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 2005

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, 2005 were as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
Turnover	(4)	1,397,100	1,973,098
Cost of sales		(1,196,586)	(1,382,665)
Gross profit		200,514	590,433
Other operating income	(5)	102,162	74,085
Marketing and distribution costs		(42,572)	(39,219)
Administrative expenses		(131,742)	(124,592)
Other operating expenses		(12,441)	(13,066)
Fair value gain on transfer of properties held for sale to investment properties		160,622	–
Increase in fair value of investment properties		132,285	–
Write-down of inventories of properties		(51,784)	(27,889)
Allowance for doubtful debts		(18,212)	(21,290)
Amortisation of properties for development		(16,900)	(15,170)
Discount on acquisition of additional interests in subsidiaries		25,290	–
Finance costs		(107,086)	(76,353)
Share of results of associates		15,122	(8,964)
Share of results of jointly controlled entities		82,125	36,158
Impairment loss on interests in associates		(17,451)	–
Profit before taxation		319,932	374,133
Taxation	(6)	(117,399)	(168,718)
Profit for the year	(7)	202,533	205,415
Attributable to:			
Equity holders of the Company		202,540	183,737
Minority interests		(7)	21,678
		202,533	205,415
		HK cents	HK cents
Earnings per share	(8)		
Basic		23.1	23.1
Diluted		23.1	22.8

CONSOLIDATED BALANCE SHEET

As at 31st December, 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
Non-Current Assets			
Property, plant and equipment		565,052	507,982
Investment properties		2,305,922	1,214,400
Intangible asset		7,013	–
Properties for development		1,161,723	896,360
Deposits for acquisition of properties for development		1,568,406	1,775,050
Prepaid lease payments on land use rights		31,319	29,766
Interests in associates		540,312	521,084
Interests in jointly controlled entities		716,854	844,817
Other investment		–	40,737
Investments in securities		–	3,877
Available-for-sale investments		3,202	–
Amounts due from minority shareholders		8,574	3,314
Goodwill on consolidation		39,386	39,386
Instalments receivable		45,475	92,009
Deferred tax assets		4,950	–
		6,998,188	5,968,782
Current Assets			
Inventories of properties in the PRC			
– under development		400,037	1,375,767
– completed		969,441	762,151
Other inventories		34,929	35,476
Amounts due from associates		14,188	–
Amounts due from jointly controlled entities		1,279	–
Amounts due from minority shareholders		3,377	–
Loans receivable		61,715	19,373
Instalments receivable		43,738	8,479
Trade and other receivables, deposits and prepayments	(9)	528,534	638,296
Prepaid lease payments on land use rights		924	718
Investments in securities		–	7,860
Investments held for trading		9,787	–
Prepaid tax		14,879	14,352
Pledged deposits		68,270	75,647
Bank balances and cash		565,673	451,762
		2,716,771	3,389,881
Assets classified as held for sale		186,005	–
		2,902,776	3,389,881
Current Liabilities			
Trade and other payables	(10)	1,181,929	969,729
Pre-sale deposits		84,896	158,625
Tax liabilities		92,792	49,290
Dividends payable to minority shareholders		12,335	3,986
Interest-bearing borrowings		1,532,320	1,673,852
Interest-free borrowings		143,060	168,085
		3,047,332	3,023,567
Net Current (Liabilities) Assets		(144,556)	366,314
		6,853,632	6,335,096
Capital and Reserves			
Share capital		175,094	175,094
Reserves		4,481,008	4,181,310
Equity attributable to equity holders of the Company		4,656,102	4,356,404
Minority interests		416,889	451,110
Total Equity		5,072,991	4,807,514
Non-Current Liabilities			
Trade payables		4,644	–
Interest-bearing borrowings		747,344	528,538
Interest-free borrowings		72,664	149,087
Rental received in advance from a tenant		110,648	–
Rental deposits from tenants		15,306	–
Membership debentures		30,205	51,485
Deferred tax liabilities		799,830	798,472
		1,780,641	1,527,582
		6,853,632	6,335,096

Notes:

(1) Basis of preparation

The audited consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(2) Application of Hong Kong Financial Reporting Standards/Changes in accounting policies

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

Business combinations

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

Goodwill

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. The Group on 1st January, 2005 eliminated the carrying amount of the related accumulated amortisation of HK$24,941,000 with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1st January, 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated (see Note 3 for the financial impact).

