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 AUDITED RESULTS FOR THE YEAR 2007

The board of directors (the "Board") of Tian An China Investments Company Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2007 were as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
Continuing operations			
Revenue	(3)	**670,706**	503,740
Cost of sales		**(400,134)**	(319,842)
Gross profit		**270,572**	183,898
Other income and gains	(4)	**98,603**	108,969
Marketing and distribution costs		**(15,864)**	(19,067)
Administrative expenses		**(148,548)**	(137,503)
Other operating expenses		**(54)**	(1,786)
Increase in fair value of held-for-trading investments		**30,540**	659
Change in fair value of derivative financial instrument		**(101,665)**	–
Fair value gain on transfer of inventories of completed properties to investment properties		**73,281**	18,045
Increase in fair value of investment properties		**171,533**	311,706
Write-down of properties for development and inventories of properties		**(106,168)**	(79,788)
Allowance for bad and doubtful debts		**(12,349)**	(3,317)
Amortisation of properties for development		**(38,205)**	(21,494)
Gain on disposal of a jointly controlled entity		**–**	150,390
Gain on disposal of subsidiaries		**197,099**	–
Discount on acquisition of subsidiaries		**28,415**	–
Discount on acquisition of additional interests in subsidiaries		**98,261**	1,147
Finance costs		**(103,998)**	(101,903)
Share of profit (loss) of associates			
– Profit (loss) after tax before additional PRC Land Appreciation Tax ("LAT")		**72,166**	(4,081)
– Additional LAT attributable to sales in previous years		**–**	(1,923)
Share of profit of jointly controlled entities			
– Profit after tax before additional LAT		**176,114**	71,617
– Additional LAT attributable to sales in previous years		**–**	(101,639)
– Additional LAT attributable to sales in current year		**–**	(12,430)
Profit before taxation		**689,733**	361,500

	Notes	**2007** ***HK$'000***	2006 *HK$'000*
Taxation	*(5)*		
– Tax expenses before additional LAT		**(162,550)**	(158,939)
– Additional LAT attributable to sales in previous years		**–**	(158,074)
– Additional LAT attributable to sales in current year		**–**	(23,343)
		(162,550)	(340,356)
Profit for the year from continuing operations		**527,183**	21,144
Discontinued operations			
Profit for the year from discontinued operations		**144,330**	5,126
Profit for the year	*(6)*	**671,513**	26,270
Attributable to:			
Equity holders of the Company		**702,976**	51,496
Minority interests		**(31,463)**	(25,226)
		671,513	26,270
Dividend	*(7)*	**151,112**	28,232
		HK cents	*HK cents*
Earnings per share	*(8)*		
From continuing and discontinued operations			
– Basic		**54.55**	4.39
– Diluted		**54.55**	4.36
From continuing operations			
– Basic		**43.85**	4.64
– Diluted		**43.85**	4.60

CONSOLIDATED BALANCE SHEET
At 31st December, 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current Assets			
Property, plant and equipment		**263,796**	590,812
Deposits for acquisition of property, plant and equipment and investment properties		**1,970**	76,860
Investment properties		**3,985,200**	3,042,800
Intangible asset		**–**	7,142
Properties for development		**2,592,037**	1,415,251
Deposits for acquisition of properties for development		**1,730,890**	1,791,745
Prepaid lease payments on land use rights		**67,392**	34,138
Interests in associates		**242,703**	540,550
Interests in jointly controlled entities		**982,250**	631,102
Available-for-sale investments		**40,345**	3,306
Goodwill		**640**	39,386
Instalments receivable		**–**	50,340
Deferred tax assets		**5,975**	4,039
		9,913,198	8,227,471
Current Assets			
Inventories of properties in the PRC			
– under development		**592,573**	324,553
– completed		**544,230**	880,258
Other inventories		**3,041**	38,566
Amounts due from associates		**–**	12,369
Amounts due from jointly controlled entities		**193,056**	67,370
Amounts due from minority shareholders		**23,504**	24,601
Loans receivable		**80,048**	62,131
Instalments receivable		**74,642**	32,965
Trade and other receivables, deposits and prepayments	*(9)*	**190,480**	479,177
Prepaid lease payments on land use rights		**1,437**	1,036
Held-for-trading investments		**42,131**	11,579
Prepaid tax		**24,424**	26,319
Pledged deposits		**89,912**	306,878
Bank balances and cash		**3,073,336**	369,625
		4,932,814	2,637,427

