天安中國投資有限公司

TIAN AN CHINA INVESTMENTS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR 2003

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December

	Notes	2003 HK$'000	2002 HK$'000 (Restated)
Turnover	(2)	**1,904,212**	1,080,332
Cost of sales		**(1,503,756)**	(815,541)
Gross profit		**400,456**	264,791
Other operating income	(3)	**52,974**	63,245
Write–down of inventories of completed properties		**(6,500)**	(15,180)
Allowance for doubtful debts		**(9,469)**	(24,102)
Marketing and distribution costs		**(46,111)**	(28,505)
Administrative expenses		**(116,813)**	(110,999)
Other operating expenses		**(6,739)**	(7,469)
Profit from operations	(4)	**267,798**	141,781
Finance costs		**(75,083)**	(56,317)
Share of results of associates		**908**	2,595
Share of results of jointly controlled entities		**72,730**	118,014
Impairment loss in interests in jointly controlled entities and an associate		**–**	(5,541)
Profit before taxation		**266,353**	200,532
Taxation	(5)	**(88,025)**	(69,675)
Profit before minority interests		**178,328**	130,857
Minority interests		**(75,908)**	(43,811)
Net profit for the year, retained		**102,420**	87,046
		HK cents	*HK cents*
Earnings per share	(6)		
Basic and diluted		**12.4**	10.3

Notes:

(1) Adoption of Statement of Standard Accounting Practice

In the current year, the Group has adopted Statement of Accounting Practice ("SSAP") 12 (Revised) "Income Taxes" issued by the Hong Kong Society of Accountants. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly.

The adoption of SSAP 12 (Revised) resulted in an increase in the profit for the year ended 31st December, 2003 of HK$3,234,000 (2002: decrease of HK$10,152,000).

(2) Segmental information and contribution analysis

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, 2003

	Property development HK$'000	**Property investment HK$'000**	**Sale of construction materials HK$'000**	**Other operations HK$'000**	**Consolidated HK$'000**
REVENUE	**1,483,147**	**21,678**	**381,324**	**18,063**	**1,904,212**
RESULTS					
Segment results	**205,760**	**6,294**	**84,164**	**(4,349)**	**291,869**
Other operating income	**3,241**	**(1,368)**	**30,247**	**20,854**	**52,974**
Write-down of inventories of completed properties	**(6,500)**	**–**	**–**	**–**	**(6,500)**
Allowance for doubtful debts	**(2,360)**	**–**	**(7,109)**	**–**	**(9,469)**
Unallocated corporate expenses					**(61,076)**
Profit from operations					**267,798**
Finance costs					**(75,083)**
Share of results of associates	**(6,289)**	**6,572**	**–**	**625**	**908**
Share of results of jointly controlled entities	**36,511**	**39,489**	**–**	**(3,270)**	**72,730**
Profit before taxation					**266,353**
Taxation					**(88,025)**
Profit after taxation					**178,328**

Income statement for the year ended 31st December, 2002 (Restated)

	Property development HK$'000	Property investment HK$'000	Sale of construction materials HK$'000	Other operations HK$'000	Consolidated HK$'000
REVENUE	792,221	10,245	258,011	19,855	1,080,332
RESULTS					
Segment results	142,386	2,341	30,518	(2,572)	172,673
Other operating income	10,537	1,428	26,745	24,535	63,245
Write-down of inventories of completed properties	(15,180)	–	–	–	(15,180)
Allowance for doubtful debts	(18,855)	(18)	(4,662)	(567)	(24,102)
Unallocated corporate expenses					(54,855)
Profit from operations					141,781
Finance costs					(56,317)
Share of results of associates	(5,020)	7,378	–	237	2,595
Share of results of jointly controlled entities	111,528	7,009	3,483	(4,006)	118,014
Impairment loss in interests in jointly controlled entities and an associate	(478)	–	–	(5,063)	(5,541)
Profit before taxation					200,532
Taxation					(69,675)
Profit after taxation					130,857

