

# Notes to the Financial Statements

## 1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

### (a) Basis of preparation and presentation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”).

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2001:

SSAP 14 (revised)	Leases (effective for periods commencing on or after 1st July, 2000)
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new standards is set out in the accounting policies below.

### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December. All significant transactions between and among the Company and its subsidiaries are eliminated on consolidation.

Subsidiaries are those entities in which the Group controls the composition of the Board of Directors, controls more than half the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

## Notes to the Financial Statements

### 1. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

#### (b) **Basis of consolidation** *(Cont'd)*

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill which was not previously charged or recognised in the consolidated profit and loss account.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

#### (c) **Revenue recognition**

Revenue from sale of properties held under development for sale is recognised on the basis of percentage of completion.

Rental income is recognised on a straight-line basis over the period of the leases.

Estate management income is recognised on an accrual basis.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the right to receive payment is established.

#### (d) **Provident fund scheme arrangement**

The Group operates a defined contribution provident fund scheme (the "scheme") which is available to certain employees who joined the Group before 1st December, 2000. The assets of the scheme are held separately from those of the Group in an independently administered fund. The Group's contributions are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

Starting from 1st December, 2000, a Mandatory Provident Fund (the "MPF") scheme is available to all Hong Kong employees. Employees who joined the Group before 1st December, 2000 can choose to remain in the scheme or participate in the MPF while employees who joined the Group after 1st December, 2000 can only participate in the MPF.

## Notes to the Financial Statements

### 1. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

#### (e) **Associated companies**

An associated company is a company, not being a subsidiary, in which an equity interest is held by the Group for the long-term and significant influence is exercised in its management. Investments in associated companies are stated in the consolidated balance sheet at the Group's share of net assets after revaluation of the underlying assets of the associated companies, where appropriate, in accordance with the Group's accounting policy. Results of associated companies are accounted for by the Group using the equity method of accounting. Surplus on revaluation of the underlying assets of associated companies are credited directly to revaluation reserve. Deficits on revaluation are offset against surplus on previous valuations in respect of the assets of the same associated company and thereafter debited to operating profit. Any subsequent surpluses are credited to operating profit up to the amount previously debited.

Where audited financial statements of associated companies are not co-terminous with those of the Group, the share of the results is arrived at from the latest audited financial statements available and unaudited management financial statements made up to 31st December, as adjusted for the revaluation of the underlying assets of associated companies.

#### (f) **Fixed assets**

##### (i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length. Investment properties held on leases with unexpired periods of greater than 20 years are stated at annual professional valuation based on the open market value at balance sheet date. The valuations are incorporated in the annual financial statements. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

## Notes to the Financial Statements

### 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

#### (f) Fixed assets (Cont'd)

##### (i) Investment properties(Cont'd)

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

##### (ii) Properties held for/under development

Properties held for/under development for long term purposes are classified under fixed assets and are stated at cost to the Group less any accumulated impairment losses, if any. These properties are transferred to investment properties or other properties, as the case may be, upon completion of the development at carrying value.

##### (iii) Leasehold land and buildings and other fixed assets

Leasehold land and buildings and other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

##### (iv) Depreciation

No depreciation is provided on investment properties with an unexpired lease term of over 20 years. When the unexpired lease term is 20 years or less, depreciation is provided on the carrying value over the remaining term of the lease.

No depreciation is provided on properties held for/under development for long term purposes.

Depreciation of leasehold land and buildings is calculated over the unexpired period of the lease or their expected useful lives to the Group whichever is shorter.

Depreciation of other fixed assets is calculated to write off their costs less accumulated impairment losses, if any, on a straight-line basis over their expected useful lives to the Group. The principal annual rates used for this purpose are:

Office equipment	20%
Furniture and fixtures	20% – 33 $\frac{1}{3}$ %
Motor vehicles	20%

## Notes to the Financial Statements

### 1. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

#### (f) **Fixed assets** *(Cont'd)*

##### (iv) *Depreciation (Cont'd)*

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

##### (v) *Impairment and gain or loss on disposal of fixed assets*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets other than investment properties are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a decrease in revaluation reserves.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net proceeds from disposal and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

#### (g) **Properties held under development for sale**

Properties held under development for sale are stated at cost plus attributable profit taken to date, less provision for foreseeable losses and progress payments received. Cost includes the cost of land use rights and all expenditure incurred on land acquisition, development, resettlement, infrastructural and communal work.

When properties held under development for sale are sold in advance of completion of all the development work, and in the opinion of the Directors there is reasonable certainty as to the outcome of the corresponding development project, the total estimated profit is apportioned over the entire life of the project to reflect the progress of development.

## Notes to the Financial Statements

### 1. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

#### (g) **Properties held under development for sale** *(Cont'd)*

The profit is computed as a proportion of the total estimated profit to completion. The proportion used is the ratio of cost incurred as at the balance sheet date to the total estimated cost to completion, but limited to the total amount of progress payments received and subject to due allowance for contingencies.

