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, 2006

The board of directors (the "Board") of Tian An China Investments Company Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2006 were as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2006

	Notes	(Unaudited) Six months ended 30th June, 2006 HK$'000	2005 HK$'000 (Restated)
Turnover	(4)	**363,212**	418,296
Cost of sales		**(266,951)**	(308,457)
Gross profit		**96,261**	109,839
Other income	(5)	**44,883**	44,368
Marketing and distribution costs		**(11,856)**	(17,066)
Administrative expenses		**(77,652)**	(64,118)
Other operating expenses		**(3,779)**	(2,319)
Fair value gain on transfer of properties held for sale to investment properties		**6,447**	19,528
Increase in fair value of investment properties		**25,566**	9,372
Write-down of inventories of completed properties		**(10,005)**	–
Allowance for doubtful debts		**(1,176)**	(8,097)
Amortisation of properties for development		**(9,342)**	(7,715)
Gain on disposal of a jointly controlled entity		**150,390**	–
Discount on acquisition of additional interest in a subsidiary		**–**	15,873
Finance costs	(6)	**(59,054)**	(46,420)
Share of results of associates		**(5,542)**	12,744
Share of results of jointly controlled entities		**27,054**	53,737
Impairment loss on interests in associates		**–**	(17,451)
Profit before taxation		**172,195**	102,275
Taxation	(7)	**(35,262)**	(34,483)
Profit for the period	(8)	**136,933**	67,792
Attributable to:			
Equity holders of the Company		**141,312**	72,824
Minority interests		**(4,379)**	(5,032)
		136,933	67,792
		HK cents	*HK cents*
Earnings per share	(9)		
Basic		**14.8**	8.3
Diluted		**14.5**	8.3

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2006

	Notes	(Unaudited) 30th June, 2006 HK$'000	(Audited) 31st December, 2005 HK$'000
Non-Current Assets			
Property, plant and equipment		**563,092**	565,052
Investment properties		**2,367,000**	2,305,922
Intangible asset		**7,008**	7,013
Properties for development		**1,253,972**	1,161,723
Deposits for acquisition of properties for development		**1,729,758**	1,568,406
Prepaid lease payments on land use rights		**31,137**	31,319
Interests in associates		**538,087**	540,312
Interests in jointly controlled entities		**686,256**	716,854
Available-for-sale investments		**3,234**	3,202
Amounts due from minority shareholders		**8,816**	8,574
Goodwill		**39,386**	39,386
Instalments receivable		**73,940**	45,475
Deferred tax assets		**7,977**	4,950
		7,309,663	6,998,188
Current Assets			
Inventories of properties in the PRC			
– under development		**489,947**	400,037
– completed		**891,759**	969,441
Other inventories		**36,059**	34,929
Amounts due from associates		**15,426**	14,188
Amounts due from jointly controlled entities		**64,897**	1,279
Amounts due from minority shareholders		**15,061**	3,377
Loans receivable		**57,112**	61,715
Instalments receivable		**48,255**	43,738
Trade and other receivables, deposits and prepayments	(10)	**651,705**	528,534
Prepaid lease payments on land use rights		**933**	924
Investments held for trading		**9,287**	9,787
Prepaid tax		**23,313**	14,879
Pledged deposits		**39,955**	68,270
Bank balances and cash		**680,271**	565,673
		3,023,980	2,716,771
Assets classified as held for sale		**–**	186,005
		3,023,980	2,902,776
Current Liabilities			
Trade and other payables	(11)	**870,828**	1,181,929
Pre-sale deposits		**142,712**	84,896
Tax liabilities		**37,725**	92,792
Dividends payable to minority shareholders		**9,076**	12,335
Interest-bearing borrowings		**1,034,930**	1,532,320
Interest-free borrowings		**94,057**	143,060
		2,189,328	3,047,332
Net Current Assets (Liabilities)		**834,652**	(144,556)
		8,144,315	6,853,632
Capital and Reserves			
Share capital		**225,854**	175,094
Reserves		**5,685,160**	4,481,008
Equity attributable to equity holders of the Company		**5,911,014**	4,656,102
Minority interests		**416,828**	416,889
Total Equity		**6,327,842**	5,072,991
Non-Current Liabilities			
Trade payables		**4,689**	4,644
Interest-bearing borrowings		**758,339**	747,344
Interest-free borrowings		**77,678**	72,664
Deferred rental income from a tenant		**108,231**	110,648
Rental deposits from tenants		**15,088**	15,306
Membership debentures		**31,233**	30,205
Deferred tax liabilities		**821,215**	799,830
		1,816,473	1,780,641
		8,144,315	6,853,632

Notes:

(1) Review by auditors

The interim financial report of the Company for the six months ended 30th June, 2006 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) Basis of preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA.

