



DAN FORM HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 271)

FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2004

The Directors of Dan Form Holdings Company Limited (the “Company”) announce that the audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year ended 31st December, 2004 together with the comparative figures for the year ended 31st December, 2003 are as follows:

	Note	2004 HK\$'000	2003 HK\$'000
Turnover	(1)	36,990	57,770
Cost of sales		<u>(11,705)</u>	<u>(21,228)</u>
Gross profit		25,285	36,542
Other income		177	123
Administrative expenses		(20,437)	(24,274)
Other operating income/(expenses)		4,772	(1,479)
Write back of provision/(provision) in respect of properties held under development		8,269	(214,995)
Write back of provision/(provision) in respect of properties held for sale		1,974	(46,559)
Provision in respect of civil actions against a subsidiary of the Group		<u>(6,367)</u>	<u>(28,816)</u>
Operating profit/(loss)	(2)	13,673	(279,458)
Finance costs		(20,469)	(14,321)
Share of results of			
— a jointly controlled entity		—	—
— associated companies		<u>(157,984)</u>	<u>(66,209)</u>
Loss before taxation		(164,780)	(359,988)
Taxation	(3)	<u>(9,385)</u>	<u>(491)</u>
Loss after taxation		(174,165)	(360,479)
Minority interests		<u>84</u>	<u>67,544</u>
Loss attributable to shareholders		<u>(174,081)</u>	<u>(292,935)</u>
Basic loss per share	(4)	<u>(15.33)cents</u>	<u>(25.80)cents</u>

Notes:

(1) TURNOVER AND SEGMENT INFORMATION

Business segments

The Group is principally engaged in property development, property investment, estate management and holding of investment. The Group reports its primary segment information based on these principal activities:

2004

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Estate management <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover	<u>—</u>	<u>31,398</u>	<u>4,469</u>	<u>1,123</u>	<u>36,990</u>
Segment results	<u>(2,075)</u>	<u>25,746</u>	<u>3,490</u>	<u>3,627</u>	<u>30,788</u>
Unallocated corporate expenses					<u>(17,115)</u>
Operating profit					<u>13,673</u>
Finance costs					<u>(20,469)</u>
Share of results of					
— a jointly controlled entity	—	—	—	—	—
— associated companies	<u>(162,631)</u>	<u>4,647</u>	<u>—</u>	<u>—</u>	<u>(157,984)</u>
Loss before taxation					<u>(164,780)</u>
Taxation					<u>(9,385)</u>
Loss after taxation					<u>(174,165)</u>

2003

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Estate management <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover	<u>3,881</u>	<u>33,295</u>	<u>6,979</u>	<u>13,615</u>	<u>57,770</u>
Segment results	<u>(81,454)</u>	<u>(196,806)</u>	<u>4,047</u>	<u>12,211</u>	<u>(262,002)</u>
Unallocated corporate expenses					<u>(17,456)</u>
Operating loss					<u>(279,458)</u>
Finance costs					<u>(14,321)</u>
Share of results of associated companies	<u>(65,176)</u>	<u>(1,033)</u>	<u>—</u>	<u>—</u>	<u>(66,209)</u>
Loss before taxation					<u>(359,988)</u>
Taxation					<u>(491)</u>
Loss after taxation					<u>(360,479)</u>

Geographical segments

A geographical analysis of the Group's turnover and segment results, by location of market, is as follows:

	2004		2003	
	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>
Hong Kong	28,969	20,574	42,448	31,150
Mainland China	8,021	10,214	15,322	(293,152)
	<u>36,990</u>	<u>30,788</u>	<u>57,770</u>	(262,002)
Unallocated corporate expenses		<u>(17,115)</u>		<u>(17,456)</u>
Operating profit/(loss)		<u>13,673</u>		<u>(279,458)</u>

(2) OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging the following:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Cost of properties sold	—	2,558
Depreciation	661	8,444
Loss on disposal of investment properties	2,250	—
Staff costs, including Directors' remuneration	<u>12,090</u>	<u>13,963</u>

(3) TAXATION

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Hong Kong profits tax	22	—
Under-provision of Hong Kong profits tax in prior years	112	20
Deferred taxation relating to the origination of temporary differences	148	388
Share of taxation attributable to		
— a jointly controlled entity	—	—
— associated companies	<u>9,103</u>	<u>83</u>
	<u>9,385</u>	<u>491</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) 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 (2003: HK\$Nil).