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

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In accordance with the transitional rules of HKFRS 3, the Group has applied the revised accounting standard prospectively from 1st January, 2005. Therefore, the change has had no impact on amounts reported for 2004 or prior periods. As a result of this change in accounting policy, discount on acquisition has been recognised in profit or loss during the year.

Financial instruments

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

Classification and measurement of financial assets and financial liabilities

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

By 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From 1st January, 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. For the period ended 30th June, 2005, an adjustment to the previous carrying amounts of receivables or borrowings on 1st January, 2005 has been made to the Group's accumulated profits. However, when preparing the annual financial statements, such adjustment has been made to the Group's accumulated profits, interests in associates and jointly controlled entities. Upon applying HKAS 39, the Group calculated the imputed interest of interest-free receivables and borrowings. As a result, the carrying amounts of the receivables and borrowings have been decreased. The Group's accumulated profits as at 1st January, 2005 has been increased by HK$15,014,000. Profit for the year has been decreased due to the recognition of imputed interest income and expense. (see Note 3 for the financial impact).

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets from 1st January, 2005 onwards. As a result, the Group's bill receivables discounted with full recourse which were derecognised prior to 1st January, 2005 have not been restated. As at 31st December, 2005, the Group's bills receivables discounted with full recourse and factored trade receivables with full recourse have not been derecognised. Instead, the related borrowings of HK$17,541,000 and HK$19,231,000 respectively have been recognised on the balance sheet date. This change in accounting policy has had no material effect on the results for the current year.

Owner-occupied leasehold interest in land

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

Properties for development

In previous years and for the six months ended 30th June, 2005, properties for development were carried at cost less impairment. Under HKAS 17, such properties for development are carried at cost and released over the lease term on a straight-line basis. In the absence of any specific transitional provisions in HKAS 17, such change in accounting policy has been applied retrospectively for the year ended 31st December, 2005. Comparative figures for 2004 have been adjusted in order to reflect the cumulative charge for the properties for development (see Note 3 for the financial impact).

Investment properties

The Group has elected to use the fair value model under HKAS 40 "Investment Property" to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. For the period ended 30th June, 2005, the Group has applied HKAS 40 retrospectively. However, the Group has changed to apply the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. The amount held in the investment property revaluation reserve at 1st January, 2005 has been transferred to the Group's accumulated profits (see Note 3 for the financial impact).

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation. In the current year, the Group has applied HK(SIC) Interpretation 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures for 2004 have been restated (see Note 3 for the financial impact).

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

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

	2005 HK$'000	2004 HK$'000
Non-amortisation of goodwill	**2,592**	–
Recognition of discount on acquisition directly in profit or loss	**25,290**	–
Profits arising from changes in fair value of financial assets/liabilities, designated as financial assets/liabilities at fair value through profit or loss	**5,342**	–
Imputed interest income/expenses on non-current interest-free receivables/borrowings	**(719)**	–
Decrease in depreciation arising from reclassification from property, plant and equipment to prepaid lease payments on land use rights	**360**	149
Amortisation of prepaid lease payments on land use rights	**(849)**	(547)
Amortisation of properties for development net of related deferred taxes	**(21,868)**	(19,935)
Decrease in cost of sales net of related deferred taxes as a result of amortisation of properties for development	**4,679**	1,391
Fair value gain on transfer of properties held for sale to investment properties	**160,622**	–
Gains arising from changes in fair value of investment properties	**169,090**	–
Increase in deferred taxes relating to investment properties	**(105,382)**	–
Increase (decrease) in profit for the year	**239,157**	(18,942)
Attributable to:		
Equity holders of the Company	**238,470**	(16,901)
Minority interests	**687**	(2,041)
	239,157	(18,942)