#### (h) **Properties held for sale**

Properties held for sale are included in current assets and stated at the lower of cost and estimated net realisable value. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

#### (i) **Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

#### (j) **Borrowing costs**

Interest and related finance charges are generally expensed as incurred. With respect to interest incurred on borrowings attributable to financing the acquisition and development of qualifying assets, the expenses are capitalised as part of the costs of those assets if, in the opinion of the Directors, the qualifying assets concerned will generate adequate future economic benefit to the Group.

#### (k) **Investment securities**

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such security will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

## Notes to the Financial Statements

### 1. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

#### (l) Other assets

Other assets are stated at cost less any provision for impairment losses, if any.

#### (m) Accounts receivables

Provision is made against accounts receivables to the extent that they are considered to be doubtful. Accounts receivables in the balance sheet are stated net of such provision.

#### (n) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

#### (o) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are incorporated into the financial statements by translating foreign currencies into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising are included in profit and loss account.

The financial statements of overseas subsidiaries at year end expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences arising are taken directly to the exchange difference reserve.

#### (p) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

## Notes to the Financial Statements

### 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

#### (p) Contingent liabilities (Cont'd)

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

#### (q) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, properties, receivables and operating cash. Segment liabilities comprise operating liabilities. Capital expenditure comprises additions to fixed assets.

### 2. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company and the Group is principally engaged in property development, property investment, estate management and holding of investments. The turnover and revenues recognised during the year are set out below:

	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Sale of properties held under development for sale	<b>179,089</b>	457,732
Gross rental income		
— investment properties	<b>31,516</b>	30,223
— other properties	<b>8,573</b>	4,427
Estate management fees	<b>15,690</b>	14,017
Interest income	<b>18,017</b>	16,656
Dividend income	<b>772</b>	2,246
	<hr/>	<hr/>
Total revenues and turnover	<b><u>253,657</u></b>	<u>525,301</u>

## Notes to the Financial Statements

### 2. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Cont'd)*

#### Primary reporting — business segments

The Group reports its business segment analysis based on the four principal activities as follows:

#### Year ended 31st December, 2001

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Estate management <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Unallocated costs <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover	<u>179,089</u>	<u>40,089</u>	<u>15,690</u>	<u>18,789</u>		<u>253,657</u>
Segment results	<u>3,834</u>	<u>15,062</u>	<u>9,501</u>	<u>17,003</u>		<u>45,400</u>
Unallocated corporate expenses					(21,127)	<u>(21,127)</u>
Operating profit						<u>24,273</u>
Finance costs						<u>(11,955)</u>
Share of profits less losses of associated companies	(16,052)	6,153	—	—		<u>(9,899)</u>
Profit before taxation						<u>2,419</u>
Taxation						<u>(652)</u>
Profit after taxation						<u>1,767</u>
Minority interests						<u>4,914</u>
Profit attributable to shareholders						<u><u>6,681</u></u>
Segment assets	<u>199,061</u>	<u>1,077,273</u>	<u>1,324</u>	<u>16,202</u>		<u>1,293,860</u>
Interests in associated companies	<u>348,438</u>	<u>982,263</u>	<u>—</u>	<u>—</u>		<u>1,330,701</u>
Unallocated assets						<u>35,009</u>
Total assets						<u><u>2,659,570</u></u>
Segment liabilities	<u>220,449</u>	<u>379,081</u>	<u>5,387</u>	<u>—</u>		<u>604,917</u>
Unallocated liabilities						<u>3,102</u>
Total liabilities						<u><u>608,019</u></u>
Capital expenditure	<u>60,691</u>	<u>151,906</u>	<u>17</u>	<u>—</u>	<u>104</u>	<u>212,718</u>
Depreciation	<u>12,256</u>	<u>2,457</u>	<u>3</u>	<u>—</u>	<u>746</u>	<u>15,462</u>
Impairment loss	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,600</u>	<u>1,600</u>

## Notes to the Financial Statements

### 2. TURNOVER, REVENUE AND SEGMENT INFORMATION (Cont'd)

#### Primary reporting — business segments (Cont'd)

#### Year ended 31st December, 2000

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Estate management <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Unallocated costs <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover	<u>457,732</u>	<u>34,650</u>	<u>14,017</u>	<u>18,902</u>		<u>525,301</u>
Segment results	<u>(21,822)</u>	<u>29,296</u>	<u>7,717</u>	<u>18,854</u>		<u>34,045</u>
Unallocated corporate expenses					(31,907)	<u>(31,907)</u>
Operating profit						2,138
Finance costs						(27,719)
Share of profits less losses of associated companies	—	118	—	—		<u>118</u>
Loss before taxation						(25,463)
Taxation						<u>(200)</u>
Loss after taxation						(25,663)
Minority interests						<u>(2,609)</u>
Loss attributable to shareholders						<u>(28,272)</u>
Segment assets	2,458,046	929,622	1,093	19,270		3,408,031
Interests in associated companies	—	1,081,271	—	—		1,081,271
Unallocated assets						<u>16,990</u>
Total assets						<u>4,506,292</u>
Segment liabilities	2,091,548	246,009	3,857	—		2,341,414
Unallocated liabilities						<u>14,120</u>
Total liabilities						<u>2,355,534</u>
Capital expenditure	231	21,759	4	—	1,557	23,551
Depreciation	957	383	—	—	1,265	2,605
Impairment loss	—	1,950	—	—	—	<u>1,950</u>