(4) LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$174,081,000 (2003: HK\$292,935,000) and 1,135,606,132 (2003: 1,135,606,132) ordinary shares in issue during the year. There were no outstanding share options of the Company in 2003 and 2004. Accordingly, diluted loss per share are not shown.

(5) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2004

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Total equity as at 1st January	1,570,653	1,938,483
Deficit arising from revaluation of the Group's investment properties	(171,248)	(54,303)
Surplus/(deficit) arising from revaluation of the Group's interests in associated companies based on the market value of their underlying properties	268,385	(16,997)
Exchange differences arising on translation of the financial statements of foreign subsidiaries and an associated company	568	—
Exchange differences shared by minority interests	(61)	—
Transfer of a subsidiary to a jointly controlled entity	(197)	—
Net gain/(loss) not recognised in the consolidated profit and loss account	97,447	(71,300)
Loss attributable to shareholders for the year	(174,081)	(292,935)
Revaluation deficit realised upon disposal of the Group's investment properties	2,063	—
Revaluation surplus realised upon disposal of properties of an associated company	(695)	(3,595)
	(172,713)	(296,530)
Total equity as at 31st December	<u>1,495,387</u>	<u>1,570,653</u>

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31st December, 2004 (2003: HK\$ Nil).

RESULTS

The Group recorded a turnover of HK\$36,990,000 for the year ended 31st December, 2004, which represented a decrease of approximately HK\$20,780,000 or 36% as compared with last year. The decrease in turnover is mainly due to not receiving any interest income from an associated company in this year whereas the interest income of HK\$13,000,000 was received in the year 2003.

The Group's loss attributable to shareholders in this year was HK\$174,081,000, as compared to loss of HK\$292,935,000 in last year. The loss of this year was mainly due to the loss on a property sale and the provision for the carrying value of the properties of an associated company in total of HK\$160,489,000.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

HONG KONG BUSINESS

Property

The Group's residential properties situated at Red Hill Peninsula (33.33% owned) and South Horizons recorded average occupancy levels of approximately 48% and 100% respectively, while the commercial properties situated at Harbour Crystal Centre recorded an average occupancy level of approximately 89%. During the year, the Group's net rental income from property leasing was more or less the same when compared with that in the last year.

This year the Group appointed an independent firm of professional surveyors, DTZ Debenham Tie Leung Limited (“Debenham Tie Leung”) in place of Vigers Hong Kong Limited to revalue the investment properties in Hong Kong as suggested by the bank to which the investment property of Harbour Crystal Centre (portion) has been mortgaged. The valuation of Harbour Crystal Centre (portion) was adjusted downwards by HK\$207,600,000, or about 40%, despite the fact that the overall property market was improving in Hong Kong. The rental income generated from Harbour Crystal Centre (portion) in 2004 was approximately HK\$17,467,000 while that in 2003 was HK\$17,118,000, which indicated a stable rental income being received. However, the average occupancy rate in 2004 was 89% while that in 2003 was 61%, indicating that the rental rate in 2004 actually decreased. Further, significant floor space in Harbour Crystal Centre has been leased to tenants under relatively long leases of up to 10 years and therefore limits the ability of the property to benefit from the improving economy. Taking these factors into consideration, management has accepted the valuation performed by Debenham Tie Leung. The Directors are of the view that the adoption of Debenham Tie Leung’s valuation can reflect the current and future value of Harbour Crystal Centre (portion).

BEIJING BUSINESS

The Wangfujing Project

Lot F1 (61.1% owned)

On 26th April, 2004, the Group’s wholly-owned subsidiary Turbo Dragon Limited (“Turbo Dragon”) entered into a sale and purchase supplemental agreement with China Yintai Investment Company Limited (“China Yintai”). The sale and purchase supplemental agreement is supplemental to the sale and purchase agreement made between Turbo Dragon and China Yintai on 30th July, 2003 (collectively called “Sale and Purchase Agreement”), where Turbo Dragon agreed to sell its 61.1% interest in Beijing Lucky Building Company Limited (“Beijing Lucky”) to China Yintai for a consideration of RMB134,070,000 (approximately HK\$126,481,000). On 9th May, 2004, the deposit of RMB25,000,000 (approximately HK\$23,585,000) was received from China Yintai.

The remaining balance of the consideration for the sale of the interest in the sum of RMB109,070,000 (approximately HK\$102,896,000), according to the Sale and Purchase Agreement, will be received by four installments before 7th November, 2006.