(3) 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.

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, 2005, except as described below.

In the previous years ended on or before 31st December, 2004 and for the six months ended 30th June, 2005, properties for development were carried at cost less impairment. However, as stated in the 2005 annual financial statements, such properties for development should be carried at cost and amortised over the lease term on a straight-line basis in accordance with HKAS 17 "Leases". Such change in accounting policy has been applied retrospectively. Accordingly, comparative figures for the six months ended 30th June, 2005 have been restated in order to reflect the amortisation of properties for development and the profit for the period has been decreased by HK$10,028,000.

In the current period, 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 accounting periods beginning either on or after 1st December, 2005 or 1st January, 2006.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabiliation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

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 (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]

[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.

(4) Segmental information

The Group's turnover for the period 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 six months ended 30th June, 2006

	Property development HK$'000	Property investment HK$'000	Sale of construction materials HK$'000	Other operations HK$'000	Consolidated HK$'000
TURNOVER	**109,569**	**43,642**	**180,453**	**29,548**	**363,212**
RESULTS					
Segment results	**2,559**	**30,632**	**3,920**	**(6,523)**	**30,588**
Unallocated corporate expenses					**(27,614)**
Other income	**15,608**	**–**	**6,972**	**22,303**	**44,883**
Fair value gain on transfer of properties held for sale to investment properties	**6,447**	**–**	**–**	**–**	**6,447**
Increase in fair value of investment properties	**–**	**25,566**	**–**	**–**	**25,566**
Write-down of inventories of completed properties	**(10,005)**	**–**	**–**	**–**	**(10,005)**
Allowance for doubtful debts	**–**	**–**	**(1,176)**	**–**	**(1,176)**
Amortisation of properties for development	**(9,342)**	**–**	**–**	**–**	**(9,342)**
Gain on disposal of a jointly controlled entity	**150,390**	**–**	**–**	**–**	**150,390**
Finance costs					**(59,054)**
Share of results of associates	**(7,379)**	**1,628**	**–**	**209**	**(5,542)**
Share of results of jointly controlled entities	**8,048**	**18,811**	**–**	**195**	**27,054**
Profit before taxation					**172,195**
Taxation					**(35,262)**
Profit for the period					**136,933**

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

	Property development HK$'000	Property investment HK$'000	Sale of construction materials HK$'000	Other operations HK$'000	Consolidated HK$'000
TURNOVER	229,069	24,965	141,454	22,808	418,296
RESULTS					
Segment results	41,454	18,736	(12,044)	(5,072)	43,074
Unallocated corporate expenses					(16,738)
Other income	–	–	7,627	36,741	44,368
Fair value gain on transfer of properties held for sale to investment properties	19,528	–	–	–	19,528
Increase in fair value of investment properties	–	9,372	–	–	9,372
Allowance for doubtful debts	–	(589)	(7,040)	(468)	(8,097)
Amortisation of properties for development	(7,715)	–	–	–	(7,715)
Discount on acquisition of additional interest in a subsidiary	15,873	–	–	–	15,873
Finance costs					(46,420)
Share of results of associates	1,361	11,173	–	210	12,744
Share of results of jointly controlled entities	37,709	15,553	–	475	53,737
Impairment loss on interests in associates	(17,451)	–	–	–	(17,451)
Profit before taxation					102,275
Taxation					(34,483)
Profit for the period					67,792

(5) Other income

	(Unaudited) Six months ended 30th June, 2006 HK$'000	2005 HK$'000 (Restated)
Interest income on bank deposits and receivables	**10,302**	3,788
Imputed interest income on non-current interest-free receivables	**5,570**	3,646
Refund of PRC value-added tax	**5,972**	7,289
Increase in fair value of investments held for trading	**268**	–
Income from a property development project	**14,138**	–
Net foreign exchange gains	**2,254**	–
Waiver of interest expenses accrued in prior years	**–**	19,420
Other income	**6,379**	10,225
	44,883	44,368

(6) Finance costs

	(Unaudited) Six months ended 30th June, 2006 HK$'000	2005 HK$'000
Interest on:		
Bank loans and overdrafts	**56,276**	46,540
Loan notes	**972**	972
Obligations under finance lease	**1**	1
Other loans wholly repayable within five years	**7,030**	4,265
Imputed interest expenses on non-current interest-free borrowings	**4,334**	3,602
	68,613	55,380
Less: amount capitalised on properties under development	**(9,559)**	(8,960)
	59,054	46,420

(7) Taxation

	(Unaudited) Six months ended 30th June, 2006 HK$'000	2005 HK$'000 (Restated)
The charge comprises:		
PRC Enterprise Income Tax and Land Appreciation Tax		
– current period provision	**19,593**	3,265
– underprovision in prior years	**670**	204
	20,263	3,469
Deferred tax	**14,999**	31,014
	35,262	34,483

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 Enterprise Income Tax is calculated at the rates applicable to respective subsidiaries.