(3) Other operating income

	2003 HK$'000	2002 HK$'000 (Restated)
Dividend income		
– unlisted shares	**117**	494
– listed shares	**4,561**	–
Interest income on bank deposits and loans receivable	**4,810**	5,586
Refund of PRC value-added tax	**24,818**	23,308
Net realised (loss)/gain on disposal of investment properties	**(1,368)**	1,428
Net realised gain on disposal of subsidiaries	**4,600**	–
Net realised gain on disposal of jointly controlled entities	**1,358**	5,125
Net realised gain on disposal of an associate	**–**	350
Net realised gain on disposal of trading securities	**–**	5,102
Net realised gain on disposal of non-trading securities	**–**	1,253
Net unrealised loss on trading securities	**(514)**	–
Other income	**14,592**	20,599
	52,974	63,245

(4) Profit from operations

Profit from operations has been arrived at after charging:

	2003 HK$'000	2002 HK$'000
Depreciation of property, plant and equipment		
Owned assets	**18,565**	14,529
Assets held under finance leases	**8**	8
Less: amount capitalised on property under development	**(1,245)**	(1,017)
	17,328	13,520
Amortisation and impairment of:		
Goodwill on consolidation	**2,482**	3,057
Goodwill on acquisition of associates and jointly controlled entities	**182**	277
	19,992	16,854

(5) Taxation

	2003 HK$'000	2002 HK$'000 (Restated)
The charge (credit) comprises:		
PRC income tax		
Company and subsidiaries		
– current year provision	**52,522**	37,472
– over-provision in prior years	**(2,233)**	(9,639)
Share of tax of associates	**2,342**	2,402
Share of tax of jointly controlled entities	**20,854**	17,508
	73,485	47,743
Deferred tax	**14,540**	21,932
	88,025	69,675

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

(6) Earnings per share

The calculation of the basic and diluted earnings per share for the year is based on the net profit for the year of HK$102,420,000 (2002: HK$87,046,000 as restated) and on the weighted average of 826,694,787 (2002: 849,070,447) ordinary shares which has been adjusted for the consolidation of the Company's ordinary shares subsequent to the balance sheet date. Pursuant to a special resolution passed by the shareholders of the Company at the extraordinary general meeting held on 16th February, 2004, every 10 shares of the Company of HK$0.20 each were consolidated into 1 share of HK$2.00 each and at the same time, the nominal value of each consolidated share of HK$2.00 was reduced to HK$0.20.

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 the year ended 31st December, 2003 does not assume the exercise of the outstanding share options of the subsidiary as the exercise price was higher than the average market price per share.

The computation of diluted earnings per share for the year ended 31st December, 2002 does not assume the conversion of the Company's outstanding convertible loan notes since their exercise would result in an increase in earnings per share.

The computation of diluted earnings per share for the year ended 31st December, 2002 does not assume the exercise of the Company's outstanding share options as the exercise price was higher than the average market price per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31st December, 2003, the Group achieved a consolidated net profit attributable to shareholders of HK$102,420,000 (2002: HK$87,046,000 as restated) which represents a slight increase of HK$15,374,000, or 17.7% above the previous year. The increases in turnover and operating profit to HK$1,904,212,000 (2002: HK$1,080,332,000) and HK$267,798,000 (2002: HK$141,781,000 as restated) respectively, representing increases of 76% and 89% respectively, were mainly the result of contributions from property development and sale of construction materials. Earnings per share was 12.4 HK cents (2002: 10.3 HK cents as restated), representing an increase of 20%. As at 31st December, 2003, the Group's net asset value per share after adjusting for the share consolidation was HK$5.0 (2002: HK$4.6 as restated).

Overall performance

Property Development and Investment

The Group recorded sales of total gross floor areas ("GFA") of approximately 291,000 m^2 (2002: 250,000 m^2), representing an increase of 16% over 2002. Almost all came from residential or commercial properties. Properties sold in the PRC such as Shanghai Tian An Villa (Phase 1), Wuxi Redhill Peninsula (Phase 2), Changzhou New City Garden (Phase 3), Nantong Tian An Garden (Phase 1) and Tian An Cyber Park contributed significantly to the satisfactory performance.

The increase in new property development and completion have led to increases in marketing and distribution costs, administration expenses, finance costs and minority interests.

