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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

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 (collectively the "Group") for the six months ended 30th June, 2005 were as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	(Unaudited) Six months ended 30th June, 2005 HK$'000	2004 HK$'000 (Restated)
Turnover	(4)	**418,296**	887,221
Cost of sales		**(308,457)**	(668,322)
Gross profit		**109,839**	218,899
Other operating income	(5)	**44,511**	30,829
Allowance for doubtful debts		**(8,097)**	(1,481)
Marketing and distribution costs		**(17,066)**	(13,559)
Administrative expenses		**(64,118)**	(59,084)
Other operating expenses		**(3,257)**	(11,658)
Fair value gain on transfer of properties held for sale to investment properties		**19,528**	–
Increase in fair value of investment properties		**10,310**	11,055
Discount on acquisition of additional interest in a subsidiary		**15,873**	–
Finance costs		**(46,420)**	(37,830)
Share of profits and losses of associates		**15,420**	(4,088)
Share of profits and losses of jointly controlled entities		**54,938**	15,155
Impairment loss on interest in associates		**(17,451)**	–
Profit before taxation	(6)	**114,010**	148,238
Taxation	(7)	**(36,190)**	(58,355)
Profit for the period		**77,820**	89,883
Attributable to:			
Equity holders of the parent		**82,997**	77,840
Minority interests		**(5,177)**	12,043
		77,820	89,883
		HK cents	*HK cents*
Earnings per share	(8)		
Basic		**9.5**	9.9
Diluted		**9.5**	9.6

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30th June, 2005

	Notes	(Unaudited) 30th June, 2005 HK$'000	(Audited) 31st December, 2004 HK$'000 (Restated)
Non-Current Assets			
Property, plant and equipment		**532,751**	507,982
Investment properties		**1,264,900**	1,214,400
Intangible asset		**6,782**	–
Properties for development		**1,090,026**	939,340
Deposits for acquisition of properties for development		**1,717,287**	1,775,050
Prepaid lease payments on land use rights		**29,477**	29,766
Interests in associates		**565,642**	555,873
Interests in jointly controlled entities		**808,438**	863,006
Other investment		**–**	40,737
Investments in securities		**–**	3,877
Available-for-sale investments		**40,412**	–
Amounts due from minority shareholders		**8,174**	3,314
Goodwill on consolidation		**39,386**	39,386
Instalments receivable		**43,531**	92,009
		6,146,806	6,064,740
Current Assets			
Inventories of properties in the PRC			
– under development		**1,482,618**	1,390,063
– completed		**809,542**	762,256
Other inventories		**48,470**	35,476
Amounts due from associates		**4,505**	–
Amounts due from jointly controlled entities		**31,211**	–
Amounts due from minority shareholders		**5,287**	–
Loans receivable		**21,065**	19,373
Instalments receivable		**44,073**	8,479
Trade and other receivables, deposits and prepayments	(9)	**502,307**	639,535
Prepaid lease payments on land use rights		**718**	718
Investments in securities		**–**	7,860
Investment held for trading		**7,630**	–
Prepaid tax		**46,166**	14,352
Pledged deposits		**86,992**	75,647
Bank balances and cash		**350,934**	451,762
		3,441,518	3,405,521
Assets classified as held for sale		**11,037**	–
		3,452,555	3,405,521
Current Liabilities			
Trade and other payables	(10)	**935,529**	969,729
Pre-sale deposits		**225,121**	158,625
Tax liabilities		**18,770**	49,290
Dividends payable to minority shareholders		**6,871**	3,986
Interest-bearing borrowings		**1,547,936**	1,673,852
Interest-free borrowings		**171,899**	168,085
		2,906,126	3,023,567
Net Current Assets		**546,429**	381,954
		6,693,235	6,446,694

