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 2006

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, 2006 were as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2006

	Notes	**2006** *HK$'000*	2005 *HK$'000*
Turnover	*(3)*	**889,302**	1,397,100
Cost of sales		**(657,803)**	(1,196,586)
Gross profit		**231,499**	200,514
Other income	*(4)*	**128,476**	102,162
Marketing and distribution costs		**(25,981)**	(42,572)
Administrative expenses		**(163,719)**	(131,742)
Other operating expenses		**(1,786)**	(12,441)
Fair value gain on transfer of properties held for sale to investment properties		**18,045**	160,622
Increase in fair value of investment properties		**311,706**	132,285
Write-down of properties		**(79,788)**	(51,784)
Allowance for bad and doubtful debts		**(8,313)**	(18,212)
Amortisation of properties for development		**(21,494)**	(16,900)
Gain on disposal of a jointly controlled entity		**150,390**	–
Discount on acquisition of additional interests in subsidiaries		**1,147**	25,290
Finance costs		**(117,346)**	(107,086)
Share of (loss) profit of associates			
– (Loss) profit after tax before additional PRC Land Appreciation Tax ("LAT")		**(4,081)**	15,122
– Additional LAT attributable to sales in previous years		**(1,923)**	–
Share of profit of jointly controlled entities			
– Profit after tax before additional LAT		**71,617**	82,125
– Additional LAT attributable to sales in previous years		**(101,639)**	–
– Additional LAT attributable to sales in current year		**(12,430)**	–
Impairment loss on interests in associates		**–**	(17,451)
Profit before taxation		**374,380**	319,932
Taxation	*(5)*		
– Tax expenses before additional LAT		**(166,693)**	(117,399)
– Additional LAT attributable to sales in previous years		**(158,074)**	–
– Additional LAT attributable to sales in current year		**(23,343)**	–
		(348,110)	(117,399)
Profit for the year	*(6)*	**26,270**	202,533

	Note	2006	2005
Attributable to:			
Equity holders of the Company		**51,496**	202,540
Minority interests		**(25,226)**	(7)
		26,270	202,533
Dividend	*(7)*	**28,232**	–
		HK cents	*HK cents*
Earnings per share	*(8)*		
Basic		**4.9**	23.1
Diluted		**4.9**	23.1

	2006
	HK$'000
Effect of additional LAT on profit attributable to equity holders of the Company:	
Profit attributable to equity holders of the Company before provision for additional LAT	334,563
Additional LAT attributable to sales in previous years	
– the Group	(158,074)
– an associate	(1,923)
– jointly controlled entities	(101,639)
	(261,636)
Additional LAT attributable to sales in current year	
– the Group	(23,343)
– jointly controlled entities	(12,430)
	(35,773)
Provision for additional LAT shared by minority interests	14,342
Profit attributable to equity holders of the Company after provision for additional LAT	51,496

	Basic	Diluted
	HK cents	*HK cents*
Earnings per share before provision for additional LAT	32.1	31.8
Effect of provision for additional LAT	(27.2)	(26.9)
Earnings per share after provision for additional LAT	4.9	4.9

CONSOLIDATED BALANCE SHEET

At 31st December, 2006

	Notes	2006 HK$'000	2005 HK$'000
Non-current Assets			
Property, plant and equipment		**590,812**	565,052
Deposits for acquisition of property, plant and equipment and investment properties		**76,860**	–
Investment properties		**3,042,800**	2,305,922
Intangible asset		**7,142**	7,013
Properties for development		**1,415,251**	1,161,723
Deposits for acquisition of properties for development		**1,791,745**	1,568,406
Prepaid lease payments on land use rights		**34,138**	31,319
Interests in associates		**540,550**	540,312
Interests in jointly controlled entities		**631,102**	716,854
Available-for-sale investments		**3,306**	3,202
Amounts due from minority shareholders		**–**	8,574
Goodwill		**39,386**	39,386
Instalments receivable		**50,340**	45,475
Deferred tax assets		**4,039**	4,950
		8,227,471	6,998,188
Current Assets			
Inventories of properties in the PRC			
– under development		**324,553**	400,037
– completed		**880,258**	969,441
Other inventories		**38,566**	34,929
Amounts due from associates		**12,369**	14,188
Amounts due from jointly controlled entities		**67,370**	1,279
Amounts due from minority shareholders		**24,601**	3,377
Loans receivable		**62,131**	61,715
Instalments receivable		**32,965**	43,738
Trade and other receivables, deposits and prepayments	*(9)*	**479,177**	528,534
Prepaid lease payments on land use rights		**1,036**	924
Held-for-trading investments		**11,579**	9,787
Prepaid tax		**26,319**	14,879
Pledged deposits		**306,878**	68,270
Bank balances and cash		**369,625**	565,673
		2,637,427	2,716,771
Assets classified as held for sale		**–**	186,005
		2,637,427	2,902,776

