

## CONTINGENT LIABILITIES

One of the Group's associates, TFT is currently being sued by its bankers to repay bank loans of approximately RMB73.6 million. Part of such loans have been guaranteed by another associate, TFFCL. Both TFT and TFFCL are currently in negotiations with the bankers of TFT for the restructuring of the borrowings of TFT and for rearranging the guarantees granted by TFFCL. As the negotiations have not been completed as of the date of this report and the effect of this litigation on the Group's share of TFFCL's net assets of US\$3,317,880 at 30 June 2001 is dependent on the outcome of the negotiations, no adjustment regarding this matter has been made in the current period's consolidated financial statements.