	(Unaudited) 30th June, 2005 HK$'000	(Audited) 31st December, 2004 HK$'000
Capital and Reserves		
Share capital	**175,094**	175,094
Share premium and reserves	**4,349,618**	4,267,543
Equity attributable to equity holders of the parent	**4,524,712**	4,442,637
Minority interests	**429,380**	461,161
Total Equity	**4,954,092**	4,903,798
Non-Current Liabilities		
Interest-bearing borrowings	**737,284**	528,538
Interest-free borrowings	**51,440**	149,087
Rental received in advance from a tenant	**65,440**	–
Rental deposits from tenants	**8,860**	–
Membership debentures	**28,980**	51,485
Deferred tax liabilities	**847,139**	813,786
	1,739,143	1,542,896
	6,693,235	6,446,694

Notes:

(1) Review by auditors

The interim financial report of the Company for the six months ended 30th June, 2005 has been reviewed by our auditors, Messrs. Deloitte Touche Tohmatsu, in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and an unmodified review conclusion has been issued.

(2) Principal accounting policies

The condensed financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2004, except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates/jointly controlled entities have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Business combinations

HKFRS3 "Business Combinations" is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st January, 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place.

Intangible asset

The Group has recognised an intangible asset in relation to the mining right. Mining right is stated at cost less accumulated amortisation and any identified impairment loss. The cost of mining right is amortised on straight line method over the estimated useful life of 50 years.

Financial instruments

HKAS 32 "Financial Instruments: Disclosure and Presentation" requires retrospective application. HKAS 39 "Financial Instruments: Recognition and Measurement", which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice ("SSAP") 24. Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From 1st January, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss ("other financial liabilities")". "Other financial liabilities" are carried at amortised cost using the effective interest method. An adjustment to the previous carrying amounts of assets or liabilities on 1st January, 2005 has been made to the Group's retained earnings (see Note 3 for the financial impact).

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after 1st January, 2005. As a result, the Group's bill receivables with full recourse which were derecognised prior to 1st January, 2005 have not been restated. As at 30th June, 2005, the Group's bills receivables and factored trade receivables with full recourse have not been derecognised. Instead, the related borrowings of HK$33,004,000 and HK$18,868,000 have been recognised on the balance sheet date. This change has had no material effect on the results for the current period.

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see Note 3 for the financial impact). Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

Investment properties

The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 retrospectively. Comparative figures have been restated (see Note 3 for the financial impact).

Deferred taxes related to investment properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation. In the current period, the Group has applied HKAS Interpretation 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated (see Note 3 for the financial impact).

(3) Summary of the effects of the changes in accounting policies

The effects of the changes in the accounting policies described above on the results for the current and prior period are as follows:

	Six months ended 30th June, 2005	2004
	HK$'000	*HK$'000*
Decrease in amortisation of goodwill	**1,296**	–
Recognition of discount on acquisition directly in the income statement	**15,873**	–
Losses arising from changes in fair value of financial assets and liabilities, measured at fair value through profit or loss	**(1,456)**	–
Fair value gain on transfer of properties held for sale to investment properties	**19,528**	–
Increase in loss on disposal of investment properties as a result of changes in fair value	**–**	(3,385)
Gains arising from changes in fair value of investment properties	**35,710**	32,225
Increase in deferred taxes relating to investment properties	**(15,829)**	(6,140)
Increase in profit for the period	**55,122**	22,700

Analysis of increase in profit for the period by line items presented according to their function:

	Six months ended 30th June, 2005	2004
	HK$'000	*HK$'000*
Increase in other operating income	**3,646**	–
Increase in administrative expenses	**(1,341)**	–
Decrease (increase) in other operating expenses	**1,296**	(3,385)
Fair value gain on transfer of properties held for sale to investment properties	**19,528**	–
Increase in fair value of investment properties	**10,310**	11,055
Discount on acquisition of additional interest in a subsidiary	**15,873**	–
Increase (decrease) in share of profits and losses of associates	**7,944**	(42)
Increase in share of profits and losses of jointly controlled entities	**11,237**	17,657
Increase in finance costs	**(3,602)**	–
Increase in taxation	**(9,769)**	(2,585)
	55,122	22,700