Analysis of increase (decrease) in profit for the year by line items presented according to their function:

	2005 HK$'000	2004 HK$'000
Decrease in cost of sales	**6,983**	2,076
Increase (decrease) in other operating income	**16,251**	(286)
Increase in administrative expenses	**(489)**	(398)
Increase in other operating expenses	**(1,210)**	–
Fair value gain on transfer of properties held for sale to investment properties	**160,622**	–
Increase in fair value of investment properties	**132,285**	–
Amortisation of properties for development	**(16,900)**	(15,170)
Discount on acquisition of additional interests in subsidiaries	**25,290**	–
Increase (decrease) in share of results of associates	**10,284**	(7,826)
Increase (decrease) in share of results of jointly controlled entities	**8,274**	(12,700)
Increase in finance costs	**(7,953)**	–
(Increase) decrease in taxation	**(94,280)**	15,362
	239,157	(18,942)

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

	As at 31st December, 2004 (Originally stated) HK$'000	Effect of HKAS 1 HK$'000	Effect of HKAS 17 HK$'000	Effect of HK(SIC)-Int 21 HK$'000	As at 31st December, 2004 (Restated) HK$'000	Effect of HKAS 40 HK$'000	Effect of HKAS 32 and HKAS 39 HK$'000	As at 1st January, 2005 (Restated) HK$'000
Balance sheet items								
Property, plant and equipment	538,864	–	(30,882)	–	507,982	–	–	507,982
Properties for development	2,714,390	–	(1,818,030)	–	896,360	–	–	896,360
Deposits for acquisition of properties for development	–	–	1,775,050	–	1,775,050	–	–	1,775,050
Prepaid lease payments on land use rights (non-current)	–	–	29,766	–	29,766	–	–	29,766
Interests in associates	534,920	–	(34,789)	20,953	521,084	–	17,604	538,688
Interests in jointly controlled entities	848,954	–	(18,189)	14,052	844,817	–	(9,435)	835,382
Other investments	40,737	–	–	–	40,737	–	(40,737)	–
Investments in securities (non-current)	3,877	–	–	–	3,877	–	(3,877)	–
Available-for-sale investments	–	–	–	–	–	–	44,614	44,614
Instalments receivables (non-current)	92,009	–	–	–	92,009	–	(13,064)	78,945
Properties under development	1,390,063	–	(14,296)	–	1,375,767	–	–	1,375,767
Properties held for sale	762,256	–	(105)	–	762,151	–	–	762,151
Trade and other receivables, deposits and prepayments	639,535	–	(1,239)	–	638,296	–	–	638,296
Prepaid lease payments on land use rights (current)	–	–	718	–	718	–	–	718
Investments in securities (current)	7,860	–	–	–	7,860	–	(7,860)	–
Investments held for trading	–	–	–	–	–	–	7,860	7,860
Interest-free borrowings (non-current)	(149,087)	–	–	–	(149,087)	–	16,578	(132,509)
Membership debentures	(51,485)	–	–	–	(51,485)	–	23,324	(28,161)
Deferred tax liabilities	(796,486)	–	15,314	(17,300)	(798,472)	–	(632)	(799,104)
Total effects on assets and liabilities	6,576,407	–	(96,682)	17,705	6,497,430	–	34,375	6,531,805
Accumulated profits	2,025,983	–	(86,631)	–	1,939,352	380,676	15,014	2,335,042
Investment property revaluation reserve	327,770	–	–	52,906	380,676	(380,676)	–	–
Minority interests	–	496,362	(10,051)	(35,201)	451,110	–	19,361	470,471
Total effects on equity	2,353,753	496,362	(96,682)	17,705	2,771,138	–	34,375	2,805,513
Minority interests	496,362	(496,362)	–	–	–	–	–	–

