

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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, 2016

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, 2016 with the comparative figures for the corresponding period in 2015 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30th June, 2016

		(Unaudited)	
		Six months ended 30th June,	
		2016	2015
	Notes	HK\$'000	HK\$'000
Revenue	(4)	416,399	573,097
Cost of sales		<u>(199,016)</u>	<u>(340,451)</u>
Gross profit		217,383	232,646
Other income and gains	(5)	405,578	87,688
Marketing and distribution expenses		(24,120)	(27,779)
Administrative expenses		(151,468)	(156,243)
Other operating expenses		(21,273)	(7,739)
Net (decrease) increase in fair value of held-for-trading investments		(11,347)	13,612
Fair value gain on transfer of inventories of completed properties to investment properties		36,284	302,605
Increase in fair value of investment properties		51,147	132,737
Amortisation of properties for development		(31,166)	(40,303)
Gain on disposal of a subsidiary	(6)	125,009	18,693
Finance costs		(89,462)	(118,600)
Share of loss of associates		(1,032)	–
Share of profit (loss) of joint ventures		<u>111,996</u>	<u>(7,316)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*
for the six months ended 30th June, 2016

		(Unaudited)	
		Six months ended 30th June,	
		2016	2015
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax		617,529	430,001
Taxation	<i>(7)</i>	<u>(108,210)</u>	<u>(220,862)</u>
Profit for the period	<i>(8)</i>	<u>509,319</u>	<u>209,139</u>
Profit for the period attributable to:			
Owners of the Company		513,150	209,975
Non-controlling interests		<u>(3,831)</u>	<u>(836)</u>
		<u>509,319</u>	<u>209,139</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	<i>(9)</i>		
Basic		<u>34.06</u>	<u>13.94</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30th June, 2016

	(Unaudited)	
	Six months ended 30th June,	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>509,319</u>	<u>209,139</u>
Other comprehensive (expense) income		
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation to presentation currency	<u>(210,284)</u>	<u>(2,277)</u>
Items that may be subsequently reclassified to profit or loss:		
Net change in fair value of available-for-sale investments	4,560	589,508
Net reversal of impairment loss on available-for-sale investments reclassified to profit or loss	–	(10,636)
Release upon disposal of available-for-sale investments to profit or loss	(202,667)	(26,674)
Deferred tax effect on share of change in fair value of available-for-sale investments	<u>18,892</u>	<u>(54,563)</u>
	<u>(179,215)</u>	<u>497,635</u>
Other comprehensive (expense) income for the period	<u>(389,499)</u>	<u>495,358</u>
Total comprehensive income for the period	<u>119,820</u>	<u>704,497</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	124,019	705,333
Non-controlling interests	<u>(4,199)</u>	<u>(836)</u>
	<u>119,820</u>	<u>704,497</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30th June, 2016

	(Unaudited) 30th June, 2016 <i>HK\$'000</i>	(Audited) 31st December, 2015 <i>HK\$'000</i>
<i>Notes</i>		
Non-current Assets		
Property, plant and equipment	254,114	398,115
Deposits for acquisition of property, plant and equipment	22	22
Investment properties	9,983,300	10,037,160
Properties for development	3,012,740	4,358,872
Deposits for acquisition of properties for development	171,116	172,789
Prepaid lease payments on land use rights	41,504	54,162
Other assets – properties interests	18,909	19,440
Interests in associates	429,213	234,210
Interests in joint ventures	1,935,755	1,909,229
Loans receivable	523,128	412,703
Available-for-sale investments	394,408	869,411
Deferred tax assets	78,388	74,822
	<u>16,842,597</u>	<u>18,540,935</u>
Current Assets		
Inventories of properties		
– under development	4,758,983	3,120,427
– completed	3,247,695	3,404,316
Other inventories	337	1,682
Amounts due from associates	2,563	2,563
Amounts due from joint ventures	961,281	893,511
Amounts due from non-controlling shareholders	18,824	19,093
Loans receivable	626,293	381,866
Trade and other receivables, deposits and prepayments	(10) 335,001	923,649
Prepaid lease payments on land use rights	897	1,541
Held-for-trading investments	86,829	99,369
Prepaid tax	42,966	37,351
Pledged bank deposits	300,129	131
Bank balances and cash	3,309,882	4,134,708
	<u>13,691,680</u>	<u>13,020,207</u>
Assets classified as held for sale	888,079	–
	<u>14,579,759</u>	<u>13,020,207</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
at 30th June, 2016