## Notes to the Financial Statements

### 2. TURNOVER, REVENUE AND SEGMENT INFORMATION (Cont'd)

#### Secondary reporting — geographical segments

A geographical analysis of the Group's turnover and contribution to profit from operations, by location of market, is as follows:

	2001				2000			
	Turnover	Segment result	Total assets	Capital expenditure	Turnover	Segment result	Total assets	Capital expenditure
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	65,995	49,939	649,032	122	63,142	48,704	653,659	1,968
Mainland China	187,662	(4,539)	644,828	212,596	462,159	(14,659)	2,754,372	21,583
	<u>253,657</u>	<u>45,400</u>	<u>1,293,860</u>	<u>212,718</u>	<u>525,301</u>	<u>34,045</u>	<u>3,408,031</u>	<u>23,551</u>
Unallocated corporate expenses		<u>(21,127)</u>				<u>(31,907)</u>		
Operating profit		<u>24,273</u>				<u>2,138</u>		
Interests in associated companies			1,330,701				1,081,271	
Unallocated assets			<u>35,009</u>				<u>16,990</u>	
Total assets			<u>2,659,570</u>				<u>4,506,292</u>	

The future minimum rental payments receivable under non-cancellable leases are as follows:

	2001 HK\$'000	2000 HK\$'000
Within one year	19,583	22,775
Between two and five years	<u>28,765</u>	<u>22,385</u>
	<u>48,348</u>	<u>45,160</u>

## Notes to the Financial Statements

### 3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Crediting		
Gross rental income from investment properties	<b>31,516</b>	30,223
Less: Outgoings	<b>(8,088)</b>	(6,208)
Net rental income from investment properties	<b>23,428</b>	24,015
Gross rental income from other properties		
Less: Depreciation	<b>(14,208)</b>	—
Outgoings	<b>(1,844)</b>	(1,022)
Net rental (loss)/income from other properties	<b>(7,479)</b>	3,405
Gain on deemed disposal of interests in a subsidiary (note)	<b>5,119</b>	—
Gain on disposal of fixed assets	<b>657</b>	—
Recovery of bad debts previously written off	<b>2,266</b>	3,484
Charging		
Cost of properties sold	<b>174,571</b>	451,074
Staff costs	<b>18,773</b>	20,725
Depreciation of fixed assets	<b>1,254</b>	2,605
Loss on disposal of fixed assets	—	624
Operating leases in respect of office premises and staff quarters	<b>3,417</b>	10,764
Retirement benefit costs (note 8)	<b>314</b>	232
Auditors' remuneration	<b>856</b>	751

*Note:* During the year, the Group transferred the investment in a 85% subsidiary, Beijing Form Long Property Co. Ltd., to a new subsidiary named Beijing Lucky Building Company Limited. The Group's interests in the new subsidiary was 61.1%. A gain of HK\$5,119,000, representing the increase in the Group's share of the underlying net asset of the subsidiary, was recognised as a result of this transaction.

## Notes to the Financial Statements

### 4. FINANCE COSTS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interest on bank loans and overdrafts		
Wholly repayable within five years	67,997	78,624
Not wholly repayable within five years	—	10,058
Interest on other loans and overdrafts		
Wholly repayable within five years	7	432
Not wholly repayable within five years	255	—
Other incidental borrowing costs	3,589	43,303
Total borrowing costs incurred	71,848	132,417
Less: Interest capitalised	(56,835)	(64,115)
Incidental borrowing costs capitalised	(3,058)	(40,583)
Total borrowing costs capitalised	(59,893)	(104,698)
	<u>11,955</u>	<u>27,719</u>

The capitalisation rate applied to funds borrowed generally and used for property development projects in the People's Republic of China (the "PRC") is between 5.97% and 7.04% per annum.

### 5. TAXATION

- (a) The amount of taxation charged to the consolidated profit and loss account represents:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Hong Kong profits tax	—	(31)
Share of taxation attributable to associated companies	(652)	(169)
	<u>(652)</u>	<u>(200)</u>

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year. No provision has been made for the income tax in the PRC as there was no estimated assessable profit derived from subsidiaries in the PRC (2000: HK\$Nil).

- (b) There was no material unprovided deferred taxation for the year (2000: HK\$Nil).

## Notes to the Financial Statements

### 6. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of a loss of HK\$312,901,000 (2000: profit of HK\$1,534,000).

### 7. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$6,681,000 (2000: loss of HK\$28,272,000) and 1,135,606,132 (2000: 1,135,606,132) ordinary shares in issue during the year.

The exercise of the share options granted under the executive share option scheme of the Company would not have a dilutive effect on the earnings per share for the year ended 31st December, 2001.

