



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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2002**

UNAUDITED INTERIM RESULTS

		Six months ended 30 June	
		2002	2001
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	(2)	468,231	156,828
Cost of sales		(306,510)	(133,262)
Gross profit		161,721	23,566
Net unrealised gain on trading securities		3,459	6,957
Other operating income	(3)	18,537	5,702
Marketing and distribution costs		(12,813)	(6,108)
Administration expenses		(54,318)	(42,766)
Other operating expenses		(3,048)	(3,277)
Share of results of jointly controlled entities		9,373	89,074
Profit from operations	(4)	122,911	73,148
Net realised gain on disposal of certain interests in a subsidiary		–	16,253
Finance costs		(39,164)	(18,950)
Share of results of associates		2,450	4,047
Profit before taxation		86,197	74,498
Taxation	(5)	(27,000)	(16,237)
Profit before minority interests		59,197	58,261
Minority interests		(31,122)	(145)
Net profit for the period, retained		28,075	58,116
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	(6)		
Basic		0.3	0.7
Diluted		N/A	N/A

Notes:

(1) Review by Auditors

The interim financial report of the Company for the six months ended 30 June 2002 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 Society of Accountants and an unmodified review conclusion has been issued.

(2) 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 segments is as follows:

Income statement for the period ended 30 June 2002

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Hotel & property management & property agency <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	<u>366,888</u>	<u>6,357</u>	<u>90,151</u>	<u>–</u>	<u>4,835</u>	<u>–</u>	<u>468,231</u>
RESULTS							
Segment results	113,490	(1,431)	14,387	–	(4,003)	–	122,443
Net unrealised gain on trading securities							3,459
Other operating income	346	–	11,604	–	–	6,587	18,537
Share of results of jointly controlled entities	4,771	2,510	3,483	(2,240)	256	593	9,373
Unallocated corporate expenses							<u>(30,901)</u>
Profit from operations							122,911
Finance costs							(39,164)
Share of results of associates	(1,897)	4,227	–	–	120	–	<u>2,450</u>
Profit before taxation							86,197
Taxation							<u>(27,000)</u>
Profit after taxation							<u>59,197</u>

Income statement for the period ended 30 June 2001

	Property development HK\$'000	Property investment HK\$'000	Construction materials HK\$'000	Hotel operation HK\$'000	Hotel & property management & property agency HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
REVENUE	<u>150,570</u>	<u>–</u>	<u>2,672</u>	<u>–</u>	<u>3,586</u>	<u>–</u>	<u>156,828</u>
RESULTS							
Segment results	3,720	–	(399)	–	(4,657)	–	(1,336)
Net unrealised gain on trading securities							6,957
Other operating income	412	–	–	–	–	5,290	5,702
Share of results of jointly controlled entities	90,211	2,758	6,873	(11,621)	195	658	89,074
Unallocated corporate expenses							<u>(27,249)</u>
Profit from operations							73,148
Net realised gain on disposal of certain interest in a subsidiary							16,253
Finance costs							(18,950)
Share of results of associates	(5)	3,862	–	–	190	–	<u>4,047</u>
Profit before taxation							74,498
Taxation							<u>(16,237)</u>
Profit after taxation							<u>58,261</u>

(3) Other operating income

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Dividend income from unlisted shares	234	1,009
Interest income on bank deposits and loans receivable	2,813	2,208
Refund of PRC value-added tax	11,112	–
Other income	4,378	2,485
	<u>18,537</u>	<u>5,702</u>

(4) Profit from operations

Profit from operations has been arrived at after charging:

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment		
Owned assets	6,494	2,675
Assets held under finance leases	4	–
Less: amount capitalized on property under development	(477)	(186)
	6,021	2,489
Amortisation of:		
Goodwill on consolidation	765	802
Goodwill on acquisition of associates and jointly controlled entities	185	366
	6,971	3,657

(5) Taxation

The charge (credit) comprises:

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
PRC income tax		
Company and subsidiaries		
– current period provision	4,498	523
– over-provision in prior years	(8,742)	(3,147)
Share of tax of associates	202	1,023
Share of tax of jointly controlled entities	1,684	14,799
	(2,358)	13,198
Deferred tax	29,358	3,039
	27,000	16,237

Hong Kong Profits Tax has not been provided as the Group has no assessable profit subject to Hong Kong Profits Tax for the six months ended 30 June 2002. Certain of the Group's subsidiaries operating in the PRC are eligible for tax exemptions and concessions. PRC income tax is calculated at the applicable rates on assessable profits.

(6) Earnings per share

The calculation of basic and diluted earnings per share is based on the net profit for the period of HK\$28,075,000 (2001: HK\$58,116,000) and on the weighted average of 8,490,704,365 (2001: 8,490,658,332) ordinary shares in issue during the period.

The computation of diluted earnings per share for both periods 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 from continuing ordinary operations.

The computation of diluted earnings per share for both periods does not assume the exercise of the Company's outstanding share options and warrants as the exercise prices are higher than the average market price per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Business Review

Published data indicate that the PRC recorded a GDP growth of 7.8% during the first six months. With this strong economic growth, the property market in the PRC continued its momentum. Statistics indicate that investment in property development in the PRC amounted to RMB282.1 billion in the first half year, an increase of 32.9% year-on-year. Land prices rose by 5.4% on average over the second quarter of last year.