The cumulative effects of the application of the new HKFRSs as at 31st December, 2004 and 1st January, 2005 are summarised below:

	As at 31st December, 2004 (Originally stated)	**Effect of HKAS 1**	**Effect of HKAS 17**	**Effect of HKAS 40 and HKAS-Int 21**	**As at 31st December, 2004 (Restated)**	**Effect of HKAS 32 and HKAS 39**	**As at 1st January, 2005 (Restated)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance sheet items							
Property, plant and equipment	538,864	–	(30,882)	–	507,982	–	507,982
Properties for development	2,714,390	–	(1,775,050)	–	939,340	–	939,340
Deposits for acquisition of properties for development	–	–	1,775,050	–	1,775,050	–	1,775,050
Prepaid lease payments on land use rights (non-current)	–	–	29,766	–	29,766	–	29,766
Interests in associates	534,920	–	–	20,953	555,873	(1,076)	554,797
Interests in jointly controlled entities	848,954	–	–	14,052	863,006	(19,081)	843,925
Other investments	40,737	–	–	–	40,737	(40,737)	–
Investments in securities (non-current)	3,877	–	–	–	3,877	(3,877)	–
Available-for-sale investments	–	–	–	–	–	44,614	44,614
Instalments receivables (non-current)	92,009	–	–	–	92,009	(13,064)	78,945
Prepaid lease payments on land use rights (current)	–	–	718	–	718	–	718
Interest-free borrowings (non-current)	(149,087)	–	–	–	(149,087)	16,578	(132,509)
Membership debentures	(51,485)	–	–	–	(51,485)	23,324	(28,161)
Deferred tax liabilities	(796,486)	–	–	(17,300)	(813,786)	(632)	(814,418)
Total effects on assets and liabilities	3,776,693	–	(398)	17,705	3,794,000	6,049	3,800,049
Accumulated profits	2,025,983	–	(398)	380,676	2,406,261	(8,721)	2,397,540
Investment property revaluation reserve	327,770	–	–	(327,770)	–	–	–
Minority interests	–	496,362	–	(35,201)	461,161	14,770	475,931
Total effects on equity	2,353,753	496,362	(398)	17,705	2,867,422	6,049	2,873,471
Minority interests	496,362	(496,362)	–	–	–	–	–

The financial effects of the application of the new HKFRSs to the Group's equity at 1st January, 2004 are summarised below:

	As originally stated	**HKAS 40 and HKAS-Int 21**	**As restated**
	HK$'000	*HK$'000*	*HK$'000*
Accumulated profits	287,092	321,037	608,129
Investment property revaluation reserve	269,528	(269,528)	–
Minority interests	433,139	(41,008)	392,131
Total effects on equity	989,759	10,501	1,000,260

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company ("Directors") anticipate that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement Contain a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissing, Restoration and Environmental Rehabilitation Funds

(4) Segmental information

The Group's turnover for the period was derived mainly from activities carried out in the People's Republic of China ("PRC") other than Hong Kong. An analysis of the Group's turnover and segment results by business segment is as follows:

Income statement for the six months ended 30th June, 2005

	Property development	**Property investment**	**Sale of construction materials**	**Other operations**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
TURNOVER	**229,069**	**24,965**	**141,454**	**22,808**	**418,296**
RESULTS					
Segment results	**41,454**	**17,798**	**(12,044)**	**(5,072)**	**42,136**
Other operating income	**–**	**–**	**7,627**	**36,884**	**44,511**
Allowance for doubtful debts	**–**	**(589)**	**(7,040)**	**(468)**	**(8,097)**
Unallocated corporate expenses					**(16,738)**
Fair value gain on transfer of properties held for sale to investment properties	**19,528**	**–**	**–**	**–**	**19,528**
Increase in fair value of investment properties	**–**	**10,310**	**–**	**–**	**10,310**
Discount on acquisition of additional interest in a subsidiary					**15,873**
Finance costs					**(46,420)**
Share of profits of associates	**4,037**	**11,173**	**–**	**210**	**15,420**
Share of profits of jointly controlled entities	**38,910**	**15,553**	**–**	**475**	**54,938**
Impairment loss on interest in associates	**(17,451)**	**–**	**–**	**–**	**(17,451)**
Profit before taxation					**114,010**
Taxation					**(36,190)**
Profit for the period					**77,820**