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

	As originally stated HK$'000	HKAS 17 and HK(SIC)-Int 21 HK$'000	As restated HK$'000
Accumulated profits	287,092	(69,730)	217,362
Investment property revaluation reserve	269,528	51,509	321,037
Minority interests	433,139	(49,018)	384,121
Total effects on equity	989,759	(67,239)	922,520

(4) **Segmental information**

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

Income statement for the 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 operating 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 inventories of properties	**(51,784)**	**–**	**–**	**–**	**–**	**(51,784)**
Allowance for 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 results of associates	**(5,237)**	**19,915**	**–**	**444**	**–**	**15,122**
Share of results 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**

Income statement for the year ended 31st December, 2004 (Restated)

	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	1,554,856	21,573	371,091	25,578	–	1,973,098
Inter-segment sales	–	–	6,753	4,980	(11,733)	–
Total	1,554,856	21,573	377,844	30,558	(11,733)	1,973,098
RESULTS						
Segment results	420,297	6,776	33,310	(8,481)	–	451,902
Unallocated corporate expenses						(38,346)
Other operating income	16,571	–	20,895	36,619	–	74,085
Write-down of inventories of properties	(27,889)	–	–	–	–	(27,889)
Allowance for doubtful debts	(9,381)	–	(11,877)	(32)	–	(21,290)
Amortisation of properties for development	(15,170)	–	–	–	–	(15,170)
Finance costs						(76,353)
Share of results of associates	(13,886)	4,579	–	343	–	(8,964)
Share of results of jointly controlled entities	35,173	1,540	–	(555)	–	36,158
Profit before taxation						374,133
Taxation						(168,718)
Profit for the year						205,415

(5) **Other operating income**

	2005 HK$'000	2004 HK$'000 (Restated)
Dividend income		
– unlisted shares	**326**	198
– listed shares	**225**	5,810
Interest income on bank deposits and receivables	**8,994**	19,670
Imputed interest income on non-current interest-free receivables	**7,393**	–
Refund of PRC value-added tax	**15,831**	17,475
Net unrealised gain on investments held for trading	**1,786**	–
Gain arising from changes in fair value of financial liabilities	**9,144**	–
Waiver of interest expenses accrued in prior years	**19,420**	5,692
Net foreign exchange gains	**4,883**	–
Other income	**34,160**	25,240
	102,162	74,085

(6) **Taxation**

	2005 HK$'000	2004 HK$'000 (Restated)
The charge (credit) comprises:		
PRC Enterprise Income Tax and Land Appreciation Tax		
– current year provision	**127,698**	63,376
– under (over) provision in prior years	**702**	(854)
	128,400	62,522
Deferred tax	**(11,001)**	106,196
	117,399	168,718

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.

(7) **Profit for the year**

Profit for the year has been arrived at after charging:

	2005 HK$'000	2004 HK$'000 (Restated)
Depreciation of property, plant and equipment		
Owned assets	**26,850**	18,586
Assets held under finance leases	**8**	8
Less: amount capitalised on properties under development	**(1,100)**	(980)
	25,758	17,614
Amortisation of:		
Intangible asset	**86**	–
Properties for development	**16,900**	15,170
Prepaid lease payments on land use rights	**849**	547
Goodwill on consolidation	**–**	2,482
Goodwill on acquisition of associates and jointly controlled entities	**–**	153
	43,593	35,966
Net realised loss on disposal of investment properties	**1,190**	4,282

(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:

	2005 HK$'000	2004 HK$'000 (Restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to equity holders of the Company)	**202,540**	183,737
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**875,469,918**	794,358,424
Effect of dilutive potential ordinary shares:		
– Warrants (expired on 3rd December, 2004)	**–**	11,122,009
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**875,469,918**	805,480,433

The computation of diluted earnings per share for both years does not assume the exercise of the Company's outstanding warrants as the exercise price was higher than the average market price per share.

The computation of diluted earnings per share for both 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.