	Notes	2007 HK$'000	2006 HK$'000
Current Liabilities			
Trade and other payables	*(10)*	**891,678**	881,796
Pre-sale deposits		**117,387**	135,994
Tax liabilities		**459,816**	344,732
Dividends payable to minority shareholders		**186**	8,109
Interest-bearing borrowings		**605,492**	712,841
Interest-free borrowings		**168,705**	156,978
Derivative financial instrument		**803,516**	–
		3,046,780	2,240,450
Net Current Assets		**1,886,034**	396,977
Total Assets less Current Liabilities		**11,799,232**	8,624,448
Capital and Reserves			
Share capital		**302,225**	225,854
Reserves		**8,570,334**	5,718,150
Equity attributable to equity holders of the Company		**8,872,559**	5,944,004
Minority interests		**390,549**	407,173
Total Equity		**9,263,108**	6,351,177
Non-current Liabilities			
Interest-bearing borrowings		**1,092,944**	1,264,777
Interest-free borrowings		**36,999**	60,143
Deferred rental income from a tenant		**107,574**	107,882
Rental deposits from tenants		**18,076**	14,332
Membership debentures		**34,995**	32,591
Deferred tax liabilities		**1,245,536**	793,546
		2,536,124	2,273,271
		11,799,232	8,624,448

Notes:

(1) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

(2) Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC)-Int 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[5]

1 Effective for annual periods beginning on or after 1st January, 2007.
2 Effective for annual periods beginning on or after 1st March, 2006.
3 Effective for annual periods beginning on or after 1st May, 2006.
4 Effective for annual periods beginning on or after 1st June, 2006.
5 Effective for annual periods beginning on or after 1st November, 2006.

The adoption of the new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting years. Accordingly, no prior year adjustment has been recognised. The adoption of the HKFRS 7 has affected in the changes to the Group's disclosure of the financial statements.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The Group is still not in the position to reasonably estimate the impact that may arise from the application of these standards or interpretations.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS2-Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 Effective for annual periods beginning on or after 1st January, 2009.
2 Effective for annual periods beginning on or after 1st March, 2007.
3 Effective for annual periods beginning on or after 1st January, 2008.
4 Effective for annual periods beginning on or after 1st July, 2008.

(3) Segmental information

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

Income statement for the year ended 31st December, 2007

	Continuing operations				Discontinued operations		
	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Total *HK$'000*	Manufacture and sale of cement, clinker and slag powder *HK$'000*	Total *HK$'000*	Consolidated *HK$'000*
REVENUE							
External sales	478,089	117,739	74,878	670,706	192,482	192,482	863,188
RESULTS							
Segment results	94,578	69,740	18,130	182,448	1,237	1,237	183,685
Unallocated corporate expenses				(147,467)		–	(147,467)
Other income and gains	2,714	501	95,388	98,603	13,033	13,033	111,636
Fair value gain on transfer of inventories of completed properties to investment properties	73,281	–	–	73,281	–	–	73,281
Increase in fair value of investment properties	–	171,533	–	171,533	–	–	171,533
Write-down of properties for development and inventories of properties	(106,168)	–	–	(106,168)	–	–	(106,168)
Allowance for bad and doubtful debts	(12,349)	–	–	(12,349)	(2,179)	(2,179)	(14,528)
Amortisation of properties for development	(38,205)	–	–	(38,205)	–	–	(38,205)
Discount on acquisition of subsidiaries	28,415	–	–	28,415	–	–	28,415
Discount on acquisition of additional interests in subsidiaries	98,261	–	–	98,261	–	–	98,261
Gain on disposal of subsidiaries	197,099	–	–	197,099	137,738	137,738	334,837
Finance costs				(103,998)		(7,692)	(111,690)
Share of profit of associates	30,574	41,078	514	72,166	–	–	72,166
Share of profit of jointly controlled entities	100,104	73,562	2,448	176,114	–	–	176,114
Profit before taxation				689,733		142,137	831,870
Taxation				(162,550)		2,193	(160,357)
Profit for the year				527,183		144,330	671,513