Current Liabilities			
Trade and other payables	*(10)*	**881,796**	1,181,929
Pre-sale deposits		**135,994**	84,896
Tax liabilities		**52,842**	92,792
Dividends payable to minority shareholders		**8,109**	12,335
Interest-bearing borrowings		**712,841**	1,532,320
Interest-free borrowings		**156,978**	143,060
		1,948,560	3,047,332
Net Current Assets (Liabilities)		**688,867**	(144,556)
Total Assets less Current Liabilities		**8,916,338**	6,853,632
Capital and Reserves			
Share capital		**225,854**	175,094
Reserves		**5,718,150**	4,481,008
Equity attributable to equity holders of the Company		**5,944,004**	4,656,102
Minority interests		**407,173**	416,889
Total Equity		**6,351,177**	5,072,991
Non-current Liabilities			
Trade payables		**–**	4,644
Interest-bearing borrowings		**1,264,777**	747,344
Interest-free borrowings		**60,143**	72,664
Deferred rental income from a tenant		**107,882**	110,648
Rental deposits from tenants		**14,332**	15,306
Membership debentures		**32,591**	30,205
Deferred tax liabilities		**1,085,436**	799,830
		2,565,161	1,780,641
		8,916,338	6,853,632

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 applied, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of these new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment 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, amendment or interpretations.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC)-INT 8	Scope of HKFRS 2[4]
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC)-INT 11	HKFRS2 - Group and Treasury Share Transactions[7]
HK(IFRIC)-INT 12	Service Concession Arrangements[8]

[1] Effective for annual periods beginning on or after 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st January, 2009.
[3] Effective for annual periods beginning on or after 1st March, 2006.
[4] Effective for annual periods beginning on or after 1st May, 2006.
[5] Effective for annual periods beginning on or after 1st June, 2006.
[6] Effective for annual periods beginning on or after 1st November, 2006.
[7] Effective for annual periods beginning on or after 1st March, 2007.
[8] Effective for annual periods beginning on or after 1st January, 2008.

(3) Segmental information

The Group's turnover for the year was derived mainly from activities carried out in the People's Republic of China (the "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 year ended 31st December, 2006

	Property development *HK$'000*	Property investment *HK$'000*	Sale of construction materials *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
TURNOVER						
External sales	345,975	95,903	385,562	61,862	–	889,302
Inter-segment sales	–	–	2,714	7,384	(10,098)	–
Total	345,975	95,903	388,276	69,246	(10,098)	889,302
RESULTS						
Segment results	30,867	63,087	14,471	(11,501)	–	96,924
Unallocated corporate expenses						(56,911)
Other income	27,314	64	18,848	82,250	–	128,476
Fair value gain on transfer of properties held for sale to investment properties	18,045	–	–	–	–	18,045
Increase in fair value of investment properties	–	311,706	–	–	–	311,706
Write-down of properties	(79,788)	–	–	–	–	(79,788)
Allowance for bad and doubtful debts	(3,317)	–	(4,996)	–	–	(8,313)
Amortisation of properties for development	(21,494)	–	–	–	–	(21,494)
Gain on disposal of a jointly controlled entity	150,390	–	–	–	–	150,390
Discount on acquisition of additional interest in a subsidiary	1,147	–	–	–	–	1,147
Finance costs						(117,346)
Share of (loss) profit of associates						
– (Loss) profit after tax before additional LAT	(8,805)	4,159	–	565	–	(4,081)
– Additional LAT attributable to sales in previous years	(1,923)	–	–	–	–	(1,923)
Share of profit of jointly controlled entities						
– Profit after tax before additional LAT	16,453	54,429	–	735	–	71,617
– Additional LAT attributable to sales in previous years	(101,639)	–	–	–	–	(101,639)
– Additional LAT attributable to sales in current year	(12,430)	–	–	–	–	(12,430)
Profit before taxation						374,380
Taxation						(348,110)
Profit for the year						26,270