Income statement for the six months ended 30th June, 2004 (Restated)

	Property development	Property investment	Sale of construction materials	Other operations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	669,457	11,259	199,094	7,411	887,221
RESULTS					
Segment results	128,905	(988)	32,212	(3,289)	156,840
Other operating income	–	–	9,932	20,897	30,829
Allowance for doubtful debts	–	–	(1,481)	–	(1,481)
Unallocated corporate expenses					(22,242)
Increase in fair value of investment properties	–	11,055	–	–	11,055
Finance costs					(37,830)
Share of profits and losses of associates	(4,251)	–	–	163	(4,088)
Share of profits and losses of jointly controlled entities	(3,777)	19,438	–	(506)	15,155
Profit before taxation					148,238
Taxation					(58,355)
Profit for the period					89,883

(5) Other operating income

	Six months ended 30th June, 2005	2004
	HK$'000	*HK$'000*
Interest income on bank deposits and receivables	**3,788**	2,426
Implied interest income on non-current receivables	**3,646**	–
Refund of PRC value-added tax	**7,289**	8,720
Dividend income from listed shares	**–**	5,760
Net unrealised gain on investments held for trading	**–**	20
Allowance for doubtful debts written back	**–**	3,302
Waiver of interest expenses accrued in prior years	**19,420**	5,692
Other income	**10,368**	4,909
	44,511	30,829

(6) Profit from operations

Profit from operations has been arrived at after charging:

	Six months ended 30th June, 2005	2004
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment		
Owned assets	**11,465**	9,282
Assets held under finance leases	**4**	4
Less: amount capitalised on properties under development	**(556)**	(456)
	10,913	8,830
Amortisation of:		
Intangible asset	**12**	–
Prepaid lease payments on land use rights	**289**	–
Goodwill on consolidation (included in other operating expenses)	**–**	1,241
Goodwill on acquisition of associates and jointly controlled entities (included in other operating expenses)	**–**	91

(7) Taxation

The charge comprises:

	Six months ended 30th June, 2005	2004
	HK$'000	*HK$'000*
PRC Enterprise Income Tax and Land Appreciation Tax		
Company and subsidiaries		
– current period provision	**3,265**	19,086
– over-provision in prior years	**204**	(405)
	3,469	18,681
Deferred tax	**32,721**	39,674
	36,190	58,355

No provision for Hong Kong Profits Tax is made as the Group companies operating in Hong Kong do not have any assessable profit for both periods. Certain of the Company's subsidiaries operating in the PRC are eligible for tax exemptions and concessions. The PRC income tax is calculated at the rates applicable to respective subsidiaries.

(8) Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	Six months ended 30th June, 2005	2004
	HK$'000	*HK$'000* (Restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity holders of the parent)	**82,997**	77,840

	Six months ended 30th June, 2005	2004
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**875,469,918**	786,598,115
Effect of dilutive potential ordinary shares: – Warrants	**–**	25,352,058
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**875,469,918**	811,950,173

The computation of diluted earnings per share for the six months ended 30th June, 2005 does not assume the exercise of the Company's outstanding warrants as the exercise price was higher than the average market price per share.

The computation of diluted earnings per share for both periods does not assume the exercise of the outstanding share options of the subsidiary as the exercise price was higher than the average market price per share.