(9) **Trade receivables**

Rental receivables from tenants are payable on presentation of invoices. The Group generally allows a credit period of 30 to 120 days to property purchasers and other customers.

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

	2005 HK$'000	2004 HK$'000
Not yet due	**69,121**	132,147
Overdue within 3 months	**204,031**	223,571
Overdue between 4 and 6 months	**37,239**	42,462
Overdue between 7 and 12 months	**16,333**	25,090
Overdue over 12 months	**31,127**	15,782
	357,851	439,052

The fair value of the Group's trade receivables as at 31st December, 2005 approximates to the corresponding carrying amount.

(10) **Trade payables**

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

	2005 HK$'000	2004 HK$'000
Not yet due	**409,339**	490,732
Overdue within 3 months	**228,118**	72,333
Overdue between 4 and 6 months	**14,755**	8,305
Overdue between 7 and 12 months	**6,948**	54,122
Overdue over 12 months	**139,014**	120,286
	798,174	745,778

The fair value of the Group's trade payables as at 31st December, 2005 approximates to the corresponding carrying amount.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31st December, 2005, the Group's net profit attributable to equity holders was HK$202,540,000 (2004: HK$183,737,000 (restated)), representing a 10% increase over the previous year. The decrease in turnover to HK$1,397,100,000 (2004: HK$1,973,098,000), representing a decrease of 29%, was mainly due to the reduced sales of properties of the subsidiaries in this year as a result of the strategical retention of part of commercial and office properties for rental purpose, as well as the decreased completion of properties. The increase of net profit attributable to equity holders for the year was the result of contribution from jointly controlled entities and increase or gain in fair values of investment properties. Earnings per share was HK23.1 cents (2004: HK23.1 cents (restated)). The Company has considered the relevant market factors and has determined to adopt a strategic direction in favour of longer term higher margin development profits and a stronger recurrent income rather than concentrating on projects generating short term returns. The reason for adopting this strategic direction is, inter-alia, the difficulty in replenishing landbank in major cities.

Business Review

The Group is engaged principally 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 year, the Group recorded sales of total gross floor areas ("GFA") of approximately 138,000 m^2 (2004: 225,000 m^2), representing a decrease of 39% over 2004. Properties sold in the PRC consist of Shanghai Tian An Centre, Beijing Park Apartments, Nantong Tian An Garden (Phase 2), Changzhou New City Garden (Phase 4), Changzhou Tian An Villa (Phase 1), Wuxi Redhill Peninsula (Phase 3), Shenzhen Tian An Cyber Park-New Technology Plaza (Phase 2), Guangzhou Panyu Hi-Tech Ecological Park (Phase 2), Dalian Tian An Seaview Garden (Phase 2B) and Changchun Tian An City One (Phase 2).

A total GFA of approximately 182,000 m^2 (2004: 319,000 m^2) of residential/commercial properties was completed, representing a decrease of 43% over last year. By the end of 2005, a total GFA of approximately 246,000 m^2 (2004: 272,000 m^2) was under construction, representing a 10% decrease from the preceding year, including Nantong Tian An Garden (Phase 3), Changzhou New City Garden (Phase 5) and Guangzhou Panyu Hi-Tech Ecological Park (Phase 2).

As a result of the soaring land price in the central business districts in certain major cities of the PRC, superior properties appear increasingly valuable, and the price and rent for those properties have gone up correspondingly. Accordingly, the Group has strategically put some prime commercial properties on lease instead of sale as originally planned, therefore, revenues from sales of properties in 2005 dropped while rental income and fair value surplus of the investment properties significantly increased. According to the aforesaid strategy, parts of floor areas of the Grade-A office buildings such as Shanghai Tian An Centre and Dalian Tian An International Tower have been redesignated for leasing purpose. Shanghai Tian An Centre is located in the business ring around People's Square in Nanjing Road, floors 1 to 4 of the commercial podium and floors 23 to 29 of the office tower have all been leased. Most of the tenants are international enterprises and the overall rental level is on a rising trend. Dalian Tian An International Tower, which is located in the core business area of Zhongshan Road with a gross lettable area of approximately 48,600 m^2, has already been offered for lease. It is expected to attract some large companies as its tenants. Also, some of the superior apartments of Beijing Park Apartments will also be redesignated for lease instead of for sale.