Income statement for the year ended 31st December, 2005

	Property development *HK$'000*	Property investment *HK$'000*	Sale of construction materials *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
TURNOVER						
External sales	940,207	56,445	347,342	53,106	–	1,397,100
Inter-segment sales	–	–	2,095	23,954	(26,049)	–
Total	940,207	56,445	349,437	77,060	(26,049)	1,397,100
RESULTS						
Segment results	39,160	32,313	(10,131)	(10,784)	–	50,558
Unallocated corporate expenses						(36,799)
Other income	19,276	383	17,231	65,272	–	102,162
Fair value gain on transfer of properties held for sale to investment properties	160,622	–	–	–	–	160,622
Increase in fair value of investment properties	–	132,285	–	–	–	132,285
Write-down of properties	(51,784)	–	–	–	–	(51,784)
Allowance for bad and doubtful debts	(5,891)	(589)	(11,263)	(469)	–	(18,212)
Amortisation of properties for development	(16,900)	–	–	–	–	(16,900)
Discount on acquisition of additional interests in subsidiaries	25,290	–	–	–	–	25,290
Finance costs						(107,086)
Share of (loss) profit of associates	(5,237)	19,915	–	444	–	15,122
Share of profit of jointly controlled entities	59,996	20,910	–	1,219	–	82,125
Impairment loss on interests in associates	(17,451)	–	–	–	–	(17,451)
Profit before taxation						319,932
Taxation						(117,399)
Profit for the year						202,533

(4) Other income

	2006 ***HK$'000***	2005 *HK$'000*
Dividend income		
– unlisted shares	**684**	326
– listed shares	**–**	225
Interest income on bank deposits and receivables	**25,253**	8,994
Imputed interest income on non-current interest-free receivables	**7,612**	7,393
Refund of PRC value-added tax	**14,589**	15,831
Income from a property development project	**23,068**	–
Increase in fair value of held-for-trading investments	**659**	1,786
Gain arising from changes in fair value of financial liabilities	**3,416**	9,144
Tax refund for reinvestment of profits in the PRC	**14,438**	9,656
Net foreign exchange gains	**16,869**	4,883
Waiver of interest expenses accrued in prior years	**–**	19,420
Others	**21,888**	24,504
	128,476	102,162

(5) Taxation

	2006	2005
	HK$'000	*HK$'000*
The charge (credit) comprises:		
PRC Enterprise Income Tax and LAT		
– current year provision	**83,029**	127,698
– (over) underprovision in prior years	**(1,495)**	702
	81,534	128,400
Deferred tax before additional LAT	**85,159**	(11,001)
Additional LAT attributable to sales in previous years	**158,074**	–
Additional LAT attributable to sales in current year	**23,343**	–
	348,110	117,399

No provision for Hong Kong Profits Tax has been made as the group companies operating in Hong Kong do not have any assessable profit for both 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 State Administration of Taxation ("SAT") of the PRC issued Guoshuifa [2006] No.187 dated 28th December, 2006, which has become effective from 1st February, 2007, announcing its intention to strengthen the mechanism for collection of LAT on property developers, and authorising the local tax bureaux to issue detailed implementation rules and procedures appropriate to local environment. The Group has previously accounted for provisional LAT calculated according to certain rates (varying from 0.5% to 3%) of sales amount assessed by local tax bureaux. However, in order to minimise the uncertainties in the accounts due to exposure to the additional LAT liabilities, the Group has provided for LAT in the current year fully in according to the requirements of SAT even though detailed implementation rules and procedures are not issued by the relevant local tax bureaux.