(9) Trade receivables

Rental receivables from tenants are payable on presentation of invoices. 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, which are included in trade and other receivables, deposits and prepayments, at the reporting date:

	(Unaudited) 30th June, 2005	(Audited) 31st December, 2004
	HK$'000	*HK$'000*
Not yet due	**33,232**	132,147
Overdue within 3 months	**137,085**	223,571
Overdue between 4 and 6 months	**74,084**	42,462
Overdue between 7 and 12 months	**41,452**	25,090
Overdue over 12 months	**11,753**	15,782
	297,606	439,052

(10) Trade payables

The following is an aged analysis of trade payables, which are included in trade and other payables, at the reporting date:

	(Unaudited) 30th June, 2005	(Audited) 31st December, 2004
	HK$'000	*HK$'000*
Not yet due	**466,610**	490,732
Overdue within 3 months	**92,107**	72,333
Overdue between 4 and 6 months	**4,142**	8,305
Overdue between 7 and 12 months	**7,381**	54,122
Overdue over 12 months	**121,772**	120,286
	692,012	745,778

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group's net profit attributable to shareholders for the period under review was HK$82,997,000 (2004: HK$77,840,000 (restated)), representing a 6.6% increase over the previous period. The decrease in turnover to HK$418,296,000 (2004: HK$887,221,000), representing a decrease of 53%, was mainly due to the reduced sales of properties of the subsidiaries in this period as a result of the strategical retention of part of commercial and office properties for rental purpose, as well as the decreased completion of properties. The increase of net profit attributable to shareholders for the period was the result of contribution from jointly controlled entities and increase or gain in fair values of investment properties. Earnings per share was HK9.5 cents (2004: HK9.9 cents (restated)), representing a decrease of 4% compared to the corresponding period of last year.

Property Development and Investment

During the period under review, total sales attributable to the Group of 56,000m^2 GFA from residential/commercial properties were recorded (2004: 120,100m^2), whereas 309,300m^2 GFA were under construction (2004: 438,800m^2) and 53,700m^2 GFA residential/commercial properties were completed (2004: 90,550m^2). The segment result for property development was HK$41,454,000 (2004: HK$128,905,000), representing a decrease of 68%. Properties sold in the PRC such as Shanghai Tian An Centre, Wuxi Redhill Peninsula (Phase 3), Changzhou Tian An Villa (Phase 1), Shenzhen Tian An New Technology Plaza (Phase 2) and Nantong Tian An Garden (Phase 2) contributed significantly to the Group during the period. The Group has also retained certain portion of commercial and office properties such as Shanghai Tian An Centre and Dalian Tian An International Tower for rental purpose so as to increase the rental income for this period and the future. The Group currently has a landbank for projects of approximately 5.27 million m^2 (GFA attributable to the Group is approximately 3.63 million m^2). The Group will continue to monitor overall developments and suitably add to its landbank when conditions are right.

Sale of Construction Materials

The segment result for sale of construction materials brought loss to the Group of HK$12,044,000 (2004: Profit of HK$32,212,000).

The main factors causing loss for the period included the continuous decline in cement prices and that prices of domestic raw materials and coal remained at a high level in the first half of 2005.

Financial Position

Liquidity and Financing

As at 30th June, 2005, 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 maintained at over HK$438 million, providing sufficient working capital for the daily operations of the Group.

As at 30th June, 2005, the total borrowings of the Group amounted to approximately HK$2,509 million (31st December, 2004: HK$2,519 million), including current liabilities and non-current liabilities of HK$1,720 million (31st December, 2004: HK$1,842 million) and HK$789 million (31st December, 2004: HK$677 million) respectively. The gearing ratio (net debt over shareholders' equity) of the Group was around 46% (31st December, 2004: 45%). The borrowings were used to finance mainly the landbank and properties under construction.

Approximately 79% of outstanding debts will expire within 2 years. Since the investments and operation of the Group are located in the PRC, most of the bank borrowings are obtained from PRC banks in Renminbi ("RMB") which will be repaid in the same currency. At the same time, bank borrowings in Hong Kong dollar have increased so as to lower the interest. Around 65% of the Group's bank borrowings bear interest at fixed rates while the remaining is at floating rates.