Income statement for the year ended 31st December, 2006

	Continuing operations					Discontinued operations			
	Property development HK$'000	Property investment HK$'000	Other operations HK$'000	Eliminations HK$'000	Total HK$'000	Manufacture and sale of cement, clinker and slag powder HK$'000	Eliminations HK$'000	Total HK$'000	Consolidated HK$'000
REVENUE									
External sales	345,975	95,903	61,862	–	503,740	385,562	–	385,562	889,302
Inter-segment sales	–	–	7,384	(7,384)	–	2,714	(2,714)	–	–
Total	345,975	95,903	69,246	(7,384)	503,740	388,276	(2,714)	385,562	889,302
RESULTS									
Segment results	30,867	63,087	(10,842)	–	83,112	14,471	–	14,471	97,583
Unallocated corporate expenses					(56,911)			–	(56,911)
Other income and gains	27,314	64	81,591	–	108,969	18,848	–	18,848	127,817
Fair value gain on transfer of inventories of completed properties to investment properties	18,045	–	–	–	18,045	–	–	–	18,045
Increase in fair value of investment properties	–	311,706	–	–	311,706	–	–	–	311,706
Write-down of properties for development and inventories of properties	(79,788)	–	–	–	(79,788)	–	–	–	(79,788)
Allowance for bad and doubtful debts	(3,317)	–	–	–	(3,317)	(4,996)	–	(4,996)	(8,313)
Amortisation of properties for development	(21,494)	–	–	–	(21,494)	–	–	–	(21,494)
Gain on disposal of a jointly controlled entity	150,390	–	–	–	150,390	–	–	–	150,390
Discount on acquisition of additional interests in subsidiaries	1,147	–	–	–	1,147	–	–	–	1,147
Finance costs					(101,903)			(15,443)	(117,346)
Share of (loss) profit of associates									
– (Loss) profit after tax before additional LAT	(8,805)	4,159	565	–	(4,081)	–	–	–	(4,081)
– Additional LAT attributable to sales in previous years	(1,923)	–	–	–	(1,923)	–	–	–	(1,923)
Share of profit of jointly controlled entities									
– Profit after tax before additional LAT	16,453	54,429	735	–	71,617	–	–	–	71,617
– Additional LAT attributable to sales in previous years	(101,639)	–	–	–	(101,639)	–	–	–	(101,639)
– Additional LAT attributable to sales in current year	(12,430)	–	–	–	(12,430)	–	–	–	(12,430)
Profit before taxation					361,500			12,880	374,380
Taxation					(340,356)			(7,754)	(348,110)
Profit for the year					21,144			5,126	26,270

(4) Other income and gains

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Dividend income						
– unlisted shares	**6**	684	**–**	–	**6**	684
– listed shares	**698**	–	**–**	–	**698**	–
Interest income on bank deposits and receivables	**22,491**	14,484	**442**	823	**22,933**	15,307
Interest income from jointly controlled entities	**1,793**	–	**–**	–	**1,793**	–
Interest income from loan receivable	**11,450**	9,946	**–**	–	**11,450**	9,946
Imputed interest income on non-current interest-free receivables	**4,897**	7,612	**–**	–	**4,897**	7,612
Refund of PRC value-added tax	**–**	–	**9,341**	14,589	**9,341**	14,589
Income from a property development project	**–**	23,068	**–**	–	**–**	23,068
Gain arising from changes in fair value of financial liabilities	**–**	3,416	**–**	–	**–**	3,416
Tax refund for reinvestment of profit in the PRC	**16,105**	14,438	**–**	–	**16,105**	14,438
Net foreign exchange gains	**17,274**	16,869	**–**	–	**17,274**	16,869
Other income	**23,889**	18,452	**3,250**	3,436	**27,139**	21,888
	98,603	108,969	**13,033**	18,848	**111,636**	127,817

(5) Taxation

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
The charge (credit) comprises:						
PRC Enterprise Income Tax and LAT						
– current year provision	**148,992**	171,829	**615**	16	**149,607**	171,845
– Additional LAT attributable to sales in previous years	**–**	158,074	**–**	–	**–**	158,074
– Additional LAT attributable to sales in current year	**–**	23,343	**–**	–	**–**	23,343
– under (over) provision in prior years	**24,776**	(1,495)	**–**	–	**24,776**	(1,495)
	173,768	351,751	**615**	16	**174,383**	351,767
Deferred tax						
– Deferred tax	**46,267**	(11,395)	**(423)**	7,738	**45,844**	(3,657)
– Effect of change in tax rate	**(57,485)**	–	**(2,385)**	–	**(59,870)**	–
	162,550	340,356	**(2,193)**	7,754	**160,357**	348,110

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 years. Certain of the Company's subsidiaries operating in the PRC are eligible for tax exemptions and concessions. The PRC Enterprise Income Tax is calculated at the rates applicable to respective subsidiaries.