### 8. RETIREMENT BENEFIT COSTS

The Group contributes to a defined contribution provident fund scheme (the "Scheme") which is available to certain employees in Hong Kong and in the PRC who joined the Company before 1st December, 2000. Contributions to the Scheme by the Group and the employees are calculated as a percentage of the employees' relevant income.

The Group's contributions are reduced by contributions forfeited by those employees who leave the Scheme prior to vesting fully in the contributions. Forfeited contributions totalling HK\$18,000 (2000: HK\$58,000) were utilised during the year and HK\$105,000 was returned to the Group. The remaining forfeited contributions of HK\$2,000 (2000: HK\$120,000) at the year end is allowable to reduce future contributions.

Starting from 1st December, 2000, a mandatory provident fund scheme (the "MPF") is available to all Hong Kong employees. Employees who joined the Group before 1st December, 2000 can choose to remain in the Scheme or participate in the MPF while employees who joined the Group after 1st December, 2000 can only participate in the MPF.

The cost charged to the profit and loss account represents contributions payable by the Group to the Scheme and the MPF.

Contributions totalling HK\$314,000 (2000: HK\$232,000) were paid during the year.

## Notes to the Financial Statements

### 9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The aggregate amounts of emoluments payable to Directors of the Company during the year are as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Fees	771	860
Basic salaries, housing allowances, other allowances and benefits in kind	5,096	5,222
Discretionary bonuses	463	463
Pensions	24	2
	<u>6,354</u>	<u>6,547</u>

The fees payable to Independent Non-executive Directors of the Company during the year amounted to HK\$440,000 (2000: HK\$440,000).

The emoluments of the Directors fell within the following bands:

Emoluments bands	Number of Directors	
	2001	2000
HK\$Nil – HK\$1,000,000	4	4
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$3,000,001 – HK\$3,500,000	1	1
	<u>6</u>	<u>6</u>

- (b) The five individuals whose emoluments were the highest in the Group for the year include two (2000: two) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2000: three) individuals during the year are as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Basic salaries, housing allowances, other allowances and benefits in kind	2,223	2,513
Discretionary bonuses	320	208
Pensions	78	58
	<u>2,621</u>	<u>2,779</u>

## Notes to the Financial Statements

### 9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

The emoluments of these highest paid individuals fell within the following bands:

Emoluments bands	Number of individual	
	2001	2000
HK\$Nil – HK\$1,000,000	1	1
HK\$1,000,001 – HK\$1,500,000	2	2
	<b>3</b>	<b>3</b>

### 10. FIXED ASSETS

	Group							Company				
	Investment properties HK\$'000	Properties held for development -Xidan Project HK\$'000	Properties held for/ under development -PRC, others HK\$'000	Leasehold land and buildings HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost or valuation</b>												
At 1st January, 2001	629,022	244,606	276,666	92,446	2,841	2,857	6,559	1,254,997	403	2,061	2,248	4,712
Additions	—	—	149,250	63,125	318	25	—	212,718	91	14	—	105
Revaluation	(2,004)	—	—	—	—	—	—	(2,004)	—	—	—	—
Impairment	—	—	—	(1,600)	—	—	—	(1,600)	—	—	—	—
Reclassification	—	—	2,012	(2,012)	—	—	—	—	—	—	—	—
Disposals	—	(244,606)	—	(128,511)	(1,315)	(3)	(1,987)	(376,422)	(20)	—	—	(20)
Exchange difference	—	—	—	79	2	—	4	85	—	—	—	—
At 31st December, 2001	627,018	—	427,928	23,527	1,846	2,879	4,576	1,087,774	474	2,075	2,248	4,797
<b>Accumulated depreciation</b>												
At 1st January, 2001	—	—	—	68,378	1,999	1,972	4,305	76,654	299	1,424	1,394	3,117
Charge for the year	—	—	—	14,383	270	278	531	15,462	56	139	181	376
Disposals	—	—	—	(80,094)	(884)	(2)	(1,724)	(82,704)	(18)	—	—	(18)
Exchange difference	—	—	—	64	1	—	3	68	—	—	—	—
At 31st December, 2001	—	—	—	2,731	1,386	2,248	3,115	9,480	337	1,563	1,575	3,475
<b>Net book value</b>												
At 31st December, 2001	627,018	—	427,928	20,796	460	631	1,461	1,078,294	137	512	673	1,322
At 31st December, 2000	629,022	244,606	276,666	24,068	842	885	2,254	1,178,343	104	637	854	1,595
The analysis of cost or valuation of the above assets at 31st December, 2001 is as follows:												
At cost	—	—	427,928	23,527	1,846	2,879	4,576	460,756	474	2,075	2,248	4,797
At 2001 professional valuation	627,018	—	—	—	—	—	—	627,018	—	—	—	—
	627,018	—	427,928	23,527	1,846	2,879	4,576	1,087,774	474	2,075	2,248	4,797

## Notes to the Financial Statements

### 10. FIXED ASSETS (Cont'd)

The Group's interest in investment properties, properties held for/under development and leasehold land and buildings at their net book values are analysed as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	593,200	593,285
Leases of between 10 to 50 years	33,000	34,900
Leases of less than 10 years	200	200
Outside Hong Kong, held on:		
Leases of over 50 years	2,723	3,219
Leases of between 10 to 50 years	446,619	542,758
	<u>1,075,742</u>	<u>1,174,362</u>

Investment properties in Hong Kong and in the PRC were revalued at 31st December, 2001 on the basis of their open market value by independent firms of professional surveyors, Vigers Hong Kong Limited and DTZ Debenham Tie Leung Limited respectively.