Pledge on Assets

As at 30th June, 2005, the Group's interest in a subsidiary with carrying values of HK$142,206,000 was pledged against bank overdraft facilities granted to the Group and interest in a subsidiary with carrying value of HK$65,526,000 held by that subsidiary was pledged against another banking facility granted to the Group. The Group's interest in a subsidiary with a carrying value of HK$292,754,000 was pledged against a banking facility granted to the Company and properties for sale and investment properties indirectly held by that subsidiary with carrying values of HK$221,842,000 and HK$375,000,000 respectively were pledged against a banking facility granted to the Group. Additionally, bank deposits of HK$86,992,000, aggregate carrying values of development properties and investment properties of approximately HK$1,555,367,000 and HK$784,171,000 respectively, were pledged for other loans, banking facilities granted to the Group and a trade creditor.

Contingent Liabilities

As at 30th June, 2005, guarantees given to banks by the Group in respect of banking facilities granted to jointly controlled entities, third parties and a vendor of land use rights to a property development subsidiary were approximately HK$66,038,000, HK$28,302,000 and HK$13,016,000 respectively. Guarantees given to banks in respect of mortgage loans granted to property purchasers amounted to approximately HK$370,992,000. All the guarantees provided by the Group were requested by banks and under normal commercial terms. The contingent PRC land appreciation tax of subsidiaries attributable to the Group amounted to approximately HK$125,264,000 and the share of contingent land appreciation tax of jointly controlled entities amounted to approximately HK$75,028,000. Legal actions were taken against certain subsidiaries and jointly controlled entity resulting in possible contingent liabilities of approximately HK$230,230,000 and HK$14,000,000 respectively. 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. A brief summary of the claims is contained in the 2005 interim report to be despatched to the shareholders of the Company ("Shareholders").

Employees

As at 30th June, 2005, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed 2,780 persons. The staff costs for the period under review amounted to approximately HK$39,988,000. The Group ensures that the remuneration packages for employees are competitive and employees are rewarded on performance related basis including salary and bonus.

Brief Analysis of Economic Environment and the Key Responsive Measures in Operations

PRC's Overall Economy

In the first half of the year, China's gross domestic product ("GDP") grew by 9.5%, which was about the same as the corresponding period of 2004. In the real estate market, the average price of the commodity property nationwide has increased by 10.1%. The government continued to introduce various policies of macro-economic adjustments, which included that "sales tax calculated on sales amount was imposed on residential property sold within two years of acquisition. On 10th July, relevant authorities reiterated that second-hand transactions were subject to personal income tax of 20% on the value-added portion. The Shanghai Tax Bureau also implemented tax policies against villas, requiring land appreciation tax to be paid on property of this kind with effect from 1st June". Superficially, the purpose of these policies is to control the excessive speed in price rise. In fact, they were meant to restrict those domestic and foreign residents currently owning more than one property so as to combat speculation in the property market and thus cool down the real estate market. The measures marked an end to the five-year long surge of the China Real Estate Index of Shanghai. Price is expected to return to a reasonable level in future. Furthermore, the transaction structure was also changing with the proportion of large and high price residential properties deals dropping significantly. In May, the number of transactions for residential properties of unit price over RMB9,000 reduced by 50%. Recently, Mr. Liu Zhifeng, Vice Minister of Ministry of Construction said: "The PRC government will not again push forward new regulatory measures in the real estate market in the short-term". According to relevant statistics, the investment and economic growth rates have remarkably slowed down in Eastern China (including Shanghai, Zhejiang and Jiangsu) and Guangdong recently, the impacts of which on the real estate market are worth noting and alert.

Banking Facilities

For the first six months in this year, M2 amounted to RMB27,600 billion, representing a 15.7% year-on-year growth, while M1 amounted to RMB9,900 billion, representing a 11.3% year-on-year growth. Both figures showed that currency supply was relatively tight in the first half of the year. It is generally expected that the central bank will aptly increase the money supply in the latter half of the year to prevent deflation.