The National People's Congress passed the new unified enterprise income tax law ("New Law") on 16th March, 2007, which took effect on 1st January, 2008. The effects of the New Law on future tax rates cause the Group's prior expectation of future tax rates to change significantly. As a result, the Group has recalculated the deferred tax asset and liability accounts by taking into account the effect of any changes to the expected tax rates at the time the temporary differences will reverse.

Prior to 2006, the Group recognised provisional LAT paid and calculated according to certain rates (varying from 0.5% to 3%) over sales amounts assessed by local tax bureau and full provisions for LAT had not been made in the financial statements. Starting from the audited results for the year ended 31st December, 2006, the Group has provided for LAT in full in accordance with the requirements of The State Administration of Taxation.

In prior year, the Group included the provision for LAT under deferred tax and deferred tax liabilities in the consolidated financial statements. During the year, the Group considered that it is more appropriate to include the provision for LAT as income tax and tax liabilities. Accordingly, comparative figures have been reclassified to conform with the current year's presentation.

(6) Profit for the year

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit for the year has been arrived at after charging (crediting):						
Depreciation of property, plant and equipment						
Owned assets	**12,838**	9,588	**9,648**	22,631	**22,486**	32,219
Assets held under finance leases	**–**	–	**–**	5	**–**	5
Less: amount capitalised on properties under development	**(967)**	(697)	**–**	–	**(967)**	(697)
	11,871	8,891	**9,648**	22,636	**21,519**	31,527
Amortisation of:						
Intangible asset	**–**	–	**78**	147	**78**	147
Properties for development	**38,205**	21,494	**–**	–	**38,205**	21,494
Prepaid lease payments on land use rights	**1,202**	647	**197**	374	**1,399**	1,021
Total depreciation and amortisation	**51,278**	31,032	**9,923**	23,157	**61,201**	54,189
Loss on disposal of available-for-sale investments	**–**	1,786	**–**	–	**–**	1,786
Share of tax of associates (included in share of profit (loss) of associates)	**(35,325)**	1,478	**–**	–	**(35,325)**	1,478
Share of tax of jointly controlled entities (included in share of profit of jointly controlled entities)	**184,566**	134,413	**–**	–	**184,566**	134,413

(7) Dividend

	2007	2006
	HK$'000	*HK$'000*
Proposed final dividend of HK10 cents per share (2006: HK2.5 cents per share)	**151,112**	28,232

The final dividend of HK10 cents per share (2006: HK2.5 cents per share) has been proposed by the directors and is subject to approval by the shareholders in general meeting. The final dividend will be paid in the form of scrip, with the shareholders being given an option to elect cash in respect of part or all of such dividend.

(8) Earnings per share

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

	2007	2006
	HK$'000	*HK$'000*
Earnings from continuing and discontinued operations		
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Company)	**702,976**	51,496
Effect of dilutive potential ordinary shares: Adjustment to the share of result of a subsidiary based on dilution of its earnings per share	**(1)**	–
Earnings for the purposes of dilutive earnings per share	**702,975**	51,496

	2007	2006
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,288,725,235**	1,171,698,023
Effect of dilutive potential ordinary shares: – Warrants	**–**	10,201,999
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,288,725,235**	1,181,900,022

	2007	2006
	HK$'000	*HK$'000*
Earnings from continuing operations		
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Company)	**565,136**	54,414
Effect of dilutive potential ordinary shares:		
Adjustment to the share of result of a subsidiary based on dilution of its earnings per share	**(1)**	–
Earnings for the purposes of dilutive earnings per share	**565,135**	54,414

From discontinued operations

Basic earnings per share for the discontinued operation is HK10.70 cents per share (2006: basic loss per share of HK0.25 cents) and diluted earnings per share for the discontinued operation is HK10.70 cents per share (2006: diluted loss per share of HK0.24 cents), based on the profit for the year from the discontinued operations of HK$137,840,000 (2006: loss for the year of HK$2,918,000) and the denominators detailed above for both basic and diluted earnings per share.