At 31st December, 2001, the net book value of fixed assets pledged as security for the Group's long term loans amounted to HK\$592,800,000 (2000: HK\$592,800,000).

### 11. INTERESTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Investments:		
Unlisted shares, at cost	1,904	1,914
Amounts due from subsidiaries, net of provision	1,150,149	1,551,882
Amounts due to subsidiaries	(459)	(8,406)
	<u>1,151,594</u>	<u>1,545,390</u>

The particulars of principal subsidiaries of the Group as at 31st December, 2001 are set out on pages 60 to 61.

## Notes to the Financial Statements

### 11. INTERESTS IN SUBSIDIARIES *(Cont'd)*

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment, except for amounts of HK\$456,440,000 and HK\$205,428,000 due from two subsidiaries which are interest bearing at prime rate (2000: prime rate) and 11.75% (2000: 11.75%) per annum respectively.

### 12. INTERESTS IN ASSOCIATED COMPANIES

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	<b>HK\$'000</b>
Share of net assets other than goodwill, after revaluation	<b>946,104</b>	800,295
Amounts due from associated companies, net of provision	<b>392,421</b>	287,130
Amounts due to associated companies	<u><b>(7,824)</b></u>	<u>(6,154)</u>
	<u><b>1,330,701</b></u>	<u>1,081,271</u>

The interests in associated companies represent unlisted shares in Hong Kong and in the PRC. The details of principal associated companies of the Group as at 31st December, 2001 are set out on page 62.

The properties of the associated companies were valued on an annual basis at 31st December by independent professional surveyors on an open market value basis.

The amounts due from associated companies are unsecured, interest free and have no fixed terms of repayment, except for an amount of HK\$260 million (2000: HK\$265 million) due from an associated company which is interest bearing at prime rate less 3% for the period from 1st January, 2001 to 28th February, 2001 (2000: prime rate less 2%) and at prime rate for the period from 1st March, 2001 to 31st December, 2001 (2000: prime rate less 3%). The Group received interest income totalling HK\$16,964,000 (2000: HK\$12,683,000) in this respect.

The Group entered into agreements on 27th March, 2000 with an investor in connection with the reorganisation and financing arrangement for the Xidan Project undertaken by Jing Yuan, which is a 60% owned subsidiary of the Group at that time. The reorganisation of Jing Yuan was completed on 26th June, 2001. Thereafter, the Group's shareholding in Jing Yuan had been diluted from 60% to 29.4% and Jing Yuan became an associated company of the Group. Details of the assets and liabilities disposed of by the Group as a result of Jing Yuan being changed from a subsidiary to an associated company of the Group are set out in the note 23 (b) to the financial statements.

## Notes to the Financial Statements

### 12. INTERESTS IN ASSOCIATED COMPANIES *(Cont'd)*

#### Information on material associated companies

The financial information of the 33 $\frac{1}{3}$ % owned associated company, Zeta Estates Limited (“Zeta”) and 29.4% owned associated company, Jing Yuan, whose results and financial positions are material in the context of the Group’s financial statements are summarised below.

The financial year end of Zeta is not co-terminous with that of the Company. The information set out below is based on the audited results of Zeta covering the two months ended 28th February and the unaudited management accounts for the remaining ten months ended 31st December, adjusted to comply with the Group’s accounting policies.

	<b>Zeta</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Profit and loss account — year ended 31st December		
Turnover	<b>94,554</b>	86,538
Profit/(loss) after taxation	<b><u>13,834</u></b>	<u>(1,512)</u>
Profit/(loss) attributable to the Group	<b><u>4,611</u></b>	<u>(504)</u>
Balance sheet — as at 31st December		
Investment properties	<b>7,261</b>	7,471
Long term receivables	<b>520</b>	496
Current assets	<b>872,149</b>	873,307
Current liabilities	<b>(68,714)</b>	(22,391)
Long term liabilities	<b><u>(780,000)</u></b>	<u>(841,502)</u>
Shareholders’ funds	<b>31,216</b>	17,381
Surplus arising from revaluation, based on market value of the underlying assets of the associated company	<b><u>1,903,016</u></b>	<u>2,186,029</u>
Adjusted net assets	<b><u>1,934,232</u></b>	<u>2,203,410</u>
Net assets attributable to the Group	<b><u>644,744</u></b>	<u>734,470</u>