After the amendment of its joint venture contract and articles on 14 March 2002, Shanghai Allied Cement Co., Ltd. ("Shanghai SAC") has become a subsidiary of Shanghai Allied Cement Limited ("SAC"), a listed company in which the Group holds 54.77% interest. The consolidation of the accounts of Shanghai SAC resulted in an increase in turnover, gross profit, administration expenses and part of the minority interests. The Group's net profit attributable to shareholders for the period under review was HK\$28,075,000 (2001: HK\$58,116,000), representing a 52% decrease over the previous period. The main reason for the decrease in net profit was that certain projects (including those held by subsidiaries and jointly controlled entities) are scheduled to be completed in the second half conjoined with the reduced equity interest in SAC. Earnings per share was HK0.3 cents (2001: HK0.7 cents), representing a decrease of 57% compared to the corresponding period of last year. The Group's net assets per share was HK\$0.485 (31 December 2001: HK\$0.480).

During the period, total sales attributable to the Group of 68,140m² Gross Floor Area ("GFA") from residential/commercial properties was recorded (2001: 41,310m²). During the same period, 40,470m² GFA were completed (2001: 84,760m²) whereas 629,840m² GFA were under construction (2001: 254,000m²).

Financial Position

Liquidity and Financing

In June 2002, the Group maintained its liquidity at a healthy level with a well-balanced portfolio of financial resources. The bank balances and cash reserves of the Group were maintained at HK\$585 million, providing sufficient working capital for the daily operations of the Group.

As at 30 June, 2002, the total borrowings of the Group amounted to approximately HK\$2,098 million (31 December 2001: HK\$1,593 million), including current liabilities and non-current liabilities of HK\$1,445 million (31 December 2001: HK\$1,094 million) and HK\$653 million (31 December 2001: HK\$499 million), respectively. The gearing ratio (net debt over shareholder's equity) of the Group was 37% (31 December 2001: 30%). The increase in borrowings was used to finance the payment of landbank and costs for properties under construction, resulting in an increase in finance costs.

Approximately 86% outstanding debts will expire within 2 years. As the investments 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, hence minimizing the risk of exchange rate fluctuation. Around 96% of the Group's bank borrowings bear interest at fixed rates while the remaining is at floating rates.

Charges on Assets

As at 30 June 2002, bank deposits of HK\$71,563,000, aggregate carrying values of development properties and investment properties of approximately HK\$801,789,000 and HK\$122,223,000 respectively, the Group's interest in certain subsidiaries with aggregate carrying values of approximately HK\$164,426,000 were pledged to banks for banking facilities granted to those subsidiaries and a jointly controlled entity.

Contingent Liabilities

As at 30 June 2002, 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\$108,982,000, HK\$92,830,000 and HK\$28,302,000 respectively. Guarantees given to banks in respect of mortgage loans granted to property purchasers amounted to approximately HK\$264,806,000, and commercial bills discounted with recourse amounted to approximately HK\$9,675,000. All the guarantees provided by the Group were requested by banks and are on normal commercial terms.

Employees

As at 30 June 2002, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed approximately 1,570 persons. Total staff costs for the period under review amounted to approximately HK\$26,393,000. The Group ensures that the remuneration packages for employees are competitive and employees are rewarded on performance related basis including salary and bonus.

OUTLOOK

Slowdown in PRC economic growth is forecast in the second half of the year due to various factors including uncertainty in the global economic climate, slackening in export revenues and reduced direct investment. Annual economic growth is predicted to reach 7.5%. It is believed that the central government will continue to implement a proactive fiscal policy and sound monetary policy intended to maintain sustainable long term economic growth.

An influx of foreign enterprises following the PRC's accession to the WTO has driven demand in the grade-A office and luxury residential property market. The surge is reflected in a reduced vacancy rate and increasing rents. Rents for grade-A office space in major cities have recorded a 5 to 10% increment through the first six months. A similar growth rate is expected for the second half. The rise in demand for top-grade office space is likely to continue over the medium to long term.

With the continuous economic growth and support from government incentive policies, popular demand for new homes and for improvement in the living standard is spreading from major cities to second and third line cities. These factors should benefit the residential property market in the PRC. The buoyant market in the major cities has attracted world-wide experienced property developers which should result in significant competition. Home prices in major cities, particularly in Beijing, Shanghai and Shenzhen, may plateau in the coming months. Sales price in the second or third line cities should continue their upward momentum, and provide more development opportunities. Tightening land supply and conservative bank financing policy for property developers and home buyers should maintain long-term healthy development of the residential property market. As at 30 June 2002, the total landbank in terms of GFA attributable to the Group amounted to approximately 3,117,000m². We believe the Group is well positioned to meet such challenges so as to capture maximum benefit.

In the second half of the year, two office projects including Cyber Times building in Shenzhen and Tian An Tower in Dalian will be offered for sale. Pre-sales on seven residential projects, California Court in Shanghai, Jun An Garden in Shenzhen, Tian An Seaview Garden in Dalian, Tian An International Building in Nanjing, Tian An City One in Changchun, New City Garden in Changzhou and Redhill Peninsula in Wuxi are to be launched. These projects are expected to add significant turnover and profit to the Group upon completion.

INTERIM DIVIDEND

The Directors consider that it is prudent to retain an appropriate level of funds to take advantage of business opportunities as and when they arise, and therefore do not intend to declare an interim dividend (2001: nil).

PUBLICATION OF DETAILED INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The detailed information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") will be published on the website of the Stock Exchange in due course.

By Order of the Board
David Hui Yip Wing
Managing Director

Hong Kong, 4 September 2002

"Please also refer to the published version of this announcement in The Standard"