



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 2001

### CONSOLIDATED INCOME STATEMENT

For the year ended 31st December

	Notes	2001 HK\$'000	2000 HK\$'000
Turnover	(1)	299,273	966,733
Cost of sales		(260,560)	(774,707)
Gross profit		38,713	192,026
Other revenue	(2)	19,450	30,855
Net realised gain on disposal of certain interest in a subsidiary		111,581	–
Net realised loss on disposal of other investments		–	(39,311)
Net realised loss on disposal of trading securities		–	(10,259)
Write-down of inventories of completed properties		(27,402)	–
Provision for doubtful debts		(20,100)	–
Marketing and distribution costs		(9,797)	(12,655)
Administration expenses		(95,419)	(73,260)
Other operating expenses		(10,972)	(1,166)
Share of results of jointly controlled entities		116,809	47,472
Impairment loss in interests in jointly controlled entities		(57,467)	–
Profit from operations	(3)	65,396	133,702
Net realised gain on disposal of certain interest in a subsidiary		91,435	–
Finance costs		(39,161)	(30,260)
Share of results of associates		2,041	904
Profit before taxation		119,711	104,346
Taxation	(4)	(24,097)	(28,630)
Profit before minority interests		95,614	75,716
Minority interests		7,168	(7,797)
Net profit for the year, retained		102,782	67,919
		HK cents	HK cents
Earnings per share	(5)	1.2	1.4
Basic and diluted			

#### Notes:

#### (1) Segmental information and contribution analysis

The Group operates mainly in the People's Republic of China ("PRC"). The turnover and contribution to the Group's profit from Hong Kong operations are insignificant. The turnover and contribution to the Group's profit from operations of principal activities are as follows:

	Turnover		Contribution to profit from operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activities				
Property development	245,035	961,974	(6,554)	156,752
Property investment	10,948	–	1,210	–
Sales of construction materials	34,483	–	(933)	–
Merchandise trading and agency services	–	–	–	(1,150)
Hotel and property management and property agency	8,807	4,759	(8,790)	(6,936)
	299,273	966,733	(15,067)	148,666
Other revenue			19,450	30,855
Net realised gain on disposal of certain interest in a subsidiary			111,581	–
Net realised loss on disposal of other investments			–	(39,311)
Net realised loss on disposal of trading securities			–	(10,259)
Write-down of inventories of completed properties			(27,402)	–
Provision for doubtful debts			(20,100)	–
Indirect overheads			(62,408)	(43,721)
Contribution from jointly controlled entities			116,809	47,472
Impairment loss in interests in jointly controlled entities			(57,467)	–
Profit from operations			65,396	133,702
Net realised gain on disposal of certain interest in a subsidiary			91,435	–
Finance costs			(39,161)	(30,260)
Contribution from associates			2,041	904
Profit before taxation			119,711	104,346

#### (2) Other revenue

	2001 HK\$'000	2000 HK\$'000
Dividend income		
– unlisted shares	1,625	1,225
– listed shares	89	1,428
Interest income on bank deposits and loans receivable	5,700	17,144
Net unrealised gain on trading securities	5,433	2,112
Other income	6,603	8,946
	19,450	30,855

#### (3) Profit from operations

Profit from operations has been arrived at after charging:

	2001 HK\$'000	2000 HK\$'000
Depreciation of property, plant and equipment		
Owned assets	5,974	5,927
Assets held under finance leases	3	–
Less : amount capitalised on property under development	(894)	(679)
	5,083	5,248
Amortisation and impairment of:		
Goodwill on consolidation	2,747	434
Goodwill on acquisition of associates and jointly controlled entities	2,955	732
	10,785	6,414

#### (4) Taxation

	2001 HK\$'000	2000 HK\$'000
The charge (credit) comprises:		
PRC income tax		
Company and subsidiaries		
– current year provision	8,157	3,583
– over-provision in prior years	(6,896)	(5,701)
Share of tax of associates	2,764	1,219
Share of tax of jointly controlled entities	19,550	12,063
	23,575	11,164
Deferred tax	522	17,466
	24,097	28,630

Hong Kong profits tax has not been provided as the Group has no assessable profit subject to Hong Kong profits tax for the year. Certain of the Group's subsidiaries operating in the PRC are eligible for tax exemptions and concessions. The PRC income tax was calculated at the applicable rates on assessable profits.