For properties sales, given the consistently rising land prices and restriction of land supply, the Group adopted a more conservative policy instead of aiming at sales growth. As a result, contribution from properties sales declined.

Increase in financing cost is mainly due to the increase in market interest rates and a relatively small amount of costs were capitalised.

Landbank

The Group currently has a landbank of an aggregate GFA of approximately 5,248,000 m^2 (aggregate GFA attributable to the Group is approximately 3,545,000 m^2), located mainly in Shanghai, Shenzhen, Guangzhou, Nantong, Wuxi, Changzhou, Nanjing, Fuzhou, Changchun, Dalian, Wuhan, Zhaoqing and Jiangmen etc. In 2005, the Group increased its landbank in Shanghai Tian An Villa (Phases 2 & 3) and Shenzhen Longgang New Cyber Park, and through acquisition of the other shareholders' share capital of Changzhou Tian An Villa and New City Garden. The Group will expand its landbank when and where appropriate at a reasonable price with reference to the economic development of China.

Manufacture and Sale of Construction Materials

Cement price exhibited a dip-and-rebound in 2005. The macro-economic controls dealt a blow to the cement market in the first half of the year, keeping the cement price at the bottom. The segment result for sale of construction materials brought loss to the Group of HK$10,131,000 (2004: profit of HK$33,310,000). The sales volume of cement and clinker amounted to 1.778 million tonnes, representing an increase of 22% as compared to the previous year.

Financial Position

Liquidity and Financing

As at 31st December, 2005, the Group maintained its liquidity at a healthy level with a balanced portfolio of financial resources. The total bank balances and cash reserves of the Group were maintained at over HK$633 million, providing sufficient working capital for the daily operations of the Group.

As at 31st December, 2005, the total borrowings of the Group amounted to approximately HK$2,495 million (2004: HK$2,519 million), including current liabilities and non-current liabilities of HK$1,675 million (2004: HK$1,842 million) and HK$820 million (2004: HK$677 million) respectively. The gearing ratio (net debt over shareholders' equity) of the Group was around 40% (2004: 46% (restated)). The borrowings were used to finance mainly the landbank and properties under construction.

Approximately 85% of outstanding debts will expire within 2 years. Since the investments and operation of the Group are located in the PRC, most of the bank borrowings are obtained from banks in Renminbi ("RMB") which will be repaid in the same currency. Around 61% of the Group's bank borrowings bear interest at fixed rates while the remaining is at floating rates.

Pledge on Assets

As at 31st December, 2005, the Group's interest in a subsidiary with carrying value of HK$142,177,000 was pledged against a bank overdraft facility granted to the Group and interest in a subsidiary with carrying value of HK$69,795,000 held by that subsidiary was also pledged against another banking facility granted to the Group. The Group's interest in a subsidiary with carrying value of HK$421,148,000 was pledged against a banking facility granted to the Company and investment properties and property, plant and equipment indirectly held by that subsidiary with carrying values of HK$335,611,000 and HK$25,690,000 respectively were pledged against a banking facility granted to the Group. The Group's interest in subsidiaries with carrying values of HK$392,596,000 were pledged against another loan facility granted to the Group and investment properties indirectly held by those subsidiaries with carrying values of HK$369,688,000 and HK$154,569,000 were pledged against banking facilities and another loan respectively granted to the Group. Additionally, bank deposits of HK$68,870,000, aggregate carrying amount of property, plant and equipment, development properties and investment properties of approximately HK$960,000, HK$1,356,359,000 and HK$789,227,000 respectively, were pledged for other loans, banking facilities granted to the Group, mortgage loans granted to property purchasers and a trade creditor.