Market Performance

Eastern China has been more affected by the macro-economic adjustments than Northern China and Southern China, as evidenced by the property price changes in Shanghai, Beijing and Shenzhen. In March, prices of residential properties in Shanghai rose by 2.5% as compared to February and then steadily dropped every month, with a decline of 1.2% in June. In Beijing, prices continued to rise for the first five months but decreased by 3.3% in June as compared to May. In Shenzhen, the upward trend was more obvious from January to May, but the average prices of residential properties dropped by 2.19% in June as compared with those of May. As indicated from the above, Shanghai was affected by the macro-economic adjustments and experienced price drop earlier than the other two cities. In June, the average selling prices of the residential properties in all three cities were lower than in May. In future, the number of large residential units to be available for marketing by the Group on the projects in Eastern China will be reduced, and the supply of villas will also be mainly small ones. We will analyse and keep track of further subsequent impacts and adjust the operation and development strategy on a timely basis.

Project Development

Eastern China is still the investment focus of the Group. The 5th to 21st floors of Shanghai Tian An Centre, a Grade A office building situated at Nanjing Road West, were all sold; the 1st to 4th floors and the Food Court (美食城) situated on ground floor are for rental and nearly all units have been rented out and generating substantial rental income. In particular, the prestigious stance of the building has been enhanced with many of the "Top 500 Enterprises in the World" (世界500強企業) moving in. The 22nd to 29th floors are for sale or rental purpose. A number of the Group's departments and offices in Eastern China will be relocated to the 30th floor of the building in the latter half of the year. Nantong Tian An Garden (Phase 2), Wuxi Redhill Peninsula (Phase 3), Changzhou New City Garden (Phase 4) continued to bring significant contributions to the Group. Changzhou Tian An Villa has become a new profit centre of the Group and performed very well in the first half of the year. The New Technology Plaza (Phase 2) in Shenzhen Tian An Cyber Park was also one of the most important profit centres of the Group in the first half. Dalian Tian An Seaview Garden (Phase 3) was put onto the market on 18th June and received good response. Beijing Park Apartments (formerly known as Fu Hua Building) located at Chaoyanggongyuan Road West, Beijing performed satisfactorily in the first half of the year and the construction is to be completed in the latter half of the year. The construction of Shanghai Tian An Villa (Phase 2) and Guangzhou Panyu Hi-Tech Ecological Park (Phase 2) has commenced and will be marketed for sale in the latter half of the year. Shanghai Park Apartments (formerly known as Tian An Yang Ming Resort) have been approved by the government. Construction is expected to commence in the latter half of the year and be completed next year.

Operation Highlights

During the period, the Group continued our strategy as follows: rationalise incentives, streamline procedures, cutting expenses while seeking new revenues, innovate boldly, deploy idle assets, and strengthen supervision. The Group also stressed on strengthening training to its staff for the establishment of the brand name and public relations by implementing strategies of market oriented brand-building and public relationship. At the same time, appropriate brand name promotion was made through the media at the time Beijing Park Apartments were put onto the market and when the Group was accredited by "New Real Estate" (新地產) as one of the top ten enterprises with the largest development potential in China. In the public relations aspect, personnel have been appointed to be responsible for handling the relationship with governmental departments and customers, and certain results have been achieved helping the Group to create a better operational environment, which is considered to be favourable in increasing the overall efficiency of the Group.

Outlook

This series of macro-economic adjustments is beneficial to the middle and long term healthy development of the economy. The falling of the property price in the past few months in places like Shanghai is not altogether bad. Indications suggest that the economic growth in the PRC has started to slow down in the second half. Real estate prices and rate of economic growth are closely linked. According to analysis, rates of investments to real estate are generally higher than changes in PRC's GDP. Therefore, property prices may continue the falling trend in the short term. Nevertheless, as quadrupling the total economic outputs compared to 2000 in 2020 has been the established target, the economic prospect is still bullish. At the same time, the pace of urbanisation is proceeding steadily. From the medium to long term perspective, property prices may regain a reasonably rising momentum, which means that the return on investment is still expected to increase. The Group will closely monitor the recent impacts of policies on property prices and the differences between different regions.