(8) Profit for the period

	(Unaudited) Six months ended 30th June, 2006 HK$'000	2005 HK$'000 (Restated)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment		
Owned assets	**14,858**	11,465
Assets held under finance leases	**4**	4
Less: amount capitalised on properties under development	**(307)**	(556)
	14,555	10,913
Amortisation of:		
Intangible asset	**74**	12
Properties for development	**9,342**	7,715
Prepaid lease payments on land use rights	**486**	289
	24,457	18,929
Loss on disposal of available-for-sale investments	**1,786**	–
Decrease in fair value of investments held for trading	**–**	230
Share of tax of associates (included in share of results of associates)	**(440)**	3,755
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**12,175**	10,495

(9) 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:

	(Unaudited) Six months ended 30th June, 2006 HK$'000	2005 HK$'000 (Restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity holders of the Company)	**141,312**	72,824

	(Unaudited) Six months ended 30th June, 2006	2005
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**954,225,719**	875,469,918
Effect of dilutive potential ordinary shares: – Warrants	**18,304,009**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**972,529,728**	875,469,918

The computation of diluted earnings per share for both periods 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 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.

(10) 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, 2006 HK$'000	(Audited) 31st December, 2005 HK$'000
Not yet due	**15,396**	69,121
Overdue within 3 months	**132,474**	204,031
Overdue between 4 and 6 months	**58,171**	37,239
Overdue between 7 and 12 months	**17,550**	16,333
Overdue over 12 months	**26,486**	31,127
	250,077	357,851

(11) 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, 2006 HK$'000	(Audited) 31st December, 2005 HK$'000
Not yet due	**288,963**	409,339
Overdue within 3 months	**169,110**	228,118
Overdue between 4 and 6 months	**47,367**	14,755
Overdue between 7 and 12 months	**7,192**	6,948
Overdue over 12 months	**126,826**	139,014
	639,458	798,174

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The profit attributable to equity holders of the Company for the period under review was HK$141,312,000 (2005: HK$72,824,000 (restated)), representing an increase of 94% over the corresponding period of last year. Turnover decreased by 13%, to HK$363,212,000 (2005: HK$418,296,000), mainly due to that part of the Group's commercial and office properties were offered for lease rather than for sale, which led to a decrease in sales of properties by its subsidiaries for the period, and that the total gross floor area ("GFA") of its properties that were completed in the same period decreased. The increase in profit attributable to equity holders of the Company for the period was mainly the result of gains on disposal of a jointly controlled entity and the increase in rental income by 75%. Earnings per share was 14.8 HK cents (2005: 8.3 HK cents (restated)), representing an increase of 78% over the corresponding period of last year. The Company has considered the relevant market factors and adopted a development strategy aiming at more sustainable growth, higher development returns and greater recurrent income rather than concentrating on projects generating only short term returns. This strategy is adopted for reasons that the new land policies has made it rather difficult to increase our landbank in major cities.

Business Review

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

Property Development and Investment

During the period under review, the Group recorded sales of total GFA of approximately 32,800 m^2 (2005: 56,000 m^2), representing a decrease of 41% over the corresponding period of last year. Properties sold in the PRC consisted of Nantong Tian An Garden (Phase 3), Changzhou New City Garden (Phase 5), Wuxi Redhill Peninsula (Phase 3), Guangzhou Panyu Hi-Tech Ecological Park (Phase 2), Dalian Tian An Seaview Garden (Phase 2B) and Changchun Tian An City One (Phase 2). The Group also recorded the sales of total GFA of approximately 31,700 m^2 through the disposal of its entire interests in Shanghai New Union Building Co., Ltd. and Shanghai Interunited Co., Ltd.

