



Interim Report 2005



丹楓控股有限公司
Dan Form Holdings Company Limited

CORPORATE INFORMATION

DIRECTORS : Dai Xiaoming* (*Chairman & Chief Executive*)
Kenneth Hiu King Kon* (*Deputy Chief Executive*)
Jesse Nai Chau Leung**
Xiang Bing**
Edward Shen**

* *Executive Directors*

** *Independent Non-Executive Directors*

AUDIT COMMITTEE : Jesse Nai Chau Leung (*Chairman*)
Xiang Bing
Edward Shen

REMUNERATION COMMITTEE : Edward Shen (*Chairman*)
Jesse Nai Chau Leung
Xiang Bing

**COMPANY SECRETARY AND
FINANCIAL CONTROLLER** : Fung Man Yuen

AUDITORS : PricewaterhouseCoopers

PRINCIPAL BANKERS : Bank of China
Standard Chartered Bank

SOLICITORS : Stephenson Harwood & Lo
Hampton, Winter & Glynn

REGISTRARS : Tengis Limited
G/F., Bank of East Asia
Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

REGISTERED OFFICE : Room 901-903, Harbour Centre
25 Harbour Road, Wanchai, Hong Kong

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

STOCK CODE : The Stock Exchange of Hong Kong Limited – 271

RESULTS

The Directors of Dan Form Holdings Company Limited (the "Company") present the Interim Report and the condensed accounts of the Company and its subsidiaries (together the "Group") for the six months ended 30th June, 2005. The consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the six months ended 30th June, 2005 and the consolidated balance sheet as at 30th June, 2005 of the Group which are all unaudited and condensed, along with selected explanatory notes, are set out on pages 2 to 13 of this report as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

	Note	2005 HK\$'000	Restated 2004 HK\$'000
Turnover	(3)	16,610	19,940
Cost of sales		(5,164)	(6,024)
Gross profit		11,446	13,916
Other income		180	1,346
Administrative expenses		(8,947)	(10,393)
Other operating expenses		(3,471)	–
Write back of provision for properties held for sale		5,259	4,529
Write back of provision for properties held under development		–	5,453
Provision for litigation		–	(3,097)
Operating profit	(4)	4,467	11,754
Finance costs	(5)	(3,202)	(12,693)
Share of profit of associates		1,783	2,786
Profit before taxation		3,048	1,847
Income tax expenses	(6)	(33)	(247)
Profit for the period		3,015	1,600
Earnings per share	(7)	0.27 cents	0.14 cents

CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS AT 30TH JUNE 2005

	Note	30th June 2005 HK\$'000	Restated 31st December 2004 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	(8)	448	465
Investment properties		354,370	354,370
Prepayments of leases premiums		370	370
Associates		849,758	847,974
Loan receivable		106,543	106,543
Available-for-sale financial assets		34,380	–
Investment securities		–	12,592
		<u>1,345,869</u>	<u>1,322,314</u>
Current assets			
Properties held for sale		200,326	194,904
Investment held for sale	(9)	–	–
Trade and other receivables	(10)	285,809	290,639
Tax recoverable		2,858	2,858
Cash and bank balances		15,918	17,154
		<u>504,911</u>	<u>505,555</u>
Current liabilities			
Trade payables	(11)	48,713	47,473
Other payables and accrued charges		152,910	146,866
Short term bank loans, secured		49,905	49,905
Bank overdrafts, secured		39,820	49,030
		<u>291,348</u>	<u>293,274</u>
Net current assets		<u>213,563</u>	<u>212,281</u>
Total assets less current liabilities		<u>1,559,432</u>	<u>1,534,595</u>
Non-current liabilities			
Deferred income tax liabilities		39,242	39,208
Net assets		<u>1,520,190</u>	<u>1,495,387</u>
EQUITY			
Share capital		567,803	567,803
Reserves		952,387	927,584
Total equity		<u>1,520,190</u>	<u>1,495,387</u>