## Notes to the Financial Statements

### 12. INTERESTS IN ASSOCIATED COMPANIES (Cont'd)

#### Information on material associated companies (Cont'd)

	<b>Jing Yuan</b>
	<b>2001</b>
	<b>HK\$'000</b>
Profit and loss account — year ended 31st December	
Turnover	<b>46,814</b>
Loss after taxation	<b><u>(101,368)</u></b>
Loss attributable to the Group (Note)	<b><u>(16,052)</u></b>
Balance sheet — as at 31st December	
Properties held under development for sale	<b>1,945,069</b>
Fixed assets	<b>245,395</b>
Long term receivables	<b>1,885</b>
Current assets	<b>474,236</b>
Current liabilities	<b>(108,446)</b>
Long term liabilities	<b><u>(1,735,367)</u></b>
Shareholders' funds	<b><u>822,772</u></b>
Net assets attributable to the Group	<b><u>241,895</u></b>

*Note:* The amount represents the Group's share of the loss of Jing Yuan from 26th June, 2001 (the date when Jing Yuan became an associated company) to 31st December, 2001, including a write back of overprovision of HK\$13,750,000 provided by the Group for the reorganisation of Jing Yuan.

## Notes to the Financial Statements

### 13. INVESTMENT SECURITIES

	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
<b>Investment securities</b>				
Unlisted investments, at cost	18,712	16,550	—	—
Provision	(7,630)	(5,000)	—	—
Advances to investee companies	5,099	7,482	—	—
	<u>16,181</u>	<u>19,032</u>	<u>—</u>	<u>—</u>

### 14. OTHER ASSETS

	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Club debentures, at cost	<u>2,218</u>	<u>2,218</u>	<u>1,405</u>	<u>1,405</u>

### 15. PROPERTIES HELD UNDER DEVELOPMENT FOR SALE

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Development costs incurred plus attributable profits	—	2,181,955
Less: Provision for diminution in value of properties	—	<u>(755,073)</u>
	<u>—</u>	<u>1,426,882</u>

Properties held under development for sale of HK\$1,426,882,000, together with properties held for development totalling HK\$244,606,000 classified under fixed assets as at 31st December, 2000, represented the Xidan Project undertaken by Jing Yuan, which has been reclassified from a subsidiary to an associated company following the reorganisation during the year (note 12).

## Notes to the Financial Statements

### 16. TRADE RECEIVABLES

At 31st December, 2001, the ageing analysis of the trade receivables was as follows:

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Current	1,270	1,699
31–60 days	685	213
61–90 days	361	131
over 90 days	17,795	51
	<u>20,111</u>	<u>2,094</u>

The majority of the Group's trade receivables in the current year is amounts due from customers on sale of properties in the Danyao Building, the repayment of which is in accordance with contract terms.

### 17. TRADE PAYABLES

At 31st December, 2001, the ageing analysis of the trade payables was as follows:

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Current	473	668
31–60 days	522	667
61–90 days	157	1,017
over 90 days	51,303	320,049
	<u>52,455</u>	<u>322,401</u>

## Notes to the Financial Statements

### 18. SHARE CAPITAL

	Company	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
1,600,000,000 ordinary shares of HK\$0.50 each	<u>800,000</u>	<u>800,000</u>
Issued and fully paid:		
1,135,606,000 ordinary shares of HK\$0.50 each	<u>567,803</u>	<u>567,803</u>

### 19. EXECUTIVE SHARE OPTION SCHEME

Under the executive share option scheme of the Company, the Directors may, at their absolute discretion, invite executives of the Group to take up options to subscribe for shares of the Company pursuant to the terms and conditions stipulated therein.

At 1st January, 2001, the Company had outstanding options granted to certain Directors and employees to subscribe for 23,100,000 shares of the Company at a subscription price of HK\$3.676 per share. No options had been exercised during the year and the remaining options are exercisable until June, 2002.

## Notes to the Financial Statements

### 20. RESERVES

#### Group

	Share premium account HK\$'000	Investment properties revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Exchange difference reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 2000	694,070	382,272	760,004	4,469	(228,421)	1,612,394
Revaluation reserve realised upon disposal of properties of an associated company	—	—	(2,277)	—	—	(2,277)
Surplus arising from revaluation of the Group's investment properties	—	13,053	—	—	—	13,053
Deficit arising from revaluation of the Group's interests in associated companies based on market value of their underlying assets	—	—	(13,254)	—	—	(13,254)
Exchange differences	—	—	—	1,311	—	1,311
Loss attributable to shareholders for the year	—	—	—	—	(28,272)	(28,272)
At 31st December, 2000	<u>694,070</u>	<u>395,325</u>	<u>744,473</u>	<u>5,780</u>	<u>(256,693)</u>	<u>1,582,955</u>
Dealt with by:						
Company and subsidiaries	694,070	395,325	—	5,780	(243,455)	851,720
Associated companies	—	—	744,473	—	(13,238)	731,235
At 31st December, 2000	<u>694,070</u>	<u>395,325</u>	<u>744,473</u>	<u>5,780</u>	<u>(256,693)</u>	<u>1,582,955</u>
At 1st January, 2001	694,070	395,325	744,473	5,780	(256,693)	1,582,955
Revaluation reserve realised upon disposal of properties of an associated company	—	—	(2,362)	—	—	(2,362)
Deficit arising from revaluation of the Group's investment properties	—	(2,004)	—	—	—	(2,004)
Deficit arising from revaluation of the Group's interests in associated companies based on market value of their underlying assets	—	—	(99,225)	—	—	(99,225)
Exchange differences	—	—	—	457	—	457
Exchange reserves realised upon disposal of interests in a subsidiary	—	—	—	(2,754)	—	(2,754)
Profit attributable to shareholders for the year	—	—	—	—	6,681	6,681
At 31st December, 2001	<u>694,070</u>	<u>393,321</u>	<u>642,886</u>	<u>3,483</u>	<u>(250,012)</u>	<u>1,483,748</u>
Dealt with by:						
Company and subsidiaries	694,070	393,321	—	3,483	(226,223)	864,651
Associated companies	—	—	642,886	—	(23,789)	619,097
At 31st December, 2001	<u>694,070</u>	<u>393,321</u>	<u>642,886</u>	<u>3,483</u>	<u>(250,012)</u>	<u>1,483,748</u>