		(Unaudited) 30th June, 2016 <i>HK\$'000</i>	(Audited) 31st December, 2015 <i>HK\$'000</i>
	<i>Notes</i>		
Current Liabilities			
Trade and other payables	(11)	3,499,229	4,205,274
Pre-sale deposits		1,558,906	1,351,307
Tax liabilities		788,334	977,884
Membership debentures		–	41,303
Interest-bearing borrowings		2,321,005	2,184,237
Interest-free borrowings		180,074	490,254
		<u>8,347,548</u>	<u>9,250,259</u>
Liabilities associated with assets classified as held for sale		<u>810,119</u>	<u>–</u>
		<u>9,157,667</u>	<u>9,250,259</u>
Net Current Assets		<u>5,422,092</u>	<u>3,769,948</u>
Total Assets less Current Liabilities		<u>22,264,689</u>	<u>22,310,883</u>
Capital and Reserves			
Share capital		3,788,814	3,788,814
Reserves		13,247,520	13,349,516
Equity attributable to owners of the Company		17,036,334	17,138,330
Non-controlling interests		11,809	16,008
Total Equity		<u>17,048,143</u>	<u>17,154,338</u>
Non-current Liabilities			
Interest-bearing borrowings		3,024,315	2,901,939
Deferred rental income from a tenant		46,537	51,495
Rental deposits from tenants		31,277	28,557
Membership debentures		–	11,060
Deferred tax liabilities		2,114,417	2,163,494
		<u>5,216,546</u>	<u>5,156,545</u>
		<u>22,264,689</u>	<u>22,310,883</u>

Notes:

(1) Review by auditor

The interim financial report of the Group for the six months ended 30th June, 2016 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”).

The financial information relating to the year ended 31st December, 2015 that is included in this announcement does not constitute the Company’s statutory annual consolidated financial statements for this financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (“CO”) is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2015 to the Registrar of Companies with section 662(3) of, and Part 3 of Schedule 6 to, the CO. The Company’s auditor has reported on those financial statements for 2015. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the CO.

(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, 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2015.

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 HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 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.

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, 2016				
SEGMENT REVENUE				
External sales	<u>135,812</u>	<u>210,839</u>	<u>69,748</u>	<u>416,399</u>
RESULTS				
Segment (loss) profit	(28,847)	330,518	(23,412)	278,259
Other income and gains				405,578
Unallocated corporate expenses				(87,810)
Finance costs				(89,462)
Share of loss of associates	(1,032)	–	–	(1,032)
Share of profit (loss) of joint ventures	64,046	62,446	(14,496)	<u>111,996</u>
Profit before tax				<u>617,529</u>
As at 30th June, 2016				
ASSETS				
Segment assets	11,440,949	10,188,607	915,290	22,544,846
Interests in associates	429,213	–	–	429,213
Interests in joint ventures	301,577	1,643,950	(9,772)	1,935,755
Amounts due from associates	2,563	–	–	2,563
Amounts due from joint ventures	954,392	–	6,889	961,281
Unallocated corporate assets				<u>5,548,698</u>
Consolidated total assets				<u>31,422,356</u>
LIABILITIES				
Segment liabilities	4,103,299	1,980,299	829,095	6,912,693
Unallocated corporate liabilities				<u>7,461,520</u>
Consolidated total liabilities				<u>14,374,213</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, 2015				
SEGMENT REVENUE				
External sales	285,349	221,756	65,992	573,097
RESULTS				
Segment (loss) profit	(25,835)	553,972	(18,909)	509,228
Other income and gains				87,688
Unallocated corporate expenses				(40,999)
Finance costs				(118,600)
Share of (loss) profit of joint ventures	(91,081)	106,016	(22,251)	(7,316)
Profit before tax				430,001
As at 31st December, 2015				
ASSETS				
Segment assets	11,314,709	10,251,075	711,714	22,277,498
Interests in associates	234,210	–	–	234,210
Interests in joint ventures	866,570	1,085,787	(43,128)	1,909,229
Amounts due from associates	2,563	–	–	2,563
Amounts due from joint ventures	842,482	–	51,029	893,511
Unallocated corporate assets				6,244,131
Consolidated total assets				31,561,142
LIABILITIES				
Segment liabilities	4,550,286	1,989,281	78,818	6,618,385
Unallocated corporate liabilities				7,788,419
Consolidated total liabilities				14,406,804

(5) Other income and gains

	(Unaudited)	
	Six months ended 30th June,	
	2016	2015
	HK\$'000	HK\$'000
Dividend income		
– unlisted shares	289	461
– listed shares	304	832
Interest income on bank deposits	17,644	7,050
Interest income from loans receivable	8,407	31,291
Interest income from a joint venture	20,188	1,536
Net reversal of impairment loss on available-for-sale investments reclassified to profit or loss	–	10,636
Revaluation reserves released upon disposal of available-for-sale investments to profit or loss	202,667	26,674
Reversal of write-down of inventories of completed properties	709	749
Deposit forfeited for termination of disposal of subsidiaries	145,693	–
Other income	9,677	8,459
	<u>405,578</u>	<u>87,688</u>

(6) Gain on disposal of a subsidiary

During the period ended 30th June, 2016, the Group disposed of its entire interests in and a shareholder's loan owed by a subsidiary to a third party which is incorporated in the PRC and is engaged in property investment in the PRC.