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

	2005 HK\$'000	2004 HK\$'000
Net cash from operating activities	3,533	2,703
Net cash from investing activities	4,441	26,867
Net cash used in financing activities	—	(20,759)
Increase in cash and cash equivalents	7,974	8,811
Cash and cash equivalents at beginning of period	(31,876)	(41,500)
Currency translation differences	—	4
Cash and cash equivalent at end of period	<u>(23,902)</u>	<u>(32,685)</u>
Analysis of cash and cash equivalents:		
Cash and bank balances	15,918	27,519
Bank overdrafts	<u>(39,820)</u>	<u>(60,204)</u>
	<u>(23,902)</u>	<u>(32,685)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

	Share capital HK\$'000	Other reserves HK\$'000	Retained profit HK'000	Total HK\$'000
At 1st January 2005, as previously reported	567,803	1,643,593	(716,009)	1,495,387
Effect on adoption of the new HKFRS				
HKAS 32 and 39 (note 2(c))	–	21,428	–	21,428
HKAS 40 (note 2(b))	–	(945,730)	945,730	–
At 1st January 2005, as restated	567,803	719,291	229,721	1,516,815
Change in fair value of available-for-sale financial assets	–	360	–	360
Profit for the period	–	–	3,015	3,015
At 30th June 2005	<u>567,803</u>	<u>719,651</u>	<u>232,736</u>	<u>1,520,190</u>
	Share capital HK\$'000	Other reserves HK\$'000	Retained profit HK'000	Total HK\$'000
At 1st January 2004	567,803	1,544,778	(541,928)	1,570,653
Currency translation differences	–	292	–	292
Realised on disposal of properties of associates	–	(627)	–	(627)
Profit for the period	–	–	1,600	1,600
At 30th June 2004	<u>567,803</u>	<u>1,544,443</u>	<u>(540,328)</u>	<u>1,571,918</u>

NOTES TO THE FINANCIAL INFORMATION

(1) BASIS OF PREPARATION

The interim financial information has been prepared under the historical cost convention, as modified by the revaluation of certain properties and investments, and in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, other than as set out below.

The accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those adopted in the annual accounts for the year ended 31st December 2004, except that the Group has changed certain of its accounting policies following its adoption of the new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1st January 2005, with the exception as detailed in note (2)(b) below.

The changes in accounting policies of the Group on adopting the new HKFRS, which include all Hong Kong Accounting Standards ("HKAS") and applicable interpretations, do not have a material impact to the Group as a whole and particulars of these changes are set out in note (2) below.

Following the adoption of the new HKFRS, certain comparative figures in the interim financial information have been restated or reclassified to conform with the current presentation. Major changes in the presentation are set out as follows:

- (a) Share of profits less losses of associates presented net of taxation in the income statement.
- (b) Investment properties and prepayments of lease premiums, previously included under property, plant and equipment, are separately presented in the balance sheet.
- (c) Loans and amounts receivable are reclassified in the balance sheet in accordance with HKAS 32.

(2) CHANGES IN ACCOUNTING POLICIES

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition and the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries, jointly controlled entities or associates at the effective date of acquisition, and, in respect of an increase in holding in a subsidiary, the excess of the cost of acquisition and the carrying amount of the proportion of the minority interests acquired. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

(2) CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Goodwill *(Continued)*

If the cost of acquisition is less than the fair value of the net assets acquired or the carrying amount of the proportion of the minority interests acquired, the difference is recognized directly in the income statement. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of jointly controlled entities and associates is included in investment in jointly controlled entities and associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

In previous years, goodwill was amortised using the straight line method over its estimated useful life of not more than twenty years. Where the fair values ascribed to the net assets exceed the purchase consideration, such differences were recognized as income in the year of acquisition or over the weighted average useful life of the acquired non-monetary assets. The carrying amount of goodwill was reviewed annually and provision was only made where, in the opinion of the Directors, there was impairment in value other than temporary in nature. This accounting policy has been changed to conform with HKFRS 3 "Business combinations" and this change does not have any financial impact to the Group.

(b) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value and valuations are performed annually by external valuers. Changes in fair values are recognised in the income statement.

In previous years, increases in valuations were credited to the investment properties revaluation reserve. Decreases in valuations were first set off against increases on earlier valuations on a portfolio basis and thereafter were charged to income statement. This accounting policy has been changed to conform with HKAS 40 "Investment property". As a result, the investment properties revaluation reserve and other properties revaluation reserve as at 1st January 2005 have been reclassified to retained profit.