A total GFA of approximately 40,300 m^2 (2005: 53,700 m^2) of residential/commercial properties was completed during the period under review, representing a decrease of 25% over the corresponding period of last year. As at 30th June, 2006, a total GFA of approximately 298,700 m^2 (2005: 309,300 m^2) was under construction, representing a decrease of 3% over the corresponding period of last year, including Nantong Tian An Garden (Phase 3), Changzhou New City Garden (Phase 5), Shanghai Tian An Villa (Phase 2), Shenzhen Tian An Golf Garden (Phase 3), Guangzhou Panyu Hi-Tech Ecological Park (Phase 3) and Changchun Tian An City One (Phase 3).

Landbank

The Group currently has a landbank of total GFA of approximately 5,854,000 m^2 (total GFA attributable to the Group is approximately 4,299,000 m^2), located mainly in Shanghai, Shenzhen, Guangzhou, Nantong, Wuxi, Changzhou, Nanjing, Fuzhou, Changchun, Dalian, Wuhan, Zhaoqing and Jiangmen, etc. In 2006, the Group increased its landbank in Huizhou of Guangdong. The Group will expand its landbank when and where appropriate at a reasonable price with reference to the relevant policies and economic development of China.

Manufacture and Sale of Construction Materials

The segment results from sale of construction materials for the period under review contributed a profit of HK$3,920,000 to the Group (2005: loss of HK$12,044,000). The sales volume of cement and clinker amounted to 1.078 million tonnes, representing an increase of 55% over the corresponding period of last year.

Financial Position

Liquidity and Financing

During the period under review, the Company raised approximately HK$862 million of net proceeds through the placement of 175 million new shares, and obtained HK$216.7 million in the issuance of 78.8 million new shares pursuant to the exercise of warrants. These funds will be used to finance certain projects, to reduce borrowings and for general working capital.

As at 30th June, 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 over HK$720 million, providing sufficient working capital for the daily operations of the Group.

As at 30th June, 2006, the total borrowings of the Group amounted to approximately HK$1,965 million (31st December, 2005: HK$2,495 million), including current liabilities and non-current liabilities of HK$1,129 million (31st December, 2005: HK1,675 million) and HK$836 million (31st December, 2005: HK$820 million) respectively. The gearing ratio (net debt over total equity) of the Group was around 20% (31st December, 2005: 37%). The borrowings were mainly used to finance the landbank and properties under construction.

Approximately 68% 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 78% of the Group's borrowings bear interest at fixed rates while the remaining is at floating rates.

Pledge on Assets

As at 30th June, 2006, the Group's interest in a subsidiary with carrying value of HK$148,679,000 was pledged against a bank overdraft facility granted to the Group and interest in a subsidiary with carrying value of HK$71,274,000 held by that subsidiary was also pledged against another banking facility granted to the Group. The Group's interests in subsidiaries with carrying values of HK$530,840,000 were pledged against another loan facility granted to the Group and investment properties and property, plant and equipment indirectly held by those subsidiaries with carrying values of HK$549,580,000 and HK$14,787,000 respectively were pledged against banking facilities granted to the Group. Additionally, bank deposits of HK$39,955,000, aggregate carrying values of property, plant and equipment, development properties and investment properties of approximately HK$12,515,000, HK$1,321,671,000 and HK$1,156,197,000 respectively, were pledged for other loans and banking facilities granted to the Group, mortgage loans granted to property purchasers and against a trade payable.

Contingent Liabilities

As at 30th June, 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$29,126,000 and HK$13,395,000 respectively. Guarantees given to banks in respect of mortgage loans granted to property purchasers amounted to approximately HK$289,158,000. 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$145,925,000 and the share of contingent land appreciation tax of jointly controlled entities and an associate amounted to approximately HK$93,376,000. Certain properties for development with aggregate carrying values of HK$476,112,000 may be potentially classified as idle land. The Group is currently working closely to prevent the possible classification, including negotiating the feasibility of development plans with the local authorities. Based on legal advice, the directors have assessed the issue and considered that the idle land confiscation may not materialise. Legal actions were taken against certain subsidiaries and jointly controlled entity resulting in possible contingent liabilities of approximately HK$226,758,000 and HK$14,533,000 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 2006 Interim Report to be despatched to the shareholders of the Company.

Employees

As at 30th June, 2006, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed 2,550 (31st December, 2005: 2,661) persons. The Group ensures that the remuneration packages for employees are competitive and employees are rewarded on performance related basis including salary and bonus.