## Notes to the Financial Statements

### 20. RESERVES (Cont'd)

#### Company

	Share premium account <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2000	694,070	113,916	807,986
Profit for the year	<u>—</u>	<u>1,534</u>	<u>1,534</u>
At 31st December, 2000	<u>694,070</u>	<u>115,450</u>	<u>809,520</u>
At 1st January, 2001	694,070	115,450	809,520
Loss for the year	<u>—</u>	<u>(312,901)</u>	<u>(312,901)</u>
At 31st December, 2001	<u>694,070</u>	<u>(197,451)</u>	<u>496,619</u>

As at 31st December, 2001, the Company does not have any distributable reserves calculated under section 79B of the Hong Kong Companies Ordinance (2000: HK\$115,450,000)

### 21. BANK LOANS AND OVERDRAFTS

	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Short term bank loans				
secured	<b>220,264</b>	163,667	—	—
unsecured	<u>—</u>	<u>564,690</u>	<u>—</u>	<u>—</u>
	<b>220,264</b>	728,357	—	—
Long term bank loans, secured				
current portion	<b>46,000</b>	—	<b>46,000</b>	—
non-current portion	<b>107,904</b>	839,966	<b>66,000</b>	162,000
	<u>153,904</u>	<u>839,966</u>	<u>112,000</u>	<u>162,000</u>
	<u><b>374,168</b></u>	<u>1,568,323</u>	<u><b>112,000</b></u>	<u>162,000</u>

## Notes to the Financial Statements

### 21. BANK LOANS AND OVERDRAFTS (Cont'd)

At 31st December, 2001, the Group's and the Company's bank loans and overdrafts were repayable as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	266,264	728,357	46,000	—
In the second year	87,904	46,000	46,000	46,000
In the third to fifth year	20,000	228,994	20,000	116,000
After the fifth year	—	564,972	—	—
	<u>107,904</u>	<u>839,966</u>	<u>66,000</u>	<u>162,000</u>
	<u><u>374,168</u></u>	<u><u>1,568,323</u></u>	<u><u>112,000</u></u>	<u><u>162,000</u></u>

(a) The short term banking facilities comprise:

- (i) A short term bank loan amounting to RMB200 million (HK\$188.5 million) (2000: HK\$Nil) was granted to Beijing Lucky, a company established in the PRC which is owned as to 61.1% by Turbo Dragon, a wholly-owned subsidiary of the Company.
- (ii) Two short-term loans amounting to RMB33.7 million (HK\$31.8 million) (2000: RMB20.7 million (HK\$19.5 million)) were obtained by Dan Yao, a company established in the PRC which is owned as to 85% by Enfort, a wholly-owned subsidiary of the Company. The loans are secured by two US dollar deposits of the Group amounted to US\$4.32 million (HK\$33.7 million).

(b) The long term bank loans comprise:

- (i) A loan amounted to HK\$112 million (2000: HK\$162 million) of which HK\$46 million to be repayable in the year 2002 is secured by first legal charges over the properties held by a wholly-owned subsidiary of the Company and share charges over the issued shares of certain subsidiaries of the Company.

## Notes to the Financial Statements

### 21. BANK LOANS AND OVERDRAFTS *(Cont'd)*

- (ii) A bank loan facility of RMB50 million (HK\$47 million) granted to Dan Yao on 22nd June, 2001 was secured by Danyao Building. Part of the loan amounted to RMB5.54 million (HK\$5.22 million) was repaid in the year 2001, and the remaining loan balance as at 31st December, 2001 was RMB44.46 million (HK\$41.9 million).
- (c) In addition to the above, the Group has a bank overdraft facility of HK\$100 million which is secured by first legal charges over the properties held by a wholly-owned subsidiary of the Company and share charges over the issued shares of certain subsidiaries of the Company. The overdraft facility was utilised to the extent of HK\$1,006,000 (2000: HK\$7,515,000) as at 31st December, 2001.