HKAS 40 requires assessment of the fair value of investment properties at each balance sheet date and any changes in fair values being accounted for in the income statement for that period. The Group intends to follow the same accounting treatment as adopted in 2004, which is to value such investment properties on an annual basis. Accordingly, the investment properties, including those held by the associates of the Group, were not revalued at 30th June 2005, since the Directors consider that such change of practice could introduce a significant element of short-term volatility into the income statement in respect of assets which are being held for long term by the Group. The Directors intend to conduct an independent assessment of the fair value of the investment properties, including those held by the associates of the Group, at 31st December 2005 and at each subsequent year end. It is not practicable to estimate the financial effect of this non-compliance as no interim valuation of the properties has been conducted.

(2) CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) Investments

The Group has reclassified its investments in the balance sheet following the adoption of HKAS 39 "Financial instruments: Recognition and measurement". In addition, available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement.

In previous years, the Group classified its investments, other than subsidiaries, jointly controlled entities and associates, as investment securities which were carried at cost less provision. As a result of this change in accounting policy, the reserves of the Group as at 1st January 2005 have been increased by HK\$21,428,000, representing the difference between the fair value and the carrying amount of these financial assets as at that date. In accordance with the provision of HKAS 39, a prior period adjustment to the previous accounting period is not necessary.

(d) Leases

The Group reclassifies leasehold land from property, plant and equipment to prepayments of lease premiums. The up-front prepayments made for the leasehold land is expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement.

In previous years, the leasehold land was classified under property, plant and equipment. For those classified as leasehold land and buildings included in property, plant and equipment, they were depreciated over the period of the lease, whereas those properties under development and for sale were stated at cost, including land and construction costs, less provisions for foreseeable losses. This accounting policy has been changed to conform with HKAS 17 "Leases". The resulting impact is not material and therefore a prior period adjustment has not been made.

(3) PRINCIPAL ACTIVITIES 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.

An analysis of the Group's turnover and results for the period by business segments is as follows:

For the six months ended 30th June, 2005

	Property development HK\$'000	Property investment HK\$'000	Estate management HK\$'000	Investment holding HK\$'000	Total HK\$'000
Turnover	<u>–</u>	<u>14,141</u>	<u>2,305</u>	<u>164</u>	<u>16,610</u>
Segment results	<u>1,640</u>	<u>8,736</u>	<u>2,027</u>	<u>524</u>	<u>12,927</u>
Unallocated corporate expenses					<u>(8,460)</u>
Operating profit					4,467
Finance costs					(3,202)
Share of (loss)/profit of associates	(1,301)	3,084	–	–	<u>1,783</u>
Profit before taxation					3,048
Income tax expenses					<u>(33)</u>
Profit for the period					<u>3,015</u>

For the six months ended 30th June, 2004

	Property development HK\$'000	Property investment HK\$'000	Estate management HK\$'000	Investment holding HK\$'000	Total HK\$'000
Turnover	<u>–</u>	<u>17,659</u>	<u>2,168</u>	<u>113</u>	<u>19,940</u>
Segment results	<u>1,613</u>	<u>16,644</u>	<u>1,624</u>	<u>134</u>	<u>20,015</u>
Unallocated corporate expenses					<u>(8,261)</u>
Operating profit					11,754
Finance costs					(12,693)
Share of (loss)/profit of associates	(831)	3,617	–	–	<u>2,786</u>
Profit before taxation					1,847
Income tax expenses					<u>(247)</u>
Profit for the period					<u>1,600</u>

(3) PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION (Continued)

An analysis of the Group's turnover and contribution to operating profit for the period by geographical segments is as follow:

	Turnover		Operating profit	
	2005 HK'000	2004 HK\$'000	2005 HK'000	2004 HK\$'000
Principal markets				
Hong Kong	14,879	13,874	3,243	1,363
Mainland China	1,731	6,066	1,224	10,391
	<u>16,610</u>	<u>19,940</u>	<u>4,467</u>	<u>11,754</u>

(4) OPERATING PROFIT

	2005 HK\$'000	2004 HK\$'000
Operating profit is arrived at after crediting:		
Gross rental income	14,141	17,659
Outgoings of investment properties	(4,859)	(5,600)
Net rental income	9,282	12,059
and after charging:		
Depreciation of property, plant and equipment	174	436
Operating leases in respect of office premises and staff quarters	661	632
Provision for bad and doubtful debts	3,069	–
Write-off of plant and equipment	–	2
	<u>–</u>	<u>2</u>