The weighted average number of ordinary shares for the purpose of calculation of basic earnings per share has been adjusted for the open offer to qualifying shareholders on the basis of one offer share for every five shares held and issue of one warrant for every one offer share during the year.

The diluted earnings per share have not taken into account the exercise of warrants to ordinary shares as it would result in increase in earnings 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 balance sheet date:

	2007	2006
	HK$'000	*HK$'000*
Not yet due	**46,831**	59,187
Overdue within 3 months	**16,663**	150,743
Overdue between 4 and 6 months	**5,722**	28,623
Overdue between 7 and 12 months	**3,198**	19,697
Overdue over 12 months	**241**	34,107
	72,655	292,357

(10) Trade payables

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

	2007	2006
	HK$'000	*HK$'000*
Not yet due	**273,318**	295,011
Overdue within 3 months	**5,295**	116,265
Overdue between 4 and 6 months	**215**	44,360
Overdue between 7 and 12 months	**15,514**	80,760
Overdue over 12 months	**224,668**	77,646
	519,010	614,042

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31st December, 2007, the revenue of the Group from continuing operations was HK$670,706,000, an increase of 33% compared to the previous year of HK$503,740,000. The increase mainly came from property development. The discontinuance of the cement operations which were disposed of during the year also accounted for revenue of HK$192,482,000 and HK$385,562,000 in 2007 and 2006 respectively. The profit attributable to equity holders of the Company (including continuing and discontinued operations) was HK$702,976,000 (2006: HK$51,496,000), representing a 12.7 times increase over the previous year. Had we excluded the provision for additional PRC Land Appreciation Tax ("LAT") made in 2006 of HK$297,409,000 before minority interests, the profit attributable to the equity holders would have increased by 110%. The profit is in line with our expectation.

The increase in profit attributable to equity holders of the Company for the year was the result of:

(1) gain on disposal of non-core assets,

(2) increase in rental income of 23%, and

(3) lack of provision for additional LAT this year as compared to the previous year.

Earnings per share amounted to HK54.55 cents (2006: HK4.39 cents), representing an increase of 11.4 times over the preceding year. Had we excluded the additional provision for LAT in 2006, earnings per share would have increased by 91%.

Business Review

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

The 2007 results are in line with the Group's stated objectives of:

(1) continuing to dispose of non-core assets,

(2) increasing recurrent income,

(3) maximising development profit,

(4) increasing landbank in major cities,

(5) streamlining operating processes, and

(6) continuing to strengthen the professional management team.

Pursuant to these stated objectives and utilising them as a framework for discussion, an analysis of the Group's achievements in 2007 is outlined below:

(1) Continuing to dispose of non-core assets

As mentioned in the 2006 Annual Report, in order to maximise our investment return on Shanghai Allied Cement Limited ("SAC"), we took advantage of the buoyant Hong Kong share market to place out our entire interest in SAC. The disposal generated a profit of approximately HK$137,738,000 and net proceeds of approximately HK$277,538,000.

We also took advantage of the strong demand for PRC properties to dispose of two subsidiaries holding non-core development properties, namely our Xinhui and Nanjing Moling town projects, generating a profit of approximately HK$197,099,000 and net proceeds of approximately HK$419,256,000.

We also entered into an agreement on 3rd December, 2007 to dispose in stages our Zhaoqing golf course property development, on which the profit should be recognised in 2008.

We will continue to dispose of certain non-core assets so as to free up working capital for investment in properties or landbank which we consider to have greater potential.

(2) Increasing recurrent income

In regard to increasing recurrent income, the Group has retained more development properties for investment where we believe these properties will provide increasing rental streams and corresponding increases in capital value. The rationale behind this initiative includes a tough PRC tax regime which adversely impacts the high profit margins on property sales, the difficulty in acquiring quality land in major cities, and ultimately, with the continuing growth in Mainland China, we believe that it is commercially sound policy to retain a substantial portion of our properties for their capital growth rather than dispose of them and incur the costs and difficulties of replacing the land.

At the time when we transfer these properties into our investment portfolio, we record a significant gain because all properties for development are stated at cost under the accounting standards and as such are not revalued until transferred to our investment portfolio.