During the year, a total GFA of approximately 314,000 m^2 (2002: 309,000 m^2) of residential/commercial properties was completed, representing a 2% increase over last year. By the end of 2003, a total GFA of approximately 390,000 m^2 (2002: 423,000 m^2) was under construction, representing an 8% decrease from the preceding year, including Nantong Tian An Garden (Phase 2), Shanghai Tian An Centre, Changzhou New City Garden (Phase 4), Wuxi Redhill Peninsula (Phase 2 Part 2), Shenzhen Tian An Innovation Science & Technology Plaza (Phase 2) and Beijing Fuhua Building.

Sale of building materials

The steady growth of demand for cement in Shanghai resulted in driving the price up particularly in the second half of the year. The volume of clinker and cement sold by the group of Shanghai Allied Cement Limited, a listed subsidiary of the Group, for the year reached 1,445,000 tonnes representing an increase of 17.5% as compared to prior year.

Financial position

Liquidity and Financing

In 2003, the Group managed to maintain its liquidity at a healthy level with a well-balanced portfolio of financial resources. At the end of 2003, the bank balances and cash of the Group were more than HK$350 million, providing sufficient working capital for the daily operations of the Group.

As at 31st December, 2003, the total borrowings of the Group amounted to approximately HK$2,450 million (2002: HK$2,190 million), including current liabilities and non-current liabilities of HK$1,565 million (2002: HK$1,773 million) and HK$885 million (2002: HK$417 million) respectively. The gearing ratio (net debt over shareholder's equity) of the Group was around 53% as at 31st December, 2003 (2002: 44% as restated). The increase in borrowings was used to finance the increase in landbank and properties under construction.

Approximately 66% of outstanding debts will expire within 2 years. Since the investments and operation of the Group are located in the PRC, most of the bank borrowings are obtained from PRC banks in Renminbi which will be repaid in the same currency. Around 92% of the Group's bank borrowings bear interest at fixed rates while the remaining is at floating rates.

Charges on Assets

As at 31st December, 2003, the Group's interest in an associate with a carrying value of HK$354,515,000 was pledged against a bank overdraft facility granted to the Company. Additionally, bank deposits of HK$5,914,000, aggregate carrying values of development properties and investment properties of approximately HK$1,614,247,000 and HK$359,354,000 respectively, and the Group's interest in certain subsidiaries with aggregate carrying values of approximately HK$159,350,000 were pledged for trade payable of HK$35,463,000, other loan and banking facilities granted to those subsidiaries and to a jointly controlled entity.

Contingent Liabilities

As at 31st December, 2003, guarantees given to banks by the Group in respect of banking facilities granted to jointly controlled entities, third parties and a vendor of land use rights to a property development subsidiary were approximately HK$131,184,000, HK$28,302,000 and HK$13,016,000 respectively. Guarantees given to banks in respect of mortgage loans granted to property purchasers amounted to approximately HK$492,324,000 and a guarantee given to a bank in respect of a performance bond given to a vendor of land use rights amounted to approximately HK$18,868,000. All the guarantees provided by the Group were requested by banks and under normal commercial terms. Commercial bills discounted with recourse amounted to approximately HK$50,061,000. The contingent PRC land appreciation tax of subsidiaries attributable to the Group amounted to approximately HK$51,796,000 and the share of contingent land appreciation tax of a jointly controlled entity amounted to approximately HK$52,325,000.

Employees

As at 31st December, 2003, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed approximately 2,083 persons. The staff costs for the year under review amounted to approximately HK$81,177,000. The Group ensures that the remuneration packages for employees are competitive and employees are rewarded on performance related bases including salary and bonus.

BUSINESS REVIEW

The Group is principally engaged in the development of high-class apartments, villas, office buildings and industrial properties, with property management and hotel operation as sidelines. The residential projects offered for sale by the Group during the year included Shanghai Sheshan Tian An Villa, Shanghai California Court, Nanjing Tian An International Tower, Jiangsu Wuxi Redhill Peninsula, Jiangsu Changzhou New City Garden, Jiangsu Nantong Tian An Garden, Shenzhen Jun An Garden, Changchun Tian An City One and Dalian Tian An Seaview Garden.