(5) FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Interest on bank loans and overdrafts	3,151	12,404
Interest on other loans	–	86
Financing charges	51	203
	<u>3,202</u>	<u>12,693</u>

(6) INCOME TAX EXPENSES

	2005 HK\$'000	2004 HK\$'000
Hong Kong Profits tax		
Under provision in prior periods	–	54
Deferred taxation	33	193
	<hr/> 33	<hr/> 193
	<hr/> 33	<hr/> 247

No provision for Hong Kong profits tax or enterprise income tax in the Mainland China has been made as the Group does not have any assessable profit derived from Hong Kong or Mainland China for the period (2004: Nil).

The Group's share of profit of associates is stated after deducting the Group's share of income tax amounting to HK\$194,000 (2004: HK\$391,000).

(7) EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to equity holders of the Company of HK\$3,015,000 (2004: HK\$1,600,000) and 1,135,606,132 shares (2004: 1,135,606,132 shares) in issue during the period. There is no diluted earnings per share because there is no dilutive potential shares in issue during the period.

(8) PROPERTY, PLANT AND EQUIPMENT

	HK\$'000
Net book value at 1st January 2005	465
Additions	111
Write-off	(5)
Depreciation	(174)
Write back of impairment	51
	<hr/> 448
Net book value at 30th June 2005	<hr/> 448

(9) INVESTMENT HELD FOR SALE

The investment represents the Group's 61.1% equity interest in Beijing Lucky Building Company Limited ("Beijing Lucky"), formerly a subsidiary of the Group. On 26th April 2004, Turbo Dragon Limited ("Turbo Dragon"), a wholly-owned subsidiary of the Group, entered into a sale and purchase supplement agreement, which was supplemental to the sale and purchase agreement dated 30th July 2003 (collectively the "Agreements"), with China Yintai Investment Company Limited ("China Yintai") to sell its entire equity interest of 61.1% in Beijing Lucky, at an aggregate consideration, as subsequently amended on 22nd June 2004, of RMB134,070,000 (approximately HK\$126,481,000). On execution of the Agreements, a deposit of RMB25,000,000 (approximately HK\$23,585,000) was received and the balance of RMB109,070,000 (approximately HK\$102,896,000) is receivable by four instalments. According to the terms of the Agreements, Turbo Dragon will transfer the equity interest in Beijing Lucky to China Yintai in stages in proportion to the amount of consideration actually received. In addition, 2 out of the 4 directors representing Turbo Dragon in the board of directors of Beijing Lucky were replaced by those representing China Yintai following the execution of the Agreements. Accordingly, Beijing Lucky ceased to be a subsidiary in 2004.

(10) TRADE AND OTHER RECEIVABLES

	30th June 2005 HK\$'000	31st December 2004 HK\$'000
Trade receivables	4,017	3,808
Other receivables	5,252	5,655
Prepayments and deposits	5,532	6,118
Amounts due from associates	271,008	275,058
	<u>285,809</u>	<u>290,639</u>

Trade receivables represent rental charges and estate management fees due from tenants which are due on presentation of invoices. The ageing analysis of the trade receivables is as follows:

	30th June 2005 HK\$'000	31st December 2004 HK\$'000
Within 30 days	1,381	1,245
31 to 60 days	800	749
61 to 90 days	229	212
Over 90 days	1,607	1,602
	<u>4,017</u>	<u>3,808</u>

(11) TRADE PAYABLES

The ageing analysis of the trade payables is as follows:

	30th June 2005 HK\$'000	31st December 2004 HK\$'000
Within 30 days	524	368
31- 60 days	693	540
61- 90 days	336	290
Over 90 days	47,160	46,275
	<hr/> 48,713 <hr/>	<hr/> 47,473 <hr/>

(12) COMMITMENTS

(a) Commitments under operating leases

The future aggregate minimum lease rental expense under non-cancellable operating leases in respect of land and buildings is payable in the following periods:

	30th June 2005 HK\$'000	31st December 2004 HK\$'000
Within one year	1,251	1,251
Between one to five years	408	1,069
	<hr/> 1,659 <hr/>	<hr/> 2,320 <hr/>