#### (5) Earnings per share

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

	2001 HK\$'000	2000 HK\$'000
Earnings		
Earnings for the purposes of basic earnings per share	102,782	67,919
Effect of dilutive potential ordinary shares:		
Adjustment to the share of result of a subsidiary based on dilution of its earnings per share	(160)	–
Earnings for the purpose of dilutive earnings per share	102,622	67,919

	2001	2000
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	2001	2000
Number of Shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	8,490,678,716	4,899,739,368
Effect of dilutive potential ordinary shares:		
Warrants (expiring on 25th February, 2000)	–	26,627,724
Weighted average number of ordinary shares for the purposes of diluted earnings per share	8,490,678,716	4,926,367,092

There was no bonus element in the rights issue approved on 13th October, 2000. Accordingly, no adjustment was made on the number of ordinary shares issued in calculating the basic earnings per share for the year ended 31st December, 2000.

The computation of diluted earnings per share for the year 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, 2001 does not assume the exercise of the Company's options and warrants as the exercise prices are higher than the average market price per share.

The computation of diluted earnings per share for the year ended 31st December, 2000 does not assume the exercise of the Company's outstanding share options and other warrants as the exercise prices are higher than the average market price per share.

(6) A transfer from retained profit to reserves of a jointly controlled entity attributable to the Group is HK\$4,402,000.

(7) Exchange equalisation deficit of a jointly controlled entity of HK\$5,999,000 is charged to consolidated income statement upon expiry of the joint venture period.

### MANAGEMENT DISCUSSION AND ANALYSIS RESULTS

The Group's audited consolidated net profit attributable to shareholders for the year ended 31st December, 2001 was HK\$102,782,000 (2000: HK\$67,919,000), representing an increase of HK\$34,863,000, or 51%. The increase in profit for the year is mainly attributable to disposal of certain equity interest in Shanghai Allied Cement Limited (formerly known as Interform Ceramics Technologies Limited) ("SAC") and greater profit contribution from a jointly controlled entity. The significant decrease in turnover and the reduction in operating profit to HK\$65,396,000 (2000: HK\$133,702,000) were the result of reduced total gross floor area ("GFA") completed during the year by its subsidiaries. Earnings per share was 1.2 HK cents (2000: 1.4 HK cents) representing a decrease of 14%. As at 31st December, 2001, the Group's net assets per share was HK\$0.48 (2000 : HK\$0.46).

#### OVERALL PERFORMANCE

Properties offered for sale of the Group, including jointly controlled entities, during the year managed to achieve a total sale of GFA of approximately 113,000m<sup>2</sup> (2000: 165,000m<sup>2</sup>), representing a decrease of 32%. Of which, 101,000m<sup>2</sup> (2000: 162,000m<sup>2</sup>) were residential/commercial properties and 12,000m<sup>2</sup> (2000: 3,000m<sup>2</sup>) were industrial properties.

During the period under review, a total GFA of approximately 119,000m<sup>2</sup> (2000: 132,000m<sup>2</sup>) of residential/commercial properties were completed, representing a 10% decrease over the previous year while 7,000m<sup>2</sup> (2000: nil) of industrial properties were completed. Towards the end of 2001, a total GFA of approximately 606,000m<sup>2</sup> (2000: 318,000m<sup>2</sup>) was under construction, representing a 91% increase over the preceding year.

In line with the stated policy, the Group has continued to dedicate considerable effort and resources in increasing its landbank for residential development in prime locations of major cities, including Beijing and Shanghai. As a result, the total landbank increased in terms of GFA by approximately 1,150,000m<sup>2</sup> in 2001.

Interform Ceramics Technologies Limited, a listed subsidiary of the Company, was renamed Shanghai Allied Cement Limited with effect from 3rd October, 2001 in order to reflect its core business of manufacturing, distribution and trading of cement and other building materials. Pursuant to the requirements of the Listing Rules and as consideration of acquiring additional landbank, the Group reduced its interest in SAC from approximately 95% to 55% during 2001. The disposal of SAC shares for acquiring additional landbank gave rise to a profit of HK\$111,581,000.

Due to the current market situation, the management believes it is prudent to provide for impairment losses of HK\$57,467,000 to certain interests of jointly controlled entities related to investments in the hotels and catering sector, write down of HK\$27,402,000 for inventories of certain remaining unsold properties and provide HK\$20,100,000 for doubtful debts.

## **FINANCIAL POSITION**

### **Liquidity and Financing**

In 2001, the Group managed to keep its liquidity at a healthy level with a well-balanced portfolio of financial resources. At the end of 2001, the bank balance and cash of the Group were maintained at more than HK\$300 millions, providing sufficient working capital for the daily operations of the Group.

