



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 2002

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December

		2002	2001		2002	2001
		HK\$'000	HK\$'000		HK\$'000	HK\$'000
Turnover	(1)	1,080,332	299,273	Dividend income		
Cost of sales		(815,541)	(260,560)	– unlisted shares	494	1,625
Gross profit		264,791	38,713	– listed shares	–	89
Other operating income	(2)	62,158	19,450	Interest income on bank deposits and loans receivable	5,586	5,700
Net realised gain on disposal of certain interest in a subsidiary		–	111,581	Refund of PRC value-added tax	23,308	–
Write-down of inventories of completed properties		(15,180)	(27,402)	Net realised gain on disposal of investment properties	341	–
Allowance for doubtful debts		(24,102)	(20,100)	Net realised gain on disposal of jointly controlled entities	5,125	–
Marketing and distribution costs		(28,505)	(9,797)	Net realised gain on disposal of an associate	350	–
Administration expenses		(110,999)	(95,419)	Net realised gain on disposal of trading securities	5,102	–
Other operating expenses		(7,469)	(10,972)	Net realised gain on disposal of non-trading securities	1,253	–
Share of results of jointly controlled entities		118,309	116,809	Net unrealised gain on trading securities	–	5,433
Impairment loss in interests in jointly controlled entities and an associate		(5,541)	(57,467)	Other income	20,599	6,603
Profit from operations	(3)	253,462	65,396		62,158	19,450
Net realised gain on disposal of certain interest in a subsidiary		–	91,435	(3) Profit from operations		
Finance costs		(56,317)	(39,161)	Profit from operations has been arrived at after charging:		
Share of results of associates		2,595	2,041		2002	2001
Profit before taxation		199,740	119,711		HK\$'000	HK\$'000
Taxation	(4)	(58,134)	(24,097)	Depreciation of property, plant and equipment		
Profit before minority interests		141,606	95,614	Owned assets	14,529	5,974
Minority interests		(44,408)	7,168	Assets held under finance leases	8	3
Net profit for the year, retained		97,198	102,782	Less: amount capitalised on property under development	(1,017)	(894)
		HK cents	HK cents		13,520	5,083
Earnings per share	(5)	1.1	1.2	Amortisation and impairment of:		
Basic and diluted				Goodwill on consolidation	3,057	2,747
				Goodwill on acquisition of associates and jointly controlled entities	277	2,955
					16,854	10,785
				(4) Taxation		
					2002	2001
					HK\$'000	HK\$'000
				The charge (credit) comprises:		
				PRC income tax		
				Company and subsidiaries		
				– current year provision	37,472	8,157
				– over-provision in prior years	(9,639)	(6,896)
				Share of tax of associates	2,402	2,764
				Share of tax of jointly controlled entities	17,388	19,550
					47,623	23,575
				Deferred tax	10,511	522
					58,134	24,097
				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.		
				(5) Earnings per share		
				The calculation of basic and diluted earnings per share is based on the following data:		
					2002	2001
					HK\$'000	HK\$'000
				Earnings		
				Earnings for the purpose of basic earnings per share	97,198	102,782
				Effect of dilutive potential ordinary shares:		
				Adjustment to the share of results of a subsidiary based on dilution of its earnings per share	–	(160)
				Earnings for the purpose of dilutive earnings per share	97,198	102,622
					2002	2001
				Number of Shares		
				Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	8,490,704,474	8,490,678,716
				The computation of diluted earnings per share for both years 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 years 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.		

Notes:

(1) 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 segments is as follows:

Income statement for the year ended 31st December, 2002

	Property development	Property investment	Sale of construction materials	Hotel operation	Hotel & property management & property agency	Other operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE	792,221	10,245	258,011	5,866	13,989	–	1,080,332
RESULTS							
Segment results	142,386	2,341	30,518	1,479	(4,051)	–	172,673
Other operating income	10,537	341	26,745	–	–	24,535	62,158
Write-down of inventories of completed properties	(15,180)	–	–	–	–	–	(15,180)
Allowance for doubtful debts	(18,855)	(18)	(4,662)	–	–	(567)	(24,102)
Share of results of jointly controlled entities	111,823	7,009	3,483	(6,405)	1,806	593	118,309
Impairment loss in interests in jointly controlled entities and an associate	(478)	–	–	(5,063)	–	–	(5,541)
Unallocated corporate expenses							(54,855)
Profit from operations							253,462
Finance costs							(56,317)
Share of results of associates	(5,020)	7,378	–	–	237	–	2,595
Profit before taxation							199,740
Taxation							(58,134)
Profit after taxation							141,606