Shanghai Sheshan Tian An Villa was designed by an internationally renowned architect with full consideration given to the incorporation of Eastern culture and custom into modern architectural aesthetics. The environmental design laid emphasis on providing an island habitat with a landscape consisting of gentle slope and running water, while the architectural design focuses on creating an aesthetic sense, tranquility, warmth and implicitness. By providing flats with sizes mainly ranging from 280 m^2 to 380 m^2, the Group effectively avoided competition arising from similar design concepts of other developers. Phase I of the development, which covered a site area of 161 mu comprising a total of 98 detached villas, was offered for sale in October 2003. 70% of the villas have been sold by the end of December 2003. The remaining land estimated at a maximum of 3,599 mu is available for long-term development by the Group, and will become one of the most important profit centres of the Group.

Shanghai Tian An Centre is a Grade A office building situated at Nanjing Road, a prime location of the city centre directly facing Renmin Square. It enjoys the most convenient transportation network, including a pivotal transit station of underground railway Nos. 1 and 2, and occupies the prime of economic, cultural and commercial hub of Shanghai. Built in compliance with international standards, the Centre is an incorporation of high-technology 3D digital display management system with a modern architectural outlook and, therefore, has become a landmark in the central district of Shanghai.

ANALYSIS OF MARKET RISKS

With a domestic economic growth rate reaching 9.1% in 2003, the government of the PRC assessed the situation and has laid down a policy of stepping up the supervision and regulation of fixed asset investment while maintaining stability and a relatively fast growth rate. However, there have been indications that the policy will be implemented prudently, as the government stated that the initiatives of all quarters should be encouraged and not suppressed, and emergency brake would never be applied. As such monitoring measures are aimed to prevent any sharp economic ups and downs, they will not lead to major slow-down of economic growth. In the absence of any unexpected circumstances, the GDP will record a growth rate exceeding 8% in 2004.

The Group remains optimistic towards the economic and real estate development in the PRC, although the surge of fixed asset investments and prices of real estate in most areas are currently so fast as to lead to a bubble effect in some areas. The property prices in Shanghai increased slightly too fast and recorded a 20% rise during the year. Therefore, this recent suitable adjustment is in fact favourable to the healthy growth of the market. On the other hand, the excessive number of property developers should also draw the attention of the relevant authority. Among over 3,000 real estate developers in each of Shanghai and Beijing, quite a number may be unprofessional ones. It is envisaged that, under proper control and monitoring, the real estate developers will become more ethical, a factor favourable to the long-term development of Tian An in the PRC.

In addition to continuing the development of the existing projects, the Group plans to commence development of the following projects in 2004: Changzhou Tian An Garden, Shanghai Tian An Yangming Resort, Tian An Sunshine Peninsula Garden on the riverside of Suzhou River, Shanghai, Fuzhou Dengyun Resort and Zhaoqing Resort & Golf Club. All these projects are located in excellent geographical locations, acquired at reasonable land cost and with area vast enough for the Group's long-term development. They could become profit centres of the Group for a long time.

OUTLOOK

Dense clusters of skyscrapers have led to a very dense population and serious traffic congestion in the central commercial areas and residential areas of major cities. This phenomenon in turn brings about an acceleration on urbanization of the outskirts, thus creating substantial opportunities for the developers. The government policy to revitalize the economy in the old industrial area of the three provinces in the north-east, and the relatively late-start of modern accommodation and living ideas, and new-style economic development together have availed the developer with ideal and considerable opportunities for development in these three provinces. The economic take-off of the Yangtze River Delta, the accelerating urbanization and the increase of income per capita all have positive effect on the desire to improve the living environment, and the developers will continue to benefit from this situation. The gradual strengthening of the economic system of the Pearl River Delta has laid the foundation for economic development with Shenzhen, Guangzhou and Hong Kong as the cores. It is expected that South China will see an accelerating urbanization again. Implemented last year, the land policy and the relatively tight policy on project financing has increased the costs of developers, resulting in a phase of elimination. Developers with solid resources, such as Tian An, will benefit from this development.

The Group has adopted a positive approach to deal with external changes by capturing and actively creating opportunities, controlling risks, costs and expenses, and monitoring the schedule of construction works, so as to operate within the budget and accomplish a fast and sound development for the Group and a satisfactory return for its shareholders. The Group will capture every opportunity and make optimal use of its resources to appropriately increase its land reserve as a foundation for long-term development.

DIVIDEND

The board of directors resolved not to recommend any final dividend for the year ended 31st December, 2003 (2002: nil).

PUBLICATION OF DETAILED INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The detailed information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

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

Hong Kong, 30th March, 2004