As at 31st December, 2001, the total borrowings of the Group amounted to approximately HK\$1,593 million (2000: HK\$913 million), including current liabilities and non-current liabilities of HK\$1,094 million (2000: HK\$486 million) and HK\$499 million (2000: HK\$427 million), respectively. The gearing ratio (net debt over shareholder's equity) of the Group was maintained at a healthy level of 30% as at 31st December, 2001 (2000: 17%). The increase in borrowings was used to finance the increase of landbank and properties under construction.

Approximately 83% outstanding debts will be expired 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 93% 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, 2001, the Group's interest in an associate with a carrying value of HK\$500,568,000 were pledged against a bank overdraft facility granted to the Company. Bank deposits of HK\$36,965,000, aggregate carrying values of development properties and investment properties of approximately HK\$847,133,000 and HK\$109,333,000 respectively, the Group's interest in certain subsidiaries with aggregate carrying values of approximately HK\$150,715,000 were pledged to banks for banking facilities granted to those subsidiaries and a jointly controlled entity.

### **Contingent Liabilities**

As at 31st December, 2001, guarantees given to banks by the Group in respect of banking facilities granted to jointly controlled entities, a third party and a minority shareholder were approximately HK\$152,783,000, HK\$46,262,000 and HK\$28,037,000 respectively. Guarantees given to banks in respect of mortgage loans granted to property purchasers amounted to approximately HK\$308,548,000. All the guarantees provided by the Group were requested by banks and under normal commercial terms.

### **Employees**

As at 31st December, 2001, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed approximately 1,192 persons. Total staff costs for the year under review amounted to approximately HK\$50,189,000. The Group ensures that the remuneration packages for employees are competitive and employees are rewarded on performance related basis including salary and bonus.

## **INVESTMENT ENVIRONMENT IN THE PRC**

In 2001, the PRC reported gross domestic product ("GDP") growth of 7.3%. Urban residents' disposable income increased by 8.5% whereas fixed assets investment rose by 12.1%. The one-year deposit rate was reduced to 1.98% and the one-year lending rate was cut to 5.31%. These figures signify that the recent global economic slowdown did not, in fact, have significant impact on the growth in the PRC economy.

In 2001, investment in house construction in the PRC increased by 29.8%. Only 23% of the total investment came from bank loans indicating that the gearing ratio remained at a healthy level. The average selling price of residential property in most cities continued to move upward. In Beijing, the average selling price of a residential unit surged 18% in the first 11 months of 2001. According to the latest statistics, about 90% of the newly constructed residential units were sold, mostly to private buyers.

The PRC government is expected to continuously encourage the supply of quality housing to improve citizens' living standards. The second-hand residential property market appears to be more active. This together with the increase in disposable income, lower mortgage rates and the desire to improve living standards are still the main contributing and favourable factors enhancing the growth of the property market. Potential house buyers are becoming rational and demanding. Competition in the residential property sector continues to intensify with the increase in the number of local and overseas developers.

With the PRC's accession to the WTO, rapid changes in the social and economic environment are underway in order to get ahead of international standard and practice. For the last few years, export business had been the main growth engine and drives for the growth of the economy in the PRC, but due to the global economic slowdown, it is anticipated that the increase in domestic consumption and internal investment would take over as the driving force. In this connection, the PRC government has committed to continue to encourage internal consumption to maintain the momentum of the economy.

## **OUTLOOK**

The PRC is aiming for a 7% growth in GDP in 2002. It is anticipated that the government will continue to stimulate domestic demands in order to achieve the targeted growth. Residential property market will benefit from these government's measures. The entry into WTO and the hosting of the 2008 Beijing Olympic Games will attract foreign investments into major cities, such as Beijing and Shanghai, leading to escalating demands for high quality residential and office buildings. Barring any unforeseeable circumstances, the economy will experience sustainable growth in the long run.

In 2002, the Group anticipates that properties to be offered for sale, including jointly controlled entities, will be around 400,000m<sup>2</sup> in GFA. Cities would include Beijing, Dailian, Shanghai, Nanjing, Changzhou, Shenzhen, Wuxi and Changchun. These projects will generate significant income to the Group.

Despite severe competition, the management is confident that with our experience of developing high quality properties, provision of professional property management, implementation of tightening cost control measures and feasible marketing strategy, the Group is well prepared to meet all challenges and to capture major opportunities in the market.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

## **DIVIDEND**

The board of directors resolved not to recommend any final dividend for the year ended 31st December, 2001 (nil in 2000).

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

The Company has complied throughout the year ended 31st December, 2001 with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

By Order of the Board  
**David Hui Yip Wing**  
Managing Director

Hong Kong, 26th March, 2002

*A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.*