Income statement for the year ended 31st December, 2001

	Property development	Property investment	Sale of construction materials	Hotel operation	Hotel & property management & property agency	Other operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE	245,035	10,948	34,483	–	8,807	–	299,273
RESULTS							
Segment results	(6,554)	1,210	(933)	–	(8,790)	–	(15,067)
Other operating income	3,351	–	1,632	–	–	14,467	19,450
Net unrealised gain on disposal of certain interest in a subsidiary							111,581
Write-down of inventories of completed properties	(27,402)	–	–	–	–	–	(27,402)
Allowance for doubtful debts	(13,042)	–	–	–	(1,804)	(5,254)	(20,100)
Share of results of jointly controlled entities	90,998	9,850	20,329	(4,920)	367	185	116,809
Impairment loss in interests in jointly controlled entities	–	–	–	(47,467)	–	(10,000)	(57,467)
Unallocated corporate expenses							(62,408)
Profit from operations							65,396
Net realised gain on disposal of certain interest in a subsidiary							91,435
Finance costs							(39,161)
Share of results of associates	(7,614)	9,274	–	–	381	–	2,041
Profit before taxation							119,711
Taxation							(24,097)
Profit after taxation							95,614

(2) Other operating income

Dividend income		
– unlisted shares	494	1,625
– listed shares	–	89
Interest income on bank deposits and loans receivable	5,586	5,700
Refund of PRC value-added tax	23,308	–
Net realised gain on disposal of investment properties	341	–
Net realised gain on disposal of jointly controlled entities	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 gain on trading securities	–	5,433
Other income	20,599	6,603
	62,158	19,450

(3) Profit from operations

Profit from operations has been arrived at after charging:

	2002	2001
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment		
Owned assets	14,529	5,974
Assets held under finance leases	8	3
Less: amount capitalised on property under development	(1,017)	(894)
	13,520	5,083
Amortisation and impairment of:		
Goodwill on consolidation	3,057	2,747
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	16,854	10,785

(4) Taxation

	2002	2001
	HK\$'000	HK\$'000
The charge (credit) comprises:		
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– current year provision	37,472	8,157
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(5) Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

	2002	2001
	HK\$'000	HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share	97,198	102,782
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Earnings for the purpose of dilutive earnings per share	97,198	102,622
	2002	2001

Number of Shares

Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	8,490,704,474	8,490,678,716
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The computation of diluted earnings per share for both years 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.

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MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31st December, 2002, the Group achieved a consolidated net profit attributable to shareholders of HK\$97,198,000 (2001: HK\$102,782,000) which represents a slightly decrease of HK\$5,584,000, or 5% below the previous year. The significant increase in turnover and operating profit to HK\$1,080,332,000 (2001: HK\$299,273,000) and HK\$253,462,000 (2001: HK\$65,396,000) respectively, representing an increase of 261% and 288% respectively, were the result of contributions from property development and construction materials. Earnings per share was 1.1 HK cents (2001: 1.2 HK cents), representing a decrease of 8%. As at 31st December, 2002, the Group's net assets per share was HK\$0.5 (2001: HK\$0.48).

Overall performance

The Group recorded sales of total gross floor areas ("GFA") of approximately 250,000m² (2001: 113,000m²), representing an increase of 121% over the 2001 figure. Of this, 96% came from residential or commercial property and 4% from industrial property. Properties sold in the Eastern region of the PRC contributed significantly to the satisfactory performance.

During the year, a total GFA of approximately 309,000m² (2001 : 119,000m²) of residential/commercial properties was completed, representing a 160% increase over last year. By the end of 2002, a total GFA of approximately 423,000m² (2001 : 606,000m²) was under construction, representing a 30% decrease from the preceding year.

After the amendment of its joint venture contract and articles on 14th 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 results in an increase in turnover, gross profit and operating profit. The increase in new property development together with the consolidation of the accounts of SAC have led to increase in marketing and distribution costs, administration expenses, finance costs and minority interests.

Owing to the current market situation, the management believes it is prudent to provide for impairment losses of HK\$5,541,000 to certain interests of jointly controlled entities and an associate, write-down of HK\$15,180,000 for inventories of certain remaining unsold properties and provide HK\$24,102,000 for doubtful debts.

Financial position

Liquidity and Financing

In 2002, the Group managed to retain its liquidity at a healthy level with a well-balanced portfolio of financial resources. At the end of 2002, the bank balances and cash of the Group were maintained at more than HK\$500 million, providing sufficient working capital for the daily operations of the Group.

As at 31st December, 2002, the total borrowings of the Group amounted to approximately HK\$2,190 million (2001: HK\$1,593 million), including current liabilities and non-current liabilities of HK\$1,773 million (2001: HK\$1,094 million) and HK\$417 million (2001: HK\$499 million) respectively. The gearing ratio (net debt over shareholder's equity) of the Group was maintained at around 40% as at 31st December, 2002 (2001: 30%). The increase in borrowings was used to finance the increase in landbank and properties under construction.