(b) Future minimum rental receivables

The future aggregate minimum lease rental income under non-cancellable operating leases is receivable in the following periods:

	30th June 2005 HK\$'000	31st December 2004 HK\$'000
Within one year	18,148	17,437
Between one to five years	27,530	30,433
More than five years	8,416	11,271
	<hr/> 54,094 <hr/>	<hr/> 59,141 <hr/>

(13) RELATED PARTY TRANSACTIONS

	2005 HK\$'000	2004 HK\$'000
Estate management fee income from associates	<hr/> 1,261 <hr/>	<hr/> 1,022 <hr/>

The Group provided estate management services to Zeta Estates Limited and Kin Tong Land Investment Company Limited, associates of the Group, during the period. Estate management fees were charged at agreed percentage of rental income during the period.

INTERIM DIVIDEND

The Directors of the Company have resolved not to declare any interim dividend for the six months ended 30th June 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The Group recorded a turnover of HK\$16,610,000 for the six months ended 30th June 2005, which represented a decrease of approximately HK\$3,330,000 or 17% as compared with the same period in 2004. The decrease is mainly due to the decrease in rental income from the Mainland China.

The profit attributable to equity holders for the six months ended 30th June 2005 was HK\$3,015,000 whereas HK\$1,600,000 was made for the same period in 2004. The increase in profit is mainly due to the decrease in finance costs and administrative expenses.

Hong Kong Business

Property

For the six months ended 30th June 2005, the average occupancy rates of the Group's residential properties situated at Red Hill Peninsula and South Horizons were approximately 55% and 100% respectively, while the average occupancy rate of commercial properties situated at Harbour Crystal Centre was approximately 83%. During the period, the Group's net rental income from property leasing was higher than that for the same period in last year as a result of the increase in occupancy levels in properties.

Beijing Business

The Wangfujing Projects

Lot No. F1 (61.1% owned)

The Group's wholly-owned subsidiary, Turbo Dragon Limited ("Turbo Dragon") entered into a Sale and Purchase Supplemental Agreement (the "Agreement") with China Yintai Investment Company Limited ("China Yintai") on 26th April 2004, whereby Turbo Dragon agreed to sell its 61.1% interest in Beijing Lucky Building Company Limited ("Beijing Lucky") to China Yintai for an aggregate consideration of RMB134,070,000 (approximately HK\$126,481,000).

On 9th May 2004, a deposit of RMB25,000,000 (approximately HK\$23,585,000) was received from China Yintai. According to the Agreement, the remaining balance of the consideration for the sale of the interest in the sum of RMB109,070,000 (approximately HK\$102,896,000) will be received by four installments.

Dan Yao Building (85% owned)

On 10th March 2005, the Second Intermediate People's Court of Beijing Municipality (the "PRC Court") has accepted for consideration the application for the liquidation of Beijing Dan Yao Property Company Limited ("Dan Yao") made by the Company and Dan Yao. Currently, Dan Yao is operating under the supervision of the PRC Court.

In the next half of the year, the tenants of Dan Yao Building will continue to adjust its commercial products for sales and try to maintain steadily in business operations. It is expected that by the end of the year, the PRC Court will make a decision on whether or not to grant an order for the liquidation of Dan Yao upon completing the audit of the accounts and valuation of the assets of Dan Yao.

The Xidan Project (29.4% owned)

For the six month period ended 30th June 2005, the remaining sales receivable of RMB87,504,000 (approximately HK\$82,551,000) from the sale of the building located at Lot No. 1 has not yet been received; all the works for building located at Lot No. 2 has been completed and the building ownership certificate is being arranged; regarding the sale of land located at Lot No. 4, the sum of RMB955,000,000 (approximately HK\$900,943,000) has been received and transfer of the project was completed; concerning the building located at Lot No. 5, the dispute with Beijing Tai Yun Plaza Co., Ltd relating to the allocation of property area was resolved where the court ruled in favour to Beijing Jing Yuan Property Development Co., Ltd. ("Jing Yuan"). Land and Property Bureau has accepted Jing Yuan's application for the building ownership certificate where the title of the property will be transferred to China United Telecommunication Corporation; regarding the building located at Lot No. 9, all construction works and facilities were completed. The facilities are being tested and checked currently.