Changes in Policies

In the first half of this year, the relevant departments of the PRC government exercised tough control over the real estate market by promulgating consecutively tighter measures, aiming to (amongst others) (1) adjust the structure of housing supply by increasing the supply of small and medium sized ordinary commodity housing below 90 m^2 so as to constitute over 70% of the total development area; (2) suppress demand and strengthen the management of idle land by implementing policies in relation to taxation, credit lending and land; (3) control the scale and progress of urban demolition and relocation in order to slow down the passive housing demand; (4) strengthen the supervision and control of the whole process of real estate development so as to prohibit market speculations and activities not in compliance with regulations; (5) assist low-income families to solve their housing problems; (6) enhance transparency of information about the real estate market; and (7) stipulate higher requirements in relation to foreign investments in the real estate market so as to reduce foreign capital speculations. Most of the above measures were taken to solve the problem of increasing property price in the real estate market of the PRC by driving demand down.

Market Overview

The real estate market in Shanghai recorded relatively rapid expansion over the past few years. However, it is also more susceptible to the macro-economic adjustments, resulting in a decrease in both property price and trade volume. Besides, given that purchases with foreign capital are restricted, it is expected that there will be a more significant impact on the Shanghai market. As the development of villas is already restricted, it is forecasted that the price of villas in Shanghai will be less affected. A steady increase in property price in the Beijing market is expected. In the first half of this year, significant increases in property prices were recorded in Guangzhou, Shenzhen, Dalian and Fuzhou, and the local governments introduced tighter measures to relieve market speculation. Due to the impact of adjustment and control policies, trade volume in Nanjing, Wuxi, Changzhou and Nantong shrank. However, property price was less affected due to strong purchasing power in the regions. As more government policies are consecutively promulgated, it is expected that corresponding adjustments will take place in various respective real estate markets depending on the extent of their increments in previous years, and market trade volume will shrink and buyers will adopt a wait-and-see approach, with their buying sentiment subject to different market conditions in their respective regions and the measures to be taken by the governments. Developers will closely monitor the regulation and control efforts made and the direction taken by the local governments and make corresponding adjustments. It is expected that small sized developers will be subject to relatively more significant impact.

Development Opportunities

In the first half of this year, the GDP of the PRC reached RMB9.1 trillion, representing a year-on-year increase of 10.9%. Home selling price in 70 large and medium sized cities recorded a year-on-year increase of 5.6%. Along with the continuous growth of the economy, it is anticipated that the PRC residents' purchasing power will gradually improve with the further progress of the economic conditions. At present, due to limited investment vehicles in the domestic market, together with Chinese people's strong desire to possess their own properties and to improve the living environment, it is expected that market demand for homes will be on the rise.

The local economies and purchasing power of coastal cities of the PRC are relatively stronger, and the residents' demand for housing is getting increasingly high. In other words, domestic buyers are actually the largest group of potential buyers in China's real estate market. Tian An has been principally engaged in the development of middle to high end residential properties, with of the domestic high-income population as its target buyers. It is expected that its development strategy will be less affected by the macro-economic adjustment and control measures.

Outlook

In view of the tough adjustment and control policies, it is anticipated that the domestic real estate market will see some consequential adjustment in the coming year to reflect impact of the relevant policies. As the extent of the increase in property price and speculating activities in different cities vary, the impact of the relevant policies will differ according to market conditions in different cities. Tian An will closely monitor the changes in policies in various cities and take appropriate actions to minimize the impact. Meanwhile, Tian An will seek favourable development and acquisition opportunities to increase its land bank. The Group's strategies include:

(1) To effectively control the progress of property development and sale in order to maximize its profit.

(2) High end residential properties and Grade A office buildings will be retained for leasing, so as to increase its recurrent rental income.

(3) To speed up the sale of non-core projects and the recycling of funds.

(4) To continue investment in the second-tier cities with strong economic strength, with the purpose of seeking better opportunities for expansion.

INTERIM DIVIDEND

The Board considers that it is prudent to retain an appropriate level of funds to take advantage of business opportunities as and when they arise, and therefore does not intend to declare an interim dividend (2005: nil).

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th June, 2006, the Company has applied the principles of, and complied with, the 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 is a deviation from the code provision A.2.1 of the CG Code.

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 for its role and for setting its agenda, 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 of the CG Code stipulate that the terms of reference of the remuneration committee and audit committee should include, as a minimum, those specific duties as set out in the respective code provisions.

The terms of reference of the remuneration committee (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, 2005. The Board 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.

The annual review of internal controls in respect of the code provision C.2.1 of the CG Code will be reported upon in the forthcoming corporate governance report to be contained in the Company's annual report for the financial year ending 31st December, 2006.

AUDIT COMMITTEE REVIEW

The 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, 2006. 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 the management. The Audit Committee has not undertaken detailed independent audit checks.

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, 2006.

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

Hong Kong, 31st August, 2006

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, Miss 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.