Approximately 89% outstanding debts will expire within 2 years. Since 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 90% 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, 2002, the Group's interest in an associate with a carrying value of HK\$500,757,000 was pledged against a bank overdraft facility granted to the Company. Additionally, bank deposits of HK\$75,012,000, aggregate carrying values of development properties and investment properties of approximately HK\$1,611,648,000 and HK\$186,489,000 respectively, and the Group's interest in certain subsidiaries with aggregate carrying values of approximately HK\$134,699,000 were pledged for trade payable of HK\$43,011,000 and to banks for banking facilities granted to those subsidiaries and to a jointly controlled entity.

Contingent Liabilities

As at 31st December, 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\$155,981,000, HK\$89,150,000 and HK\$11,132,000 respectively. Guarantees given to banks in respect of mortgage loans granted to property purchasers amounted to approximately HK\$244,906,000. 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\$35,577,000. The contingent PRC land appreciation tax of a subsidiary attributable to the Group amounted to approximately HK\$24,680,000 and the share of contingent land appreciation tax of a jointly controlled entity amounted to approximately HK\$41,779,000.

Employees

As at 31st December, 2002, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed approximately 1,941 persons. The staff costs for the year under review amounted to approximately HK\$65,734,000. The Group ensures that the remuneration packages for employees are competitive and employees are rewarded on performance related bases including salary and bonus.

Investment environment in the PRC

The PRC showed an outstanding GDP growth of around 8% amidst very sluggish economies in Europe and the United States in 2002. Its four most productive cities were Shanghai, Beijing, Guangzhou and Shenzhen and their GDP grew 10.9%, 10.2%, 13% and 15% respectively in 2002. Shenzhen's per capita GDP reached US\$5,558 which is the highest in the country. Following the PRC's entry into the WTO, foreign investors continued to flood into the PRC with a total of US\$52 billion investment in 2002.

During the year, investment in real estate rose by 21.9% to RMB774 billion. Outstanding personal housing mortgages reached RMB826 billion, surging 46% from 2001. A total of 129.8 million square metres of houses worth RMB305.9 billion were sold in the first 10 months of the year under review, which represents an increase of 27.6% in areas and 35.4% in value over the same period last year. However, the rapid development of the property sector has led to relative high vacancy rates in some areas.

Housing prices, especially of luxury units, in large cities such as Shanghai, Beijing, Guangzhou and Shenzhen may have experienced pressure during the last six months of 2002. However, success for Shanghai in winning the World Expo, Formula One racing in 2004, a Vivendi Universal theme park planned to open in 2006, and the blueprint to develop the waterfront of the Huangpu River were added incentives to fuel its property market. Massive investment is being poured into the construction work for various facilities for the 2008 Olympic Games, and such activities and movement will stimulate the need for high-end homes. Also, the opening of the Shenzhen border spurred the Shenzhen property market. It is believed that the market for luxury homes in such big cities may regain its upward trend again.

Other than the large cities, economic growth in the second and third line cities also recorded big rises in 2002. The improved local infrastructure and transportation network, especially its connection with major cities and other social facilities stimulate the desire for new houses and improvement in living standards. It is widely predicted that housing prices should continue their upward momentum and provide more development opportunities in the second and third line cities.

In regard to government policies, with the transparent land regulations and establishment of a nationwide land auction system, real estate development across the nation is an inevitable trend. Developers from other regions can now bid for land against local developers which will result in cheaper, higher quality housing for consumers. The central and commercial banks have begun to regulate housing mortgages and their financing to small and inexperienced property developers, such actions should enable the property sector to have a healthy development in the long term.

OUTLOOK

The PRC's GDP growth is widely predicted to reach more than 7% in 2003. Analysts expect the property sector to outperform GDP growth by 7% in 2003. According to the statistics, the mainland's industrial output surged 17.5% and vehicle output was up 62% in the first two months of 2003. Foreign direct investment continued to flood into the PRC and increased by 54% for the first two months of 2003. It is believed that the government will continue to stimulate economic growth by encouraging domestic spending and rising exports.

Certain unfavourable factors or indicators such as excessive investment and rising vacancy rates have led to a debate over a potential property bubble especially for the luxury high-end units in the major cities. However, a booming economy, growing incomes, historically low interest rate and various municipal policies are expected to contribute to a desire for rising standards in lifestyle and better quality flats.

Furthermore, the establishment of the land auction system and the new financing arrangement for construction against its progress are favourable factors in maintaining a long-term healthy development of the property market. Tian An is a nationwide experienced property developer with an adequate quality landbank in various cities, and accordingly the current market situation provides us with major opportunities and the Group has confidence that it will successfully meet its targets for 2003.

DIVIDEND

The board of directors resolved not to recommend any final dividend for the year ended 31st December, 2002 (2001: 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
David Hui Yip Wing
Managing Director