ASSETS AND CHARGES

The total assets of the Group increased from HK\$1,827,869,000 as at 31st December 2004 to HK\$1,850,780,000 as at 30th June 2005. Net assets of the Group increased from HK\$1,495,387,000, as at 31st December 2004 to HK\$1,520,190,000 as at 30th June 2005. As at 30th June 2005, the amount of the Group's bank borrowings, which is secured by a pledge of property, decreased from HK\$98,935,000 as at 31st December 2004 to HK\$89,725,000 as at 30th June 2005.

FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

The total liabilities of the Group decreased from HK\$332,482,000 at 31st December 2004 to HK\$330,590,000 at 30th June 2005. The Group had cash at banks and in hand of HK\$15,918,000 at 30th June 2005 (2004: HK\$17,154,000). The ratio of total liabilities to total assets was approximately 18% (2004: 18%). At 30th June 2005, the aggregate amount of bank loans and bank overdrafts was HK\$89,725,000 (2004: HK\$98,935,000) and the total equity was HK\$1,520,190,000 (2004: HK\$1,495,387,000), and therefore the capital gearing ratio was 6% (2004: 7%). As from 1st September 2005, the bank overdraft facility has reduced from HK\$60,000,000 to HK\$45,000,000 (2004: HK\$60,000,000) of which HK\$39,820,000 (2004: HK\$49,030,000) has been utilized as at 30th June 2005. All the total borrowings, that is, the sum of HK\$89,725,000 is repayable on demand. As at 30th June 2005, the Group's current assets, amounting to HK\$504,911,000 (2004: HK\$505,555,000), exceeded its current liabilities by HK\$213,563,000 (2004: HK\$212,281,000). Given that Dan Yao has applied for liquidation as mentioned above and no major payments will be made by Dan Yao, the other operations of the Group can generate sufficient cash flows to enable the Group to settle its remaining liabilities as and when they fall due.

For the six months ended 30th June 2005, the Group has no exposure to fluctuations in exchange rates and related hedges and there were no contingent liabilities.

EMPLOYEES

As at 30th June 2005, the Group, excluding associated companies, had 52 employees of which 40 were employed in Hong Kong.

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

PROSPECTS

The Group is now continuing to monitor carefully the internal and external resources and is achieving a strategic transformation in operations where a smooth transition is laid down as a foundation. The Group is also carefully and actively selecting suitable projects in the market for future business development.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30th June 2005, the interests and short positions of the each Director, Chief Executive and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which require notification pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is taken or deemed to have under such provisions of the SFO), or which are required to be entered into the register maintained by the Company under Section 352 of the Part XV of the SFO, or which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations Ordinary shares of the Company at HK\$0.5 each

Name of Director	Number of ordinary shares beneficially held				Total Interest
	Personal Interest	Family Interest	Corporate Interest	Other Interest	
DAI Xiaoming (<i>Note</i>)	23,000,000	–	388,720,881	–	411,720,881

Note: Being the ultimate beneficial owner of shares representing 95% of the issued share capital of Dan Form International Limited ("DFIL"), the ultimate holding company of Fabulous Investments Limited ("Fabulous"), Mr. Dai Xiaoming ("Mr. Dai") is deemed to be interested in the 2,660,000 and 386,060,881 ordinary shares in the Company beneficially held by DFIL and Fabulous respectively.

Save as disclosed above, none of the Chief Executive, Directors or their respective associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

None of the Chief Executive, Directors or their respective associates had short positions in respect of shares, underlying shares or debentures of the Company or any of its associated corporations.