With regard to specific operation strategy, the Group will increasingly focus on sales strategy to achieve better returns. Property design will be targeted to self-owned high-end customers group. For construction management, the Group's construction department will focus on the design, construction and quality control of each project. The Group will make use of its advantages and request unified tender to have more competitive pricing for some key construction materials and mechanical equipments. For construction bidding, only A Grade and outstanding construction teams will be considered. With regard to brand name building, the Group will dedicate to enhance all its staff the brand name recognition, improve quality management as well as make the necessary brand name promotion such that the "Tian An" brand name will become the symbol of credit, high quality, high-end and human-based.

We would like to take this opportunity to extend our sincere gratitude to all Shareholders and customers for their support to the Group, and all our colleagues for their efforts and hard work.

INTERIM DIVIDEND

The Directors consider that it is prudent to retain an appropriate level of funds to take advantage of business opportunities as and when they arise, and therefore do not intend to declare an interim dividend (2004: nil).

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30th June, 2005, except for certain deviations. The major areas of deviation are as follows:

1. **Code Provisions A.4.1 and A.4.2**

   Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election, and code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

   The Non-Executive Directors of the Company had no fixed term of office prior to 27th June, 2005, but retired from office on a rotational basis in accordance with the relevant provisions of the Company's Articles of Association. According to the Articles of Association of the Company then in effect before 12th May, 2005, at each annual general meeting of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, should retire from office, provided that no Director holding office as executive chairman or as a managing director or as a chief executive should be subject to retirement by rotation. Further, any Director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the next following annual general meeting and would then be eligible for re-election.

   To fully comply with the code provision A.4.1, all Non-Executive Directors of the Company were appointed for a specific term on 27th June, 2005 which shall continue until 31st December, 2006, but subject to the relevant provisions of the Articles of Association of the Company or any other applicable laws whereby the Directors shall vacate or retire from their office. In addition, to ensure full compliance with the code provision A.4.2, relevant amendments to the Articles of Association of the Company were proposed and approved by the Shareholders at the annual general meeting of the Company held on 12th May, 2005.

2. **Code Provisions B.1.1 and C.3.3**

   Code provision B.1.1 stipulates the establishment of a remuneration committee with specific written terms of reference as set out in the provision, and code provision C.3.3 stipulates that the terms of reference of the audit committee should include at least those duties as set out in the provision.

   In June 2005, a Remuneration Committee with specific written terms of reference has been established and the terms of reference of the Audit Committee has been revised in order to comply with the above code provisions with certain deviations. A major deviation from the code provision B.1.3 is that the Remuneration Committee of the Company should, pursuant to its terms of reference, review (as opposed to determine under the code provision) and make recommendations to the Board on the remuneration packages of the Executive Directors only but not senior management.

Further details of the Company's deviations from certain code provisions of the CG Code for the period under review will be set out in the Company's 2005 Interim Report to be sent to the Shareholders in early September 2005.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the six months ended 30th June, 2005.

AUDIT COMMITTEE REVIEW

The audit committee of the Company ("Audit Committee") has reviewed with the 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, 2005. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Statement of Auditing Standards 700 issued by the HKICPA as well as obtaining reports from management. The Audit Committee has not undertaken detailed independent audit checks.

By Order of the Board
Tian An China Investments Company Limited
Patrick Lee Seng Wei
Chairman

Hong Kong, 31st August, 2005

As at the date of this announcement, the Board comprises Mr. Patrick Lee Seng Wei (Chairman), Mr. Ng Qing Hai (Managing Director), Mr. Ma Sun, Mr. Edwin Lo King Yau and Mr. Li Chi Kong being the Executive Directors, Mr. Moses Cheng Mo Chi and Miss Lisa Yang Lai Sum being the Non-Executive Directors, and Mr. Francis J. Chang Chu Fai, Mr. Goodwin Gaw, Mr. Ngai Wah Sang and Mr. Xu Su Jing being the Independent Non-Executive Directors.