

NOTES TO THE FINANCIAL STATEMENTS

22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit/(loss) to net cash (outflow)/inflow from operating activities

	Group	
	2000	1999
	HK\$'000	HK\$'000
Operating profit/(loss)	2,138	(49,756)
Provision for costs of building and write-off of the related deferred expenses in respect of leasehold land to be reclaimed by the PRC Government	—	47,895
Provision for diminution in value of properties held under development for sale	22,090	13,973
Provision for diminution in value of investment properties	1,900	—
Write down the value of a long term investment	756	—
Impairment of leasehold land and buildings	—	470
Depreciation	2,605	18,721
Loss on disposal of fixed assets	624	472
Interest income	(16,656)	(30,072)
Dividend income	(2,246)	(373)
Decrease in trade receivables, other receivables, prepayments and deposits	19,336	6,898
(Decrease)/increase in trade payables, other payables and accrued charges	(118,595)	4,564
Profit on disposal of investment properties	—	(1,465)
Exchange reserve realised on disposal of a subsidiary	—	(6,854)
Net cash (outflow)/inflow from operating activities	(88,048)	4,473

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22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Analysis of changes in financing during the year

	Bank and other loans		Minority interest	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	804,871	881,210	173,103	188,037
Cash items:				
– New loans raised	1,120,527	149,349	–	–
– Repayment of bank loans	(353,496)	(232,939)	–	–
– (Repayment of)/new loan from a third party	(927)	5,632	–	–
– Repayment of contribution from minority shareholders of subsidiaries	–	–	–	(916)
Non-cash items:				
Profit/(loss) for the year attributable to minority shareholders	–	–	2,609	(14,573)
Exchange differences	2,071	1,619	507	555
At 31st December	1,573,046	804,871	176,219	173,103

(c) Analysis of cash and cash equivalents

	2000	1999
	HK\$'000	HK\$'000
Bank balances and cash	511,304	39,788
Bank overdrafts	(8,159)	(18)
	503,145	39,770

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23 COMMITMENTS

(a) Capital commitments

At 31st December, 2000, the Group had capital commitments in respect of properties held for development and properties held under development for sale as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Contracted but not provided for	507,896	775,420
Authorised but not contracted for	42,867	11,642
	<u>550,763</u>	<u>787,062</u>

(b) Commitments under operating leases

At 31st December, 2000, the Group had commitments to make payments for land and buildings in the next twelve months under operating leases which expire as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Within one year	—	10,303
In the second to fifth years inclusive	3,321	—
	<u>3,321</u>	<u>10,303</u>

24 RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed in note 20 to the financial statements, the Group, in its normal course of business, entered into the following significant related party transactions during the year:

- (a) The Group received interest income totalling HK\$12,683,000 (1999: HK\$24,311,000) from an associated company in respect of the amount due from the associated company of HK\$280 million (1999: HK\$282 million) which is interest bearing at 2% per annum below prime rate for the two months ended 29th February, 2000 and at 3% per annum below prime rate for the ten months ended 31st December, 2000.

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24 RELATED PARTY TRANSACTIONS (Cont'd)

- (b) On 6th December, 1996 and 6th May, 1999, Turbo Dragon granted loans of HK\$14 million and HK\$15 million to Form Long at interest rates of 13% and 9.5% per annum, for the purpose of financing Form Long's working capital and its development project at Wangfujing, the PRC. These loans are repayable on demand. On 5th March, 1997, an addition loan of US\$547,000 (HK\$4,252,000) was granted to Form Long at an interest rate of 13% per annum which is repayable on 4th March, 2002.
- (c) On 1st September, 1998, 3rd February, 1999, 29th November and 13th December, 2000 Enfort respectively granted a loan of RMB10,427,500 (HK\$9,700,000) at interest rate of 10% per annum and other loans of HK\$10,000,000, HK\$4,706,066 and HK\$3,625,000 at interest rate of 9.5% per annum to Dan Yao for working capital purpose. All these loans are repayable on demand. In addition, on 7th June, 2000, 25th July, 2000, 14th August, 2000 and 12th September, 2000. Enfort respectively granted loans of HK\$10,000,000, HK\$20,000,000, HK\$10,000,000 and HK\$10,000,000 to Dan Yao for working capital purpose. These loans carry interest rate at 9.5% per annum and are repayable on demand. On 2nd November, 2000 and on 5th December, 2000. Dan Yao made repayments of RMB5,000,000 (HK\$4,651,000) and RMB3,842,000 (HK\$3,574,000) against the loan of RMB10,427,500 (HK\$9,700,000) which was borrowed on 1st September, 1998, the balance of this loan, including accrued interest, amounted to RMB2,669,000 (HK\$2,483,000) as at 31st December, 2000.
- (d) On 22nd, 25th and 29th October, 1999 and 8th November, 1999, Dan Yao entered into respective agreements (the "Agreements") with four connected persons of the Company, namely Mr. Zhao Sheng Li, Mr. Lu Shi, Mr. Hua Ming and a company owned by a Director, Feldspar Assets Limited (collectively the "Purchasers") whereby the Purchasers paid deposits totalling approximately US\$424,000 (HK\$3,294,000) to Dan Yao and were granted the right to purchase certain properties (the "Properties") of Danyao Building situated at Wangfujing Avenue, Beijing, the PRC. Such deposits are refundable to the Purchasers on demand. On the expiry of the Agreements on 31st March, 2000, Dan Yao entered into new agreements with the Purchasers whereby the Purchasers were granted offers to assign Dan Yao to rent the Properties for eight years from 1st July, 2001 to 30th June, 2009 and accordingly the Purchasers accepted the offer (the "Offer") to assign Dan Yao to rent the Properties. In this regard, Mr. Lu Shi and Feldspar Assets Limited subsequently declined the Offer and demanded the refund of their deposits. As such, a deposit of US\$85,000 (HK\$662,000) was refunded to Mr. Lu Shi on 7th November, 2000. In addition, on 21st November, 2000, Dan Yao entered into respective agreements (the "Agency Agreements") with Mr. Zhao Sheng Li and Mr. Hua Ming, to act as their property management agent from 1st July, 2001 to 30th June, 2009. Under the Agency Agreements, Dan Yao is entitled to all the net income arising from the rental of the properties purchased by them and in return, Dan Yao has undertaken the repayments of the mortgage loans in respect thereof and provided corporate guarantees to the relevant bank on the mortgage loans. As at 31st December, 2000, such mortgage loans amounted to RMB5,016,000 (HK\$4,723,000).

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25 SUBSEQUENT EVENT

On 3rd March, 2001, Turbo Dragon Limited, a subsidiary of Dan Form which owns 85% of Beijing Form Long Property Co. Ltd. ("Form Long"), entered into an agreement (the "Agreement") with the minority shareholder of Form Long as well as other new investors to establish a new company, namely Beijing Lucky Building Company Limited ("Beijing Lucky"), which will be owned as to 61.1% by Turbo Dragon Limited, as to 9.9% by the existing minority shareholder, and as to an aggregated percentage of 29% by the new investors. Under the Agreement, Beijing Lucky undertakes the property development project of Form Long and the new investors will make capital injections into Beijing Lucky based on their percentage holdings of the net asset value of Beijing Lucky.

26 ULTIMATE HOLDING COMPANY

The Directors regard Dan Form International Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

27 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 18th April, 2001.