to date have been encouraging and total sales to date for Phase 1 amount to HK\$2,670 million. We hope this project will contribute to our performance this year.

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, 2015, the total bank balances and cash reserves of the Group were approximately HK\$1,769.6 million, providing sufficient working capital for the daily operations of the Group.

As at 30th June, 2015, the total borrowings of the Group amounted to approximately HK\$5,944.3 million (31st December, 2014: HK\$4,996.6 million), including current liabilities of HK\$2,265.8 million (31st December, 2014: HK\$2,369.6 million) and non-current liabilities of HK\$3,678.5 million (31st December, 2014: HK\$2,627.0 million). The gearing ratio (net debt over total equity) of the Group was 26% (31st December, 2014: 22%). 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 57% 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 RMB which will be repaid in the same currency. Around 88% of the Group's borrowings bear interest at fixed rates while the remainders are at floating rates.

Due to maintaining flexible and sufficient cash flow for acquiring the potential quality landbank and accelerating construction works for our development projects, the Group intends to obtain suitable 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, 2015, bank deposits of HK\$0.1 million, aggregate carrying values of property, plant and equipment, development properties and investment properties of approximately HK\$211.3 million, HK\$6,399.6 million and HK\$8,549.8 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\$2.9 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\$39.8 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, 2015, guarantees given to banks in respect of mortgage loans granted to property purchasers and bank facilities granted or utilised by the joint ventures and available-for-sale investments amounted to approximately HK\$2,171.7 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\$4.3 million. The Group has assessed the claim and obtained legal advice, and considers that the final outcome of the claim will not have material effect on the financial position of the Group.

Employees

As at 30th June, 2015, the Group including its subsidiaries but excluding associates and joint ventures, employed 1,864 (31st December, 2014: 2,002) 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

After the downward adjustments of property prices in most cities of China since 2014, there have been some signs of stabilisation in the second quarter of 2015. Some local governments have relaxed and even ended the policy of restricting the number of homes that can be purchased in order to support the property market. Late last year and earlier this year, there have been successive reductions in bank interests and lowering of the reserve requirement ratio. The sentiment in the short term may appear to be encouraging but significant and sustained market improvement is yet to be seen. 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 (2014: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30th June, 2015, 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, 2014. 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 27th May, 2015. However, Mr. Tao Tsan Sang, 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 the accounting principles and practices adopted by the Group with management 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, 2015. 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, 2015.

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

Hong Kong, 21st August, 2015

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.