### 22. DEFERRED TAXATION

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Revaluation of investment properties		
At 1st January	80,388	77,883
Surplus on revaluation during the year	—	2,495
Deemed disposal of a subsidiary	(3,089)	—
Exchange difference	3	10
	<hr/>	<hr/>
At 31st December	<b>77,302</b>	<b>80,388</b>
	<hr/> <hr/>	<hr/> <hr/>

Deferred taxation arising from revaluation of investment properties mainly represents the taxation on the revaluation surplus of the Group's properties in Hong Kong upon reclassification from properties held for sale to investment properties in previous years, which has been allowed to be deferred until the disposal of the properties.

## Notes to the Financial Statements

### 23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	<b>Group</b>	
	<b>2001</b>	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit	<b>24,273</b>	2,138
Provision for impairment loss of investment securities	<b>1,874</b>	756
Depreciation	<b>15,462</b>	2,605
(Gain)/loss on disposal of fixed assets	<b>(657)</b>	624
Interest income	<b>(18,017)</b>	(16,656)
Dividend income	<b>(772)</b>	(2,246)
(Increase)/decrease in trade receivables, other receivables, prepayments and deposits	<b>(22,892)</b>	19,336
Decrease in trade payables, other payables and accrued charges	<b>(45,577)</b>	(118,595)
Impairment loss of leasehold land and buildings	<b>1,600</b>	—
Gain on deemed disposal of interests in a subsidiary	<b>(5,119)</b>	—
Provision for diminution in value of properties held under development for sale	<b>—</b>	22,090
Provision for diminution in value of investment properties	<b>—</b>	1,900
	<hr/>	<hr/>
Net cash outflow from operating activities	<b><u>(49,825)</u></b>	<b><u>(88,048)</u></b>

## Notes to the Financial Statements

### 23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

#### (b) Disposal of interests in a subsidiary

	<b>2001</b> <b>HK\$'000</b>
Net assets disposed of:	
Fixed assets	293,607
Properties held under development for sale	1,500,997
Accounts receivables and deposits	13,374
Taxation	23,310
Bank balances and cash	421,996
Accounts payables and accrued charges	(376,285)
Provision for taxation	(3,127)
Bank loan — secured	(1,337,417)
Minority interests	(171,965)
	<u>364,490</u>
Satisfied by:	
Interests in an associated company	
Share of net asset value of the associated company	257,947
Amount due from the associated company	106,543
	<u>364,490</u>

The cash outflow on disposal of the subsidiary amounted to HK\$421,996,000 representing the bank balances and cash held by the subsidiary disposed.

## Notes to the Financial Statements

### 23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

#### (c) Analysis of changes in financing during the year

	Bank and other loans		Minority interests	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At 1st January	1,573,046	804,871	176,219	173,103
Cash items:				
New loans raised	637,568	1,120,527	—	—
Repayment of bank loans	(495,631)	(353,496)	—	—
Repayment of loan from a third party	(490)	(927)	—	—
Non-cash items:				
(Loss)/profit for the year attributable to minority shareholders	—	—	(4,914)	2,609
Deemed disposal of a subsidiary	(1,337,417)	—	(171,965)	—
Exchange differences	1,330	2,071	167	507
Contribution from minority shareholders	—	—	68,294	—
	<u>378,406</u>	<u>1,573,046</u>	<u>67,801</u>	<u>176,219</u>
At 31st December				

#### (d) Analysis of cash and cash equivalents

	2001 HK\$'000	2000 HK\$'000
Bank balances and cash	61,025	511,304
Bank overdrafts	(1,006)	(8,159)
	<u>60,019</u>	<u>503,145</u>

### 24. CONTINGENT LIABILITY

On 18th December, 2001, the Commissioner of Inland Revenue raised additional profits tax assessments of HK\$60,795,000 on Zeta, a 33 $\frac{1}{3}$ % owned associated company of the Group for the years of assessment 1998/1999 and 1999/2000, resulting in additional tax of HK\$9,727,000 being payable. These additional assessable profits arose from non-acceptance of part of the interest on unsecured loans paid by Zeta during these years as allowable deductions in computing the assessable profits. Zeta objected to these assessments, and as at 31st December, 2001, the result of the dispute was still not known. The share of this tax liability by the Group amounting to HK\$3,242,000 was not provided for as at 31st December, 2001.

## Notes to the Financial Statements

### 25. COMMITMENTS

#### (a) Capital commitments

At 31st December, 2001, the Group had capital commitments in respect of properties held for/under development and properties held under development for sale as follows:

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Contracted but not provided for	707	507,896
Authorised but not contracted for	<u>34,252</u>	<u>42,867</u>
	<u><u>34,959</u></u>	<u><u>550,763</u></u>

#### (b) Commitments under operating leases

At 31st December, 2001, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Not later than one year	3,166	3,321
Later than one year and not later than five years	<u>2,113</u>	<u>5,194</u>
	<u><u>5,279</u></u>	<u><u>8,515</u></u>

### 26. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in presentation in the current year. The Directors believe that the revised classification fairly presents the financial performance of the Group.

### 27. ULTIMATE HOLDING COMPANY

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

### 28. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 17th April, 2002.