(6) Profit for the year

	2006	2005
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment		
Owned assets	**32,219**	26,850
Assets held under finance leases	**5**	8
Less: amount capitalised on properties under development	**(697)**	(1,100)
	31,527	25,758
Amortisation of:		
Intangible asset	**147**	86
Prepaid lease payments on land use rights	**1,021**	849
Properties for development	**21,494**	16,900
	54,189	43,593
Loss on disposal of available-for-sale investments	**1,786**	–
Share of tax of associates (included in share of (loss) profit of associates)	**1,478**	8,023
Share of tax of jointly controlled entities (included in share of profit of jointly controlled entities)	**134,413**	15,624

(7) Dividend

	2006	2005
	HK$'000	*HK$'000*
Proposed final dividend of HK2.5 cents per share (2005: nil)	**28,232**	–

(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:

	2006 *HK$'000*	2005 *HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to equity holders of the Company)	**51,496**	202,540

	2006	2005
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,042,467,178**	875,469,918
Effect of dilutive potential ordinary shares:		
– Warrants	**9,076,783**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,051,543,961**	875,469,918

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

The computation of diluted earnings per share for the year ended 31st December, 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.

(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:

	2006 *HK$'000*	2005 *HK$'000*
Not yet due	**59,187**	69,121
Overdue within 3 months	**150,743**	204,031
Overdue between 4 and 6 months	**28,623**	37,239
Overdue between 7 and 12 months	**19,697**	16,333
Overdue over 12 months	**34,107**	31,127
	292,357	357,851

(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:

	2006 *HK$'000*	2005 *HK$'000*
Not yet due	**295,011**	409,339
Overdue within 3 months	**116,265**	228,118
Overdue between 4 and 6 months	**44,360**	14,755
Overdue between 7 and 12 months	**80,760**	6,948
Overdue over 12 months	**77,646**	139,014
	614,042	798,174

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The turnover of the Group for the year ended 31st December, 2006 was HK$889,302,000, a decrease of 36% compared to the previous year of HK$1,397,100,000. The profit attributable to equity holders of the Company was HK$51,496,000 (2005: HK$202,540,000), representing a 75% decrease over the previous year. However, the decrease is attributable to the recognition in the current year by the Group in the interest of prudence of a provision for past years and this year PRC Land Appreciation Tax ("LAT") previously noted as a contingent liability. These provisions amounted to HK$261,636,000 and HK$35,773,000 respectively. Had these provisions not been made, profit attributable to equity holders would have been HK$334,563,000.

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

(1) an increase in fair value of investment properties,

(2) a gain on the disposal of a jointly controlled entity, and

(3) increase in rental income by 70%.

Earnings per share were HK4.9 cents (2005: HK23.1 cents), representing a decrease of 79% over last year. However, as set out in the income statement, if the provision for additional LAT previously treated as a contingent liability is excluded, basic earnings per share would have been HK32.1 cents.

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, as well as the manufacture and sale of construction materials in China.

The 2006 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.

Utilising these stated objectives and using them as a framework for discussion, an analysis of the Group's achievements in 2006 is outlined below:

(1) Continuing to dispose of non-core assets

During the year, we disposed of an effective 50% interest in Shanghai New Union Building Co., Ltd., which owned land near the Bund in Shanghai, and a 10% interest in Shanghai Interunited Co., Ltd., which held a bonded warehouse in Waigaoqiao. The sale of the New Union Building interest contributed a net profit after tax of HK$136,816,000 to the income statement.

As for joint ventures where we have a minority stake, we are in the process of negotiating with the majority shareholders to either sell our stakes or acquire theirs so as to either exit our non-core investments or to exercise better control over them.

Regarding properties which may potentially be classified as idle land, we intend to dispose of those we believe may have lesser growth prospects and to focus on activating our Fuzhou Dengyun integrated resort which we believe is now maturing and should be able to contribute to our earnings in the foreseeable future.

(2) Increasing recurrent income

As to increasing recurrent income, our policy since 2005 has been to retain more of our development properties for investment where we believe these properties will provide increasing rental streams and corresponding increases in capital value. The rationale behind this move includes a tough new PRC tax regime which penalises the high profit margins on property sales, the difficulty in acquiring quality land in major cities, and ultimately with the continuing growth in China, 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.

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

Rental income for the Group has increased by 70% in 2006 and is expected to continue to increase in the next few years.