According to the Sale and Purchase Agreement, the Group’s interest will be transferred to China Yintai in stages in proportion to the amount of consideration actually received. Among seven members of the board of directors of Beijing Lucky, currently two out of four seats representing the Group are recommended by China Yintai. In addition, China Yintai’s staff are responsible to manage the business operations of Beijing Lucky and the Group only acts as a watchdog for that. Therefore the Directors are of the view that Beijing Lucky should be accounted for as a jointly controlled entity in this transitional period. Since 1st September, 2004, Beijing Lucky has not been dealt with in the consolidated financial statements as a subsidiary.

Dan Yao Building (85% owned)

In the year 2004, the rental income from Dan Yao Building was improved after improving the management of the building. The monthly rental income was approximately RMB280,000 (HK\$264,000). The total yearly rental income was approximately RMB3,400,000 (HK\$3,207,000).

The Company and Beijing Dan Yao Property Co., Ltd. (“Dan Yao”) were recently notified by the Second Intermediate People’s Court of Beijing Municipality (the “PRC Court”) that the PRC 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.

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 obtaining the relevant property title certificate 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 government department in Beijing in charge has investigated into this matter and has subsequently issued the property title certificate on 14th March, 2005, 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 Building could be operated in a normal manner, the Company applied 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.

As the Company has made a full provision for the Group's investment in and advances to Dan Yao in the audited financial statements 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.

The Xidan Project (29.4% owned)

In 2004, significant loss was shared by the Group in relation to the Xidan Project. During the year, the sale of Lot No. 4 recorded a loss. Management has made a provision for the Xidan Project over the carrying value of the remaining land lots (excluding the underground shopping mall) to the estimated recoverable amount.

In respect of the development of the underground shopping mall, Beijing Jing Yuan Property Development Co., Ltd ("Jing Yuan") needs co-operations with the property owners and the business operators of those properties located along both sides of Xidan North Avenue, and also huge funds raising arrangements are needed before development of the project can be made. As the conditions for its development cannot be fulfilled in the near future, the Group has made a provision for the remaining investment cost of the underground shopping mall.

As at the end of the year 2004, the building located at Lot No. 1 has been made suitable to accommodate China Telecom Group Beijing Company Limited. The accumulated sum of the sale proceeds of RMB391,669,000 (approximately HK\$369,499,000) was received. During the year 2004, an amount of RMB20,000,000 (approximately HK\$18,868,000) was received. The building located at Lot No. 2 has been checked and delivered. The construction works for the building

located at Lot No. 4 have been carried out since April 2004 and that a sale and purchase agreement has been entered with Beijing New O Property Development Company Limited (“New O”), under the umbrella of China Management Group on 15th October, 2004 for the sale of the property for a consideration of RMB1,220,000,000 (approximately HK\$1,150,943,000). The sale of the property recorded a loss. In the year 2004, a deposit of RMB50,000,000 (approximately HK\$47,170,000) was received from New O. In respect of the Lot No. 5 project, the dispute with Beijing Tai Yun Plaza Co., Ltd. in respect of the allocation of the property area have been resolved by China International Economic Arbitration Committee on 4th March, 2005 that all the property area in dispute is in favour to Jing Yuan.

It is expected that in the year 2005, the remaining balance of the sale proceeds of RMB87,504,000 (approximately HK\$82,551,000) from the building located at Lot No. 1 will be received. The construction works for the building located at Lot No. 2 have been completed. The project located at Lot No. 4 will be transferred and the amount as specified in the sale and purchase agreement will be received. The allocation of property area in respect of the building located at Lot No. 5 has been basically resolved and it is planned that the remaining balance of the sale proceeds of RMB69,244,000 (approximately HK\$65,325,000) will be received from China United Telecommunication Corporation. The building located at Lot No. 9 will be completed and will start to be sold out.

GROUP ASSETS POSITION AND CHARGE ON GROUP ASSETS

The total assets of the Group, as a result of the re-classification of the assets of Beijing Lucky where the sale and purchase agreement for the transfer of interest in this subsidiary has been signed and a downward revaluation of properties, have decreased from HK\$2,159,224,000 in last year to HK\$1,827,869,000 in this year. The net assets of the Group have also decreased from HK\$1,570,653,000 to HK\$1,495,387,000. The amount of the Group’s bank borrowings where the property assets are pledged has decreased from HK\$308,659,000 in last year to HK\$98,935,000 in the current year.