Contingent Liabilities

As at 31st December, 2005, guarantees given to banks by the Group in respect of banking facilities granted to a vendor of land use rights to a property development subsidiary were approximately HK$13,267,000. Guarantees given to banks in respect of mortgage loans granted to property purchasers amounted to approximately HK$382,110,000. 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$148,098,000 and the share of contingent land appreciation tax of jointly controlled entities and an associate amounted to approximately HK$88,056,000. Legal actions were taken against certain subsidiaries and jointly controlled entity resulting in possible contingent liabilities of approximately HK$235,389,000 and HK$14,000,000 respectively. The Group has assessed the claims and obtained legal advice, and considers that either it is too early to assess the range of possible liability at this stage or no additional provision is required to be made. A brief summary of the claims is contained in the 2005 Annual Report to be despatched to the shareholders of the Company (the "Shareholders").

Employees

As at 31st December, 2005, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed 2,661 persons. The staff costs for the year under review amounted to approximately HK$77,954,000. The Group ensures that the remuneration packages for employees are competitive and employees are rewarded on performance related basis including salary and bonus.

Market Environment

The GDP of China for the year 2005 amounted to RMB18 trillion, representing an increase of 9.9% as compared to the previous year. Investment in real estate development amounted to RMB1.58 trillion, representing an increase of 19.8%, which indicated that real estate development was still one of the most prosperous industries in China.

As the real estate market has been persistently affected by the macro-economic controls, the housing market in some cities, especially Shanghai, appeared to be more affected. However, the housing prices in some cities, such as Beijing, remained unchanged, while housing prices even climbed up in some other cities, such as Guangzhou and Shenzhen. The primary targets of the macro-economic control were actually to suppress real estate speculation by means of tax measures, to regulate the real estate market with policies, to increase transaction transparency by laws and regulations and to contain risks in the capital market with tightened credit. Such moves are beneficial to the long-term development of the real estate market in China.

For commercial properties, the office sector in Shanghai continued to expand. Due to the increasingly strong demand and shortage in supply, both the selling prices and rents for Grade-A offices have significantly risen. With the commencement of large-scale infrastructure projects and booming of global commercial activities in the near future, the office market is believed to maintain sustainable demand, therefore, the selling prices and rents for the office buildings will remain at a relatively high level.

Currently, the GDP and per capita income of the Shanghai-led economic rim of the Yangtze River Delta, and the outskirt cities and towns in Jiangsu and Zhejiang provinces, such as Wuxi, Changzhou, Nantong and Suzhou have been growing rapidly. The disposable annual per capita income of urban citizens of these cities has reached RMB15,000, basically meeting the living standard of the middle class. According to the previous experience on city development, the demand for houses and from existing homeowners who seek to upgrade their accommodation should keep rising. Therefore, our residential projects in those cities have been yielding good results. As land prices in major cities are moving higher due to supply shortage, the residential housing market of the secondary, tertiary cities and certain towns with strong economy will have enormous development potential. As Tian An entered those cities at a relatively early time, it is expected that the Group will be able to reap promising returns along with the market growth.

The economy of China experienced continuous growth, with annual GDP growth rate of over 9% in the recent years. In the year 2005, the disposable per capita income of urban citizens of China reached RMB10,000, with a real growth rate of 9.6%. The economically developed costal cities have benefited from the economic growth, and the residents are having higher expectations on their living standard. For example, they are more critical on space, decoration, tastes as well as environment and layout. Therefore, real estate developers have to devote their best efforts to attract customers, which in turn intensify market competition.

The People's Bank of China is still maintaining a tightening policy towards the real estate market. On the one hand it imposes tight credit for developers, and on the other it adopts strict approval procedures on property buyers so as to crack down on speculation. The tightening policy can reduce financial sector risks and is constructive to the long-term and healthy development of the real estate market and the financial market.