Shanghai Tian An Centre, located in the business ring around People's Square in Nanjing Road, has been substantially leased. Most of the tenants are international enterprises and rents have been increasing on renewals. We have leased more than half of the Gross Floor Areas (the "GFA") of Dalian Tian An International Tower, which is located in the core business district of Zhongshan Road, and expect it to be substantially leased by the end of this year. The commercial podium of Nanjing Tian An Building is fully leased and its contribution should further increase in 2008 on rental revision. The Tian An Cyberpark joint ventures have also retained more of their developments in Shenzhen and Panyu for rental.

We have also commenced the retention of part of our residential portfolio for rental. In this regard, we are leasing part of our Beijing Park Apartments and the overall feedback on the apartments has been pleasing.

The Shanghai Sunshine Peninsula project, or the "Flour Mill" development is also progressing satisfactorily. We are in the final stages of negotiation for the removal of the last remaining factories from the site. We envisage Phase 1 of the development should start in the latter part of the year. This project on completion will be a significant landmark in Shanghai and we currently intend to retain it as an investment property.

(3) Maximising development profit

As a result of our retention policies there is a resulting drop in our GFA sold. The Group recorded sales of total GFA of approximately 79,100 m^2 in 2006, compared to 138,000 m^2 and 225,000 m^2 in 2005 and 2004 respectively. The benefits of this decision by management will be seen in 2008 and 2009 when key developments for sale will come on stream. This includes Shanghai Tian An Place in Cao Bao Lu, Shanghai Tian An Villa in Sheshan, The Manhattan in Wuxi and Shenzhen Tian An Golf Garden (Phase 3). These assets have significantly increased in value in the last couple of years and we expect to record a substantial profit on disposal.

During the year, properties sold in the PRC consist of Nantong Tian An Garden (Phase 3), Changzhou New City Garden (Phase 5), Wuxi Redhill Peninsula (Phase 3), Guangzhou Panyu Hi-Tech Ecological Park (Phases 2 and 3), Dalian Tian An Seaview Garden (Phase 2B) and Changchun Tian An City One.

A total GFA of approximately 83,800 m^2 (2005: 182,000 m^2) of residential/commercial properties was completed during the year, representing a decrease of 54% over last year. By the end of 2006, a total GFA of approximately 282,300 m^2 (2005: 246,400 m^2) was under construction, representing a 15% increase from the preceding year, including Nantong Tian An Garden (Phase 3 Part 2), Changzhou New City Garden (Phase 5), Shanghai Tian An Villa (Phase 2), Shenzhen Tian An Golf Garden (Phase 3), Shenzhen Longgang Cyber Park (Phase 1), Guangzhou Panyu Hi-Tech Ecological Park (Phase 3) and Changchun Tian An City One (Phase 3).

(4) Increasing landbank in major cities

The Group currently has a landbank of total GFA of approximately 6,322,000 m^2 (total GFA attributable to the Group is approximately 4,615,000 m^2, consisting of 222,000 m^2 of completed investment properties and 4,393,000 m^2 of properties for development), located mainly in Shanghai, Shenzhen, Beijing, Guangzhou, Huizhou, Foshan, Nantong, Wuxi, Changzhou, Nanjing, Fuzhou, Changchun, Dalian, Wuhan, Zhaoqing and Jiangmen.

We have continued to increase our landbank where we perceive good capital growth prospects. Our Danshui property in Huizhou, Guangdong which was acquired in 2006 comprises interests in three parcels of land with a total site area of 392,000 m^2 with total GFA of 783,000 m^2. We are also in the process of negotiating with local authorities to increase our landbank in Changzhou (800 mu) and Nanjing (2,700 mu). For these two projects, we intend to build integrated business parks, which will include industrial, commercial, office and residential components.

Our joint venture company, Shenzhen Tian An Cyberpark Co., Ltd. has also been actively increasing its landbank in 2006. These include Dongguan and Nanhai. Tian An Dongguan Cyber Park is situated in the new city central area – Nancheng District and covers a land area of 1,000,000 m^2 with gross floor area of 2.2 million m^2. Tian An Nanhai Cyber Park is located in Guicheng of Nanhai, which plays a linkage role for Guangzhou-Foshan City Circle, covering a land area of 100,000 m^2, with gross floor area of 250,000 m^2.