For our main investment properties such as Shanghai Tian An Centre, Dalian Tian An International Tower, Nanjing Tian An International Building and Beijing Park Apartments, leasing has been pleasing with rental income increasing by 23% as compared with last year. We expect rental income to increase in the foreseeable future as and when leases are renewed. Pursuant to our stated objective of increasing our rental income, we bought back two floors of Shanghai Tian An Centre. The Group has also acquired 50% of Novel Plaza with total GFA of 25,306 m^2 and located in close proximity with Tian An Centre in Nanjing Road West, Shanghai. The occupancy rate is approximately 90%.

The Shanghai Sunshine Peninsula project, or the "Flour Mill" development, is progressing satisfactorily. We are in the final stages of negotiation for the removal of the last remaining homes and factories from the site. Construction of Phase 1 of the development is expected to commence by the 4th quarter of this year. This project on completion will be a significant landmark in Shanghai and we currently intend to retain it as an investment property after completion of the development.

(3) Maximising development profit

We do not utilise a stated GFA sale target as some other companies may do. Our focus is on profit and profit margins, not on GFA sold. With the strong PRC property market in 2007, the Group sold approximately 102,400 m^2, compared to approximately 79,100 m^2 in 2006, and if the demand for PRC property remains strong, the Group will continue to sell more, with profit margins always firmly an overriding consideration.

A total GFA of approximately 87,900 m^2 (2006: 83,800 m^2) of residential/commercial properties was completed during the year, representing an increase of 5% over last year. By the end of 2007, a total GFA of approximately 363,000 m^2 (2006: 282,300 m^2) was under construction, representing a 29% increase from the preceding year, including Shanghai Tian An Villa (Phase 2), Wuxi Manhattan (Phase 1), Shanghai Tian An Place (Phase 1), Shenzhen Tian An Golf Garden (Phase 3), Shenzhen Longgang Cyber Park (Phase 1), Changchun Tian An City One (Phase 3), Nantong Tian An Garden (Phase 4), Foshan Tian An Cyber Park (Phase 1) and Panyu Hi-Tech Ecological Park (Phase 4).

Sometimes, in order to take advantage of the buoyant property market, it may not be necessary to completely develop a property. In order to maximise development profit, it may be better to dispose of a project in its entirety. In this regard, as mentioned previously in section (1) above, we disposed of Xinhui and Nanjing Moling town projects at a profit of approximately HK$197,099,000.

(4) Increasing landbank in major cities

The Group currently has a landbank of total GFA of approximately 7,154,000 m^2 (total GFA attributable to the Group is approximately 5,167,000 m^2, consisting of 276,000 m^2 of completed investment properties and 4,891,000 m^2 of properties for development).

We have continued to increase our landbank where we perceive good capital growth prospects. In this regard, we have acquired a 1,000 mu piece of land in Nanjing and are in the process to acquire a 32,000 m^2 office building in Dalian previously used by the local government as offices. For the project in Nanjing, we intend to build an integrated business park, which will include industrial, commercial, office and residential components. For the project in Dalian, we intend to develop the project into a residential property for sale with a potential GFA of 110,000 m^2. We are also in the process of negotiating with local authorities to increase our landbank in Wuxi (600 mu) and Changshu (1,000 mu), where we intend to build integrated business parks.

Our joint venture company, Shenzhen Tian An Cyberpark Co., Ltd. ("Tian An Cybepark") has also been actively increasing its landbank in 2007. The acquisition of Taicang (500 mu with option to increase by also 500 mu), Changzhou (434 mu) and Wuhan (530 mu) together will add approximately 2,110,000 m^2 GFA to its landbank. Tian An Cyberpark has also been negotiating with local authorities to increase the plot ratios applicable to certain projects. If successful, this should increase profit margins as and when the properties are developed.

(5) Streamlining operating processes

We have continued to streamline our operating processes both at an operational and at a business level.

At the operational level, we have continued to centralise financial controls, tender processes, and administrative functions. We have taken advantage of our strong financial position to negotiate better terms with bankers where possible. Plans are being made to close relevant dormant companies so as to lower operating costs. In order to improve the effectiveness and efficiency of the operation, the internal audit department has reviewed certain areas of the daily operations and has made suitable recommendations for modifications and improvements.