GROUP FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

The total liabilities (including minority interests) of the Group have decreased from HK\$588,571,000 as at 31st December, 2003 to HK\$332,482,000 as at 31st December, 2004. The Group had cash at banks and in hand of HK\$17,154,000 as at 31st December, 2004 (2003 : HK\$8,328,000). The ratio of total liabilities to total assets was approximately 18% (2003 : 27%). As at 31st December, 2004, the aggregate amount of bank loans and bank overdrafts was HK\$98,935,000 (2003 : HK\$308,659,000) and the amount of shareholders’ funds was HK\$1,495,387,000 (2003 : HK\$1,570,653,000), and therefore the capital gearing ratio was 7% (2003 : 20%). As from 20th April, 2004, the bank overdraft facilities have been reduced from HK\$100,000,000 to HK\$75,000,000 and as from 12th January, 2005 to HK\$60,000,000, of which HK\$49,030,000 has been utilised as at 31st December, 2004. Of the total borrowings, HK\$8,962,000 is repayable within one year and HK\$89,973,000 is repayable on demand.

As at 31st December, 2004, the Group’s current liabilities, amounting to HK\$293,274,000, exceeded its current assets by HK\$67,415,000. Given that Dan Yao has been in liquidation as disclosed above and no further payments except for a small amount of liquidation expenses are required for Dan Yao, the other operations of the Group can generate sufficient cash flows to enable the settlement of its remaining liabilities as and when they fall due. The Directors are of a view that no further provision is necessary.

For the year ended 31st December, 2004, the Group has no exposure to fluctuation in exchange rates and related hedges and there were no contingent liabilities.

EMPLOYEES

As at 31st December, 2004, the Group, excluding associated companies, employed 51 people of which 39 were employed in Hong Kong.

In addition to basic salaries and the provision of mandatory provident fund scheme, employees are provided with medical insurance and some of them are included under a defined contribution provident fund scheme.

PROSPECTS

Within the next two years, the political and economic environments in the world and in Hong Kong are still going to be uncertain. In these few years, the Group has adjusted the mode of its operation so as to make it continue to operate, that is, from expanding its operations by investing in property development in Beijing, to retreating the property development projects in Beijing in order to improve the liquidity and safety in operations of the Group. The Group is actively seeking risk averse investments when opportunities arise and is also upgrading its corporate governance as a foundation, so as to bring the Group to enter into the economy which is informative, global and highly technological.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Group's and Company's shares during the year.

AUDIT COMMITTEE

The Company established an Audit Committee on 15th September, 1998. The terms of reference of the Audit Committee have been established with reference to "A Guide for the Effective Audit Committees" issued by Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants) in February 2002. In order to comply with the Rules Governing the Listing Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the number of Audit Committee member has increased from two to three, which comprises of three independent non-executive Directors. Mr. Jesse Nai Chau Leung has been re-designated from non-executive director to independent non-executive director of the Company with effect from 20th September, 2004 and Mr. Xiang Bing and Mr. Edward Shen are still independent non-executive directors. During the year, the Audit Committee held two meetings on 15th April, 2004 and 14th September, 2004 and have discussed the financial reporting matters with management, including the review of the Group's financial reporting process, the adequacy and effectiveness of the Group's systems of internal control, and the interim and annual financial statements of the Group.

The Group's annual results for the year ended 31st December, 2004 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

In the opinion of the Directors, except that the non-executive Directors were not appointed for a specific term (but are subject to retirement by rotation and re-election at annual general meetings in accordance with Article 102 of the Articles of Association of the Company), the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules on the Stock Exchange throughout the year ended 31st December, 2004.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding Director’s securities transactions. The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard set out in the Model Code during the year ended 31st December, 2004 and all Directors confirmed that they have complied with the Model Code.

The Company has received from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent.

ANNUAL GENERAL MEETING

The 2005 Annual General Meeting of the shareholders of the Company will be held at Meeting Room 408, Level 4, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 25th May, 2005 at 9:30 a.m. and the Notice of Annual General Meeting will be published and dispatched to the shareholders in the manner as required by the Listing Rules of the Stock Exchange in due course.

By Order of the Board
Dai Xiaoming
Chairman

Hong Kong, 19th April, 2005

As at the date hereof, the board of directors of the Company comprises of five Directors, of which two are Executive Directors, namely Mr. Dai Xiaoming and Mr. Kenneth Hiu King Kon; and three are independent Non-Executive Directors, namely Mr. Jesse Nai Chau Leung, Mr. Xiang Bing and Mr. Edward Shen.

Website: <http://www.danform.com.hk>

All the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) will be published on the website of the Stock Exchange in due course.

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