As a whole, Tian An Cyberpark will have a landbank of 3,567,000 m^2 (1,522,000 m^2 attributable to the Group), and this should increase subject to negotiations with the government.

(5) Streamlining operating processes

We have continued to streamline our operating processes both at an operational and 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. A more comprehensive project cost accounting system has been established. Plans are being made to close relevant dormant companies in order to lower operating costs.

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.

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

Orix Corporation, 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 such opportunities arise. The introduction of Orix and several other institutional investors such as Penta Investments Advisers Limited will strengthen our shareholder profile.

Manufacture and Sale of Construction Materials

The segment results for sale of construction materials for the year provided segment profit of HK$14,471,000 (2005: loss of HK$10,131,000) to the Group. The sales volume of cement and clinker amounted to 2.186 million tonnes, representing an increase of 23% as compared to the previous year. Our Shanghai cement factory is located on an attractive site in Shanghai. This property is stated at cost in our books and we are examining ways to realise its value.

Adoption of New Company Logo

In order to enhance the brand image, the Company has adopted a new company logo with effect from 30th March, 2007 by using the same shape as the logo registered by Allied Group Limited, a substantial shareholder of the Company, but in different color.

Financial Review

Liquidity and Financing

During the year, the Company raised approximately HK$861 million of net proceeds through the placement of 175 million new shares, and received HK$216.7 million from the issuance of 78.8 million new shares pursuant to the exercise of unlisted warrants. These funds have been used to finance certain property development projects, reduce borrowings and for general working capital.

As at 31st December, 2006, 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$677 million, providing sufficient working capital for the daily operations of the Group.

As at 31st December, 2006, the total borrowings of the Group amounted to approximately HK$2,195 million (2005: HK$2,495 million), including current liabilities of HK$870 million (2005: HK$1,675 million) and non-current liabilities of HK$1,325 million (2005: HK$820 million). The gearing ratio (net debt over total equity) of the Group was around 24% (2005: 37%). 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 64% of the Group's outstanding borrowings will mature within 2 years. Since the investments and operation of the Group are carried out in the PRC, most of the bank borrowings are denominated in Renminbi ("RMB") which will be repaid in the same currency. Around 66% of the Group's borrowings bear interest at fixed rates while the remainder is at floating rates.

Pledge on Assets

As at 31st December, 2006, the Group's interest in a subsidiary with carrying value of HK$154,038,000 was pledged against a bank overdraft facility granted to the Group. The Group's interest in a subsidiary with carrying value of HK$481,669,000 was pledged against a banking facility granted to the Company and investment properties, properties for sale and property, plant and equipment indirectly held by that subsidiary with carrying values of HK$938,524,000, HK$13,479,000 and HK$24,243,000 respectively were pledged against a banking facility granted to the Group. The Group's interest in a subsidiary with carrying value of HK$374,723,000 was pledged against another loan facility granted to the Group. Additionally, bank deposits of HK$306,878,000, aggregate carrying values of property, plant and equipment, development properties and investment properties of approximately HK$22,083,000, HK$1,221,299,000 and HK$802,372,000 respectively, were pledged for other loans and banking facilities granted to the Group, mortgage loans granted to property purchasers and against a trade creditor.

LAT

The State Administration of Taxation ("SAT") of the PRC issued a circular as Guo Shui Han [2004] No.938 on 2nd August, 2004 to strengthen the levy of land appreciation tax ("LAT") on property developers. Subsequently, SAT issued Guoshuifa [2006] No.187 dated 28th December, 2006, which became effective from 1st February, 2007, announcing its intention to strengthen the mechanism for collection of LAT on property developers, and authorising the local tax bureaux to issue detailed implementation rules and procedures appropriate to local environments. In the past, the Group has both paid and recognised provisional LAT calculated according to certain rates (varying from 0.5% to 3%) over sales amounts assessed by local tax bureaux. After consultation with tax consultants and the tax bureaux of certain relevant cities where the Group has property developments, we understand that the details of implementation in respect of the December 2006 announcement have not yet been announced. The issue of whether the Group will be liable for LAT additional to the paid and recognised provisional LAT is not yet capable of determination with any real degree of certainty because of the current absence of detailed implementation rules and procedures. However, the Directors have decided to now take a prudent and conservative approach and to fully provide for this contingent liability in the current year. In order to clearly indicate the impact of this matter on the accounts, we have included as additional information in the income statement as well as the "Results" section above clarifying the impact on the financials. As clarity of any impact of the tax on past years crystalises, it is possible that write-backs of part of this provision may eventuate.