On the business level, we have been taking advantage of the market uncertainties created by the revival of the LAT to negotiate with our minority joint venture partners to acquire their stakes. This is intended to enable us to exercise better management and cost control. In this regard, the Group acquired an additional 8% of an associated company, Jack Rock Development Limited ("Jack Rock"), which holds a sizeable landbank in Fuzhou. Jack Rock has become a subsidiary after the acquisition.

(6) Continuing to strengthen the professional management team

We have based additional key management personnel in Shanghai to reduce response time. We have recruited professionals including engineers and interior designers so as to enable us to deliver better quality products to our customers. We are also strengthening our back-office with new recruitments in contracts, legal and accounts departments to be based in the respective areas of operation.

We have strengthened our sourcing division with the view to improving the pricing, consistency and quality of our building materials.

Orix Corporation ("Orix"), a substantial shareholder of the Company, has seconded several senior staff to help strengthen our financial planning. They have been exploring new projects with us with a view to co-investing with us should appropriate opportunities arise. The introduction of Orix and several other institutional investors such as Penta Investment Advisers Limited, The Goldman Sachs Group, Inc. and York Capital Management have strengthened our shareholder profile.

Financial Review

Liquidity and Financing

During the year, the Company raised approximately HK$1,148 million of net proceeds through the subscription of 130 million new shares, and obtained HK$1,497 million of net proceeds in the open offer of 252 million new shares. These funds have been used to finance certain property development projects, to reduce borrowings and for general working capital.

As at 31st December, 2007, the Group maintained its liquidity at a healthy level with a balanced portfolio of financial resources. The total bank balances and cash reserves of the Group were approximately HK$3,163 million, providing sufficient working capital for the daily operations of the Group.

As at 31st December, 2007, the total borrowings of the Group amounted to approximately HK$1,904 million (2006: HK$2,195 million), including current liabilities of HK$774 million (2006: HK$870 million) and non-current liabilities of HK$1,130 million (2006: HK$1,325 million). The Group has enough cash to settle total borrowings as at the end of 2007. The gearing ratio (net debt over total equity) of the Group as at 31st December, 2007 was a negative of 14% (2006: positive of 24%). The borrowings were mainly used to finance the landbank and properties under construction. Increase in finance costs is mainly due to the increase in market interest rates and a relatively small amount of costs were capitalised.

Approximately 51% of the Group's outstanding debts will expire within 2 years. Since the investments and operation of the Group are carried out in the PRC, most of the bank borrowings are denominated in Renminbi ("RMB") which will be repaid in the same currency. Around 80% of the Group's borrowings bear interest at fixed rates while the remaining is at floating rates.

Pledge on Assets

As at 31st December, 2007, the Group's interest in a subsidiary with carrying value of HK$402,236,000 was pledged against another loan facility granted to the Group and inventories of completed properties and investment properties indirectly held by that subsidiary with carrying values of HK$16,780,000 and HK$631,494,000 respectively were pledged against a banking facility granted to the Group. Additionally, bank deposits of HK$89,912,000, aggregate carrying values of property, plant and equipment, development properties and investment properties of approximately HK$47,893,000, HK$1,197,396,000 and HK$1,461,163,000 respectively, were pledged for other loans and banking facilities granted to the Group, mortgage loans granted to property purchasers and against a trade creditor.

Contingent Liabilities

During the year ended 31st December, 2006, the PRC government has reinforced the compliance of regulations on idle land confiscation which was issued by the Ministry of Land Resources of the PRC on 26th April, 1999. As at 31st December, 2007, a property for development with carrying value of HK$115,055,000 was identified as idle land, which delayed development was due to the legal action taken by a minority shareholder against the subsidiary. This legal case has been settled and the Group intends to continue the development of this property. Another property for development with carrying value of HK$179,161,000 may be potentially classified as idle land. The Group is currently working diligently to prevent the possible classification, including negotiating the feasibility of development plans with local authorities. Based on legal advice, the Directors have assessed the issue and consider that the idle land confiscation may not materialise.

As at 31st December, 2007, guarantees given to banks by the Group in respect of banking facilities granted to a jointly controlled entity and related companies were approximately HK$139,133,000 and HK$98,500,000 respectively. Guarantees given to banks in respect of mortgage loans granted to property purchasers amounted to approximately HK$225,324,000. 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$205,372,000. 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. Details of these contingent liabilities are contained in the 2007 Annual Report to be despatched to the shareholders of the Company (the "Shareholders").