During the period ended 30th June, 2015, the Group disposed of its entire interests in and a shareholder's loan owed by a subsidiary to a third party which is incorporated in Hong Kong and its subsidiary is engaged in property development in the PRC.

Details of the disposals are as follows:

The net liabilities of the subsidiaries at the date of disposal:

	2016	2015
	HK\$'000	HK\$'000
Net liabilities disposed of:		
Property, plant and equipment	–	934
Investment properties	153,000	–
Trade and other receivables, deposits and prepayments	231	–
Bank balances and cash	1,157	755
Trade and other payables	(80,251)	(7,033)
Pre-sale deposits	–	(112)
Amount due to immediate holding company	(97,291)	–
Tax liabilities	–	(102)
Deferred tax liabilities	(8,278)	–
	<u>(31,432)</u>	<u>(5,558)</u>
Settlement of a shareholder's loan	97,291	–
Gain on disposal	125,009	18,693
	<u>190,868</u>	<u>13,135</u>

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
– Cash consideration received in current period	28,007	–
– Settlement of a shareholder's loan in current period	97,291	–
– Cash consideration received in prior year as deposit	65,570	13,135
	<u>190,868</u>	<u>13,135</u>
Exchange translation reserve transferred to retained earnings (<i>Note</i>)	<u>(5,788)</u>	<u>1,413</u>
Net cash inflow (outflow) arising on disposal:		
Cash consideration received in current period	28,007	–
Settlement of a shareholder's loan in current period	97,291	–
Bank balances and cash disposed of	(1,157)	(755)
	<u>124,141</u>	<u>(755)</u>

Note:

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

(7) Taxation

	(Unaudited)	
	Six months ended 30th June,	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax	64,280	12,513
– Land Appreciation Tax	14,766	18,836
	<u>79,046</u>	<u>31,349</u>
(Over) under provision in prior years		
– PRC Enterprise Income Tax	(3,204)	2,171
– Land Appreciation Tax	(23)	1,353
	<u>(3,227)</u>	<u>3,524</u>
	75,819	34,873
Deferred tax	<u>32,391</u>	<u>185,989</u>
	<u>108,210</u>	<u>220,862</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.

(8) Profit for the period

	(Unaudited)	
	Six months ended 30th June,	
	2016	2015
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	15,884	16,018
Less: amount capitalised on properties under development	(1,384)	(2,921)
	14,500	13,097
Amortisation of:		
Other assets – properties interests	259	275
Properties for development	31,166	40,303
Prepaid lease payments on land use rights	789	815
Total depreciation and amortisation	46,714	54,490
Cost of inventories recognised as expenses	77,823	213,632
Net exchange loss	11,165	81
Share of tax of joint ventures included in share of profit of joint ventures	157,403	133,190

(9) 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,	
	2016	2015
	HK\$'000	HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	513,150	209,975

	(Unaudited)	
	Six months ended 30th June,	
	2016	2015
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	1,506,769	1,506,769

(10) Trade and other receivables, deposits and prepayments

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) 30th June, 2016 HK\$'000	(Audited) 31st December, 2015 <i>HK\$'000</i>
Within 3 months	11,084	10,327
Between 4 and 6 months	1,662	1,503
Between 7 and 12 months	364	639
over 12 months	301	1,983
	<hr/> 13,411 <hr/>	<hr/> 14,452 <hr/>

As at 30th June, 2016, other receivables included the deposits of HK\$90,047,000 (31st December, 2015: HK\$91,337,000) 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, 2016 HK\$'000	(Audited) 31st December, 2015 <i>HK\$'000</i>
Within 3 months	173,433	280,868
Between 4 and 6 months	14,272	52,177
Between 7 and 12 months	731	7,633
Over 12 months	367,266	351,979
	<hr/> 555,702 <hr/>	<hr/> 692,657 <hr/>

As at 30th June, 2016, the Group has received HK\$1,147,736,000 (31st December, 2015: HK\$1,455,775,000) 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 for the six months ended 30th June, 2016 was HK\$416.4 million (2015: HK\$573.1 million), a decrease of 27% compared to the same period of last year. The profit attributable to owners of the Company amounted to HK\$513.2 million (2015: HK\$210.0 million), representing an increase of 144% over the corresponding period of last year.