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, 2006, a property for development with carrying value of HK$119,423,000 was identified as idle land because the resettlement problem of local residence by the local authority cannot be resolved and the development is delayed. The Group is working on a proposal with the local land bureau of swapping this idle land with another land site without resettlement problem in the same city. The Group has assessed the issue and obtained legal advice, and considers that although the final outcome is uncertain, the idle land confiscation may be compensated by a replacement land site. Other properties for development and deposits for acquisition of properties for development with aggregate carrying values of HK$359,819,000 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, 2006, guarantees given to banks by the Group in respect of banking facilities granted to a jointly controlled entity and a vendor of land use rights to a property development subsidiary were approximately HK$30,000,000 and HK$13,797,000 respectively. Guarantees given to banks in respect of mortgage loans granted to property purchasers amounted to approximately HK$252,986,000. All the guarantees provided by the Group were requested by banks and under normal commercial terms. Legal actions were taken against certain subsidiaries and jointly controlled entity resulting in possible contingent liabilities of approximately HK$241,127,000 and HK$14,969,000 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. Details of these contingent liabilities are contained in the 2006 Annual Report to be despatched to the shareholders of the Company.

Employees

As at 31st December, 2006, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed 2,560 (2005: 2,661) persons. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

Outlook

The PRC economy is expected to grow at around 8% for 2007, following a 10.7% growth rate for 2006, fuelling not only RMB appreciation, but also creating strong inflationary pressure. The PRC Government is attempting to control the inflationary pressure with higher interest rates. This together LAT may weaken property sentiment. The Board believes however that the Government will remain aware of the contribution of property developers as property and construction have provided significant support for the PRC's strong economic growth.

The Board is confident that the Group is in a strong position, and will be able to carry out its stated strategies and objectives for the benefit of all shareholders.

DIVIDEND AND BOOK CLOSE

The Board has recommended a final dividend of HK2.5 cents per share of the Company for the year ended 31st December, 2006 (2005: nil) payable to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company at the close of business on Friday, 18th May, 2007.

The register of members of the Company will be closed from Tuesday, 15th May, 2007 to Friday, 18th May, 2007 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the final dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's registrar, Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Monday, 14th May, 2007. Subject to approval by the Shareholders at the forthcoming annual general meeting of the Company, dividend warrants are expected to be despatched on Friday, 1st June, 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31st December, 2006, 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. The major areas of deviations are as follows:

(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 is a deviation from the code provision A.2.1.

The Board currently comprises six Executive Directors (one of whom is the Chairman and Acting Managing Director and another is the Deputy Managing Director) and seven Non-Executive Directors. Of the seven Non-Executive Directors, four of them are Independent Non-Executive Directors which represent nearly one-third of the Board. Mr. Patrick Lee Seng Wei, being the Chairman and Acting Managing Director, is primarily responsible for leadership of the Board, ensuring the effectiveness in all aspects of its role and for setting its agenda, ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner, that all Directors are properly briefed on issues arising at Board meetings, and that the Directors receive accurate, timely and clear information, whereas clearly established executive responsibilities for running of the business of the Group lie with different designated senior executives. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive element on the Board and a clear division of responsibility for the running of the business of the Group. The Board believes that the structure outlined above is beneficial to the Company and its business.

(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 (i) should recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditors to supply non-audit services; (ii) only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has discharged its duty to have an effective internal control system; and (iii) can promote (as opposed to ensure under the code provision) the 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, 2006. 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 2006 Annual Report which will be sent to the Shareholders in April 2007.

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, 2006.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of this announcement of the Group's results for the year ended 31st December, 2006 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 HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

PURCHASE, SALE AND 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, 2006.

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

Hong Kong, 30th March, 2007

As at the date of this announcement, the Board comprises Mr. Patrick Lee Seng Wei (Chairman and Acting 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. Moses Cheng Mo Chi, Ms. Lisa Yang Lai Sum and Mr. Yuki Oshima 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.