



DAN FORM HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 00271

Application for Liquidation of Beijing Dan Yao Property Co., Ltd., a major subsidiary, and related matters

Application has been made by the Company in Beijing, the PRC to petition for the liquidation of Dan Yao, a major subsidiary of the Company. The application was accepted by the PRC Court on 10th March 2005.

The Board wishes to announce that the Company was recently notified by the PRC Court that such Court has accepted the Company's application to liquidate Dan Yao, a major subsidiary of the Company, on 10th March 2005. According to the advice of the Company's PRC legal advisers, the PRC Court will commence review and hearing of the Liquidation from the date it accepts the application and it will take at least four months before the PRC Court makes a decision on whether or not to grant an order for Liquidation. Parties may apply to the PRC Court for settlement before the assets are distributed in the Liquidation.

Dan Yao is a sino-foreign joint venture company established in the PRC whose registered capital is held as to 85% by the Company.

The application for Liquidation was made by the Company under no choice. As disclosed in the Company's 2003 Annual Report, due to no fault of Dan Yao, Dan Yao was unable to obtain the property title certificate for Dan Yao Building for a long time. This has resulted in legal proceedings issued against Dan Yao for breach of contract as a result of the failure in completing the relevant property title certificates for the pre-sold property units in a timely manner. At the same time, most of the completed property units could not be sold as a result of the long term inability to obtain the relevant property title certificate, and the bank loans and project sums were unable to be paid in time. As a result of this, the Company has made advances to Dan Yao in the aggregate sum (including accrued interest) of approximately HK\$61,420,000. The Company has written to consult the relevant parties on this matter on many occasions, with a view that the above abnormal circumstances could be improved gradually with the lapse of time.

Although the relevant department in charge in Beijing has investigated into this matter and has subsequently issued the property title certificate, certain creditors have, by reason of the loss of Dan Yao in the legal proceedings, applied for preservation of most of the assets of Dan Yao to secure their debts. To protect the legal and proper interest of the Group in Dan Yao, and to enable that the interest of all creditors of Dan Yao can be dealt with fairly, openly and in accordance with law and that Dan Yao could operate in a normal manner, the Company has no alternative but to

apply to the PRC Court for the Liquidation of Dan Yao on 23rd December 2004. Since the acceptance of the application by the PRC Court on 10th March 2005, Dan Yao has ceased paying its debts in accordance with PRC law.

According to the advice of the Company's PRC legal advisers, if the PRC Court eventually decides that Dan Yao should be liquidated, the assets of Dan Yao will be sold through tender and the proceeds obtained will be used to repay the debts of Dan Yao in the following order in accordance with the relevant PRC law:

- (1) expenses of the Liquidation;
- (2) wages owed to employees and insurance fees;
- (3) taxation payments due;
- (4) project sums due;
- (5) bank loans with secured interest; and
- (6) land premium due.

A reasonable estimate of the total amount of the above sums is approximately RMB109,230,000 (approximately HK\$103,047,000) (excluding tax refund). The remaining proceeds will be distributed to all the creditors of Dan Yao, including the Company, on a pro-rata basis in accordance with the amount of their debts.

According to the audited accounts of Dan Yao for the year ended 31st December 2003 (as audited by 北京市華頌會計師事務所有限公司 (Beijing Huasong Certified Public Accountants) which were prepared in accordance with PRC accounting principles and not adjusted according to Hong Kong Generally Accepted Accounting Principles), the carrying value of the total assets of Dan Yao as at the same date is RMB266,420,000 (approximately HK\$251,340,000), the total liabilities are RMB173,440,000 (approximately HK\$163,622,000) and the shareholders' funds are RMB92,980,000 (approximately HK\$87,717,000).

According to the audited accounts of Dan Yao as at 30th September 2004 (as audited by 北京市華京會計師事務所有限公司 (Beijing Huajing Certified Public Accountants Ltd. Corp.) which were prepared in accordance with PRC accounting principles and not adjusted according to Hong Kong Generally Accepted Accounting Principles) and after adjustments including taking into account the effect of a forced sale of the assets on Liquidation, the actual total assets of Dan Yao as at the same date are RMB159,930,000 (approximately HK\$150,877,000), the total liabilities are RMB161,310,000 (approximately HK\$152,179,000) and the capital deficiency is RMB1,370,000 (approximately HK\$1,293,000).

According to the latest judgments of the court in respect of the legal proceedings over the title of Dan Yao Building, up to and including 20th March 2005, the liabilities of Dan Yao are increased by RMB106,580,000 (approximately HK\$100,547,000) and the assets based on carrying value are increased by RMB63,660,000 (approximately HK\$60,057,000).

As the Company has made full provision for the Group's investment in and advances to Dan Yao in the audited accounts of the Group for the year ended 31st December 2003, the Directors therefore consider that, irrespective of whether Dan Yao is liquidated or not and irrespective of whether the Company is able to obtain repayment for its advances to Dan Yao or not, the application for Liquidation will not have financial impact on the Group.

The Company will make further announcement if there is progress on the application for Liquidation.

Definitions

In this announcement, the following terms shall have the following meaning:

“Board”	the board of directors of the Company
“Company”	Dan Form Holdings Company Limited
“Dan Yao”	北京丹耀房地產有限公司 (Beijing Dan Yao Property Co., Ltd.)
“Dan Yao Building”	丹耀大廈 (Dan Yao Building), a building situated at Wang Fu Jing, Beijing, PRC, developed and owned by Dan Yao and other property owners
“HK\$”	Hong Kong dollars
“Liquidation”	the liquidation of Dan Yao
“PRC”	the People’s Republic of China
“PRC Court”	the Second Intermediate People’s Court of Beijing Municipality
“RMB”	Renminbi

By Order of the Board
Dai Xiaoming
Chairman and Chief executive

Hong Kong, 24th March 2005

As at the date of this announcement, the Directors of the Company are: Mr. Dai Xiaoming (Chairman and Chief Executive), Mr. Kenneth Hiu King Kon (Deputy Chief Executive), Mr. Jesse Nai Chau Leung (Independent Non-Executive Director), Mr. Xiang Bing (Independent Non-Executive Director) and Mr. Edward Shen (Independent Non-Executive Director).

The exchange rate used in this announcement is: HK\$1 = RMB1.06

*Please also refer to the published version of this announcement in the (**The Standard**)*