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

- (1) an investment revaluation reserve of HK\$202.7 million released upon further disposal of shares in a previous listed subsidiary;
- (2) the deposits forfeited of HK\$145.7 million for termination of disposal of two projects; and
- (3) a gain of HK\$125.0 million on disposal of a non-core asset.

Earnings per share amounted to HK34.06 cents (2015: HK13.94 cents), while net asset value per share attributable to owners of the Company was HK\$11.31 at the end of June 2016 (31st December, 2015: HK\$11.37).

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 2016 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 120,800 m² in the first half of 2016 (2015: 61,600 m²), an increase of 96%. For the first half of 2016, a total attributable gross floor area (“GFA”) of approximately 1,266,800 m² (2015: 1,122,100 m²) was under construction at the period end, representing a 13% increase over the corresponding date of last year.
- (3) Rental income was down by 4.9% as compared with 2015, due mainly to the Renminbi currency depreciation and the effect of renovation works in Shanghai Racquet Club & Apartments.
- (4) Cyberpark: The overall contribution of our cyberpark unit has been lower. The slowing Chinese economy has affected sales and leasing of the commercial components of our cyberparks but sales of the residential component has been quite brisk, especially the smaller sized apartments.

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 have been improving the cashflow of our cyberpark unit.

Our cyberparks on the Pearl River Delta have been the exception and we will concentrate on developing new cyberparks and urban renewal projects in this region where we have ample manpower and marketing resources.

- (5) Tian An's urban renewal project, Tian An Cloud Park, in Huawei New City Area in the Longgang District of Shenzhen has commenced leasing and pre-sales of Phase 1 since November 2014. Clearance of land for future phases is ongoing and 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 for Phase 1 have been encouraging and this project has continued to contribute to our performance. Phase 2 with GFA of approximately 542,900 m² is under construction and expected to be completed in 2018.

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, 2016, the total bank balances and cash reserves of the Group were approximately HK\$3,610.0 million, providing sufficient working capital for the daily operations of the Group.

As at 30th June, 2016, the total borrowings of the Group amounted to approximately HK\$5,525.4 million (31st December, 2015: HK\$5,576.4 million), including current liabilities of HK\$2,501.1 million (31st December, 2015: HK\$2,674.5 million) and non-current liabilities of HK\$3,024.3 million (31st December, 2015: HK\$2,901.9 million). The gearing ratio (net debt over total equity) of the Group was 11% (31st December, 2015: 8%). The borrowings were mainly used to finance the properties for development and properties under construction. Decrease in finance costs is mainly due to the decrease in interest rate and the increase in amount capitalized on property under development.

Approximately 56% of the Group's outstanding borrowings will mature within 2 years. Since most of the investments and operations of the Group are carried out in the PRC, most of the bank borrowings are denominated in Renminbi which will be repaid in the same currency. Around 87% 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, 2016, bank deposits of HK\$300.1 million, aggregate carrying values of property, plant and equipment, development properties and investment properties of approximately HK\$190.5 million, HK\$7,086.8 million and HK\$8,026.0 million respectively, were pledged for banking facilities and other loans granted to the Group.

Contingent Liabilities

A portion of a property for development that is held by a 50%-owned joint venture of the Group with carrying value of approximately HK\$2.6 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\$39.0 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. Further, property for development that is held by another subsidiary of the Group with carrying value of approximately HK\$499.3 million had been identified as idle land by the local authority. 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, 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, 2016, guarantees given to banks in respect of mortgage loans granted to property purchasers and bank facilities granted or utilised by the joint ventures amounted to approximately HK\$1,513.3 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\$32.9 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, 2016, the Group including its subsidiaries but excluding associates and joint ventures, employed 1,743 (31st December, 2015: 1,867) 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 in China from 2014, there were various measures by the mainland authorities to support the property market. These include successive reductions in bank interest and lowering of the reserve requirement ratio, as well as loosening or reversal of housing disincentives by the various levels of government. Market prices for residential properties have increased substantially in first-tier cities, while those in suburban areas and lower-tier cities have also improved. The implementation of a two-child policy this year will further induce a strong demand for upgraded housing. We are pleased with the improved sentiment and are 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 for the six months ended 30th June, 2016 (2015: Nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30th June, 2016, 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:

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 effective risk management and internal control systems; 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, 2015. 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.

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, 2016. 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, 2016.

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

Hong Kong, 19th August, 2016

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.