According to the "Eleventh Five-Year Plan", the economic development regions which previously consisted of the Pearl River Delta and Yangtze River Delta will be expanded to cover Bohai Rim Area, North-eastern Industry Zone and Mid-West Area. The regional economic development of China will be changed in the future. Tian An will pay close attention to the market development. Currently, the Group will still focus on developing the costal markets with strong economic strength and is prepared to formulate new strategies in tandem with the regional economic development at proper time.

Management Optimization

The Group will strengthen the effective use of corporate resources and optimize the sales and cost mechanism, so as to better understand and use the market information in relation to sales. In respect of costs, the Group will strengthen the use of comparisons and references and master the features of costs more efficiently to improve project efficiency and achieve better returns.

In respect of financial management, the Group has increased the proportion of properties for lease, therefore it has also gradually transferred certain short-term loans to long-term loans. Meanwhile, in accordance with the opening pace of domestic bank industry, the Group will appropriately increase financing agreements with domestic and foreign banks to minimize financing costs. The Group will strengthen the overall management of its funds and pay close attention to market changes so as to take corresponding actions effectively.

In respect of construction, the Group will strengthen the systematic management of projects, make full use of its existing resources, strive for progress ceaselessly and optimize the share of its resources, so as to further improve construction quality and manufacture high-quality products.

In respect of risk management, domestic laws are becoming more and more mature and therefore restrictions have kept increasing. The Group will reduce operation risks in accordance with the changes of domestic market environment.

The Group will relocate its internal resources so that resources can be shared effectively. Meanwhile, the Group will specialize in developing larger property projects and dispose non-core projects so that resources can be used on the highest-margin projects.

OUTLOOK

After 25 years' fast economic development, China is expected to keep continuous growth in the next decade, with the income of its people increasing continuously. Given the fast development of regional economy, the liquidity of capital and the increase of foreign investments, the huge domestic demand will be directly affected. The major projects to be developed by the Group in 2006 comprise Shanghai Tian An Villa (Phase 2), Shanghai Tian An Place (Phase 1), Nantong Tian An Garden (Phase 3), Changzhou New City Garden (Phase 5), Changzhou Tian An Villa (Phase 2), Changchun Tian An City One (Phase 3), Guangzhou Panyu Hi-Tech Ecological Park (Phase 3) and Shenzhen Tian An Cyber Park – Golf & Seaview Garden (Phase 3). As one of China's pioneer property developers, Tian An will make use of its existing advantages, absorb advanced experience, grasp opportunities appropriately and continue the development of high-quality residential buildings, office buildings and shopping malls. More specifically, our focus will be to: (a) build on landbank where appropriate. In fact, during the year under review we increased our landbank as described above in "Landbank" under the Business Review section, (b) dispose of non-core assets such as the interest in Shanghai New Union Building Co., Ltd. as announced by the Company in December 2005. We intend to dispose of several remaining non-core assets at higher prices than costs, (c) continue to expand recurrent income base and (d) continue to strengthen the professional management team, streamline operating processes and secure cost reductions where possible.

DIVIDEND

The Board resolved not to recommend any final dividend for the year ended 31st December, 2005 (2004: nil).

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31st December, 2005, 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 deviation are as follows:

1. **Code provision A.2.1**

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

   The Board currently comprises five Executive Directors (one of whom is the Chairman and Acting Managing Director and another is the Deputy Managing Director) and six Non-Executive Directors. Of the six Non-Executive Directors, four of them are Independent Non-Executive Directors which represent more than 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, 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. The division of responsibilities between the Chairman and CEO has been set out in writing and approved by the Board in June 2005.

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

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

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

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

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

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

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

Further 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 2005 Annual Report which will be sent to the Shareholders in April 2006.

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, 2005.

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, 2005 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 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, 2005.

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

Hong Kong, 31st March, 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 and Mr. Li Chi Kong being the Executive Directors, Mr. Moses Cheng Mo Chi and Miss Lisa Yang Lai Sum being the Non-Executive Directors, and Mr. Francis J. Chang Chu Fai, Mr. Goodwin Gaw, Mr. Ngai Wah Sang and Mr. Xu Su Jing being the Independent Non-Executive Directors.