Employees

As at 31st December, 2007, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed 1,870 (2006: 2,560) persons. The decrease is mainly due to the disposal of SAC. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

Outlook

We have enjoyed a successful year in 2007. However, we are concerned with the deteriorating operating environment in 2008. The government's move to tighten credit intended to rein in inflation and to restrict investment in property by controlling fund inflows is having a negative effect on the sentiment of both local and overseas investors. This together with a weaker IPO market, a US recession and sub-prime worries suggest tough times may be ahead. However, we are confident of the longer term prospects of the property market in China.

The management is cognizant of the impact of such adverse short term fluctuations and has prepared the Group for such challenges. The Group is in a strong position and expects to be able to carry out its stated strategies and objectives for the benefit of all Shareholders.

FINAL DIVIDEND

The Board has recommended a final dividend of HK10 cents per share of the Company for the year ended 31st December, 2007 (2006: HK2.5 cents) payable to the Shareholders whose names appear on the register of members of the Company on Friday, 23rd May, 2008. The final dividend is subject to the approval by the Shareholders at the 2008 Annual General Meeting to be held on Friday, 23rd May, 2008, and is expected to be paid to the Shareholders by post on or around Tuesday, 15th July, 2008.

The final dividend will be paid in the form of scrip, with the Shareholders being given an option to elect cash (the "Scrip Dividend Scheme") in respect of part or all of such dividend. The price at which the shares of the Company will be issued under the scrip dividend proposal will be the average of the closing prices of the shares of the Company for the five consecutive trading days ending Friday, 23rd May, 2008. The proposed scrip dividend is conditional upon The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, the new shares of the Company to be issued. The Scrip Dividend Scheme, if approved, may affect the price of the warrants of the Company. Accordingly, such adjustment will be announced in due course.

A circular giving full details of the scrip dividend proposal and a form of election will be sent to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members and the register of warrantholders of the Company will be closed from Tuesday, 20th May, 2008 to Friday, 23rd May, 2008 (both dates inclusive), during which period no transfer of shares and warrants of the Company will be registered. In order to qualify for the final dividend, all transfer forms accompanied by the relevant share certificates or in the case of warrantholders, all subscription forms accompanied by the relevant warrant certificates and exercise money, must be lodged with the Company's registrars, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Monday, 19th May, 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31st December, 2007, the Company has applied the principles of, and complied with, the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

(1) Code Provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

In December 2005, Mr. Patrick Lee Seng Wei was re-designated from Chairman to Chairman and Acting Managing Director whereas Mr. Ng Qing Hai was re-designated from Managing Director to Deputy Managing Director, and thus there was a deviation from the code provision A.2.1.

To comply with this code provision, Mr. Patrick Lee Seng Wei relinquished his role as Chairman and was re-designated from Acting Managing Director to Managing Director whereas Mr. Lee Seng Hui was appointed as Chairman and a Non-Executive Director of the Company both with effect from 1st April, 2007.

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

Code provisions B.1.3 and C.3.3 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 (the "Remuneration Committee") adopted by the Company are in compliance with the code provision B.1.3 except that the Remuneration Committee should review (as opposed to determine under the code provision) and make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to Directors and senior management under the code provision).

The terms of reference of the audit committee (the "Audit Committee") adopted by the Company are in compliance with the code provision C.3.3 except that the Audit Committee should (i) recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditors to supply non-audit services; (ii) scrutinise (as opposed to ensure under the code provision) whether management has discharged its duty to have an effective internal control system; and (iii) promote (as opposed to ensure under the code provision) the coordination 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 are set out in the section "Corporate Governance Report" contained in the Company's Annual Report for the financial year ended 31st December, 2007. The Board has reviewed the terms during the year under review and considers that the Remuneration Committee and the Audit Committee should continue to operate according to the terms of reference adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

Further information on the Company's corporate governance practices and details of the Company's deviations from certain code provisions of the CG Code during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2007 Annual Report which will be sent to the Shareholders before the end of April 2008.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31st December, 2007.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st December, 2007 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year ended 31st December, 2007.

On behalf of the Board
Tian An China Investments Company Limited
Lee Seng Hui
Chairman

Hong Kong, 27th March, 2008

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