At no time during the six months ended 30th June, 2005 was the Company, its subsidiaries, its associates its fellow subsidiaries or its holding companies a party to any arrangements to enable the Chief Executive or Directors of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Chief Executive, Directors or their spouses or children under the age of 18, had any right to subscribe for securities of the Company or had exercised any such right during the six months ended 30th June, 2005.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

1. Aggregate long position in the shares and underlying shares of the Company

As at 30th June 2005, so far as is known to the Chief Executive and Directors of the Company, the interests of the substantial shareholders, being 5% or more of the Company's issued share capital, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Note	Number of ordinary shares held	Percentage of the issued share capital of the Company
DAI Xiaoming	(1)	411,720,881	36.26
Harlesden Limited	(2)	388,720,881	34.23
DFIL	(2)	388,720,881	34.23
Value Plus Holdings Limited	(2)	386,060,881	34.00
Fathom Limited	(2)	386,060,881	34.00
Fabulous	(2)	386,060,881	34.00
Nina KUNG	(3)	261,808,697	23.05
Greenwood International Limited	(3)	245,094,197	21.58
China National Foreign Trade Transportation (Group) Corporation	(4)	94,836,971	8.35
Focus-Asia Holdings Limited	(4)	94,836,971	8.35

Notes:

- (1) Mr. Dai was beneficially interested in a total of 411,720,881 ordinary shares in the Company, including the interests held through various companies under his control (see note (2) below). These interests are the same as those disclosed under "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above.
- (2) By virtue of SFO, Harlesden Limited, DFIL, Value Plus Holdings Limited and Fathom Limited, being holding companies of Fabulous, are deemed to be interested in the 386,060,881 ordinary shares in the Company beneficially held by Fabulous. Harlesden Limited, being the holding company of DFIL, is also deemed to be interested in the 2,660,000 ordinary shares in the Company beneficially held by DFIL. Mr. Dai has a controlling interest in each of the aforesaid companies.
- (3) Greenwood International Limited ("Greenwood") was beneficially interested in approximately 21.58% of the issued share capital of the Company. Ms. Nina Kung (Mrs. Nina T.H. Wang) was beneficially interested in a total of 261,808,697 ordinary shares in the Company, through shareholdings in companies (including Greenwood) controlled by her, representing approximately 23.05% of the issued share capital of the Company.
- (4) Focus-Asia Holdings Limited ("Focus-Asia") was beneficially interested in a total of 94,836,971 ordinary shares in the Company. China National Foreign Trade Transportation (Group) Corporation, being holding company of Focus-Asia, is deemed to be interested in the 94,836,971 ordinary shares in the Company beneficially held by Focus-Asia.

2. Aggregate short position in the shares and underlying shares of the Company

As at 30th June 2005, the Company had not been notified of any short position being held by any substantial equity holders or other persons in the shares or underlying shares of the Company.

Save as disclosed above, as at 30th June 2005, the Company has not been notified of any interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO.

ADVANCES TO ENTITIES

In accordance with Rule 13.20 of the Listing Rules, the Directors of the Company reported on details of advances made by the Group for the benefit of the following entities as at 30th June 2005, which for each of the following entities exceeded 8% of market capitalization of the Company and which for Zeta exceeded 8% of the total assets of the Group as at 30th June 2005 as follows:

Name of entity	Note	Date of advance	Percentage of equity held by the Group	Remaining balance of the advance HK\$'000
Zeta Estates Limited ("Zeta")	(1)	1st July 1998	33 $\frac{1}{3}$ %	272,323
Beijing Jing Yuan Property Development Co., Ltd. ("BJYPD")	(2)	1st December 1998	29.4%	106,543

Notes:

- (1) The advance is unsecured, interest-free as from 1st January 2004 and has no fixed terms of repayment. Repayment of the advance has been made by Zeta on a monthly basis as from 1st January 2004.
- (2) BJYPD is engaged in property development business in Beijing. The advance was made to BJYPD to finance its property development project in which the Group has 29.4% interest. The advance is unsecured, interest-free and settlement will be made after repayment of all bank loans and upon the sale of relevant properties now under development. The completion of sale of properties is expected to be in 2010.

PROFORMA COMBINED BALANCE SHEET OF AFFILIATED COMPANIES

The unaudited proforma combined balance sheet of the affiliated companies of the Group and the interest attributable to the Group as at 30th June 2005 (the latest practicable date) are set out as follows:

Description	Combined total <i>HK\$'000</i>	Interest attributable to the Group <i>HK\$'000</i>
Investment properties	3,169,591	1,056,530
Properties under development for sale	488,110	143,504
Fixed assets	4,527	1,332
Long-term receivables	68,856	20,267
Current assets	396,943	118,370
Current liabilities	(964,369)	(317,347)
Non-current liabilities	(771,998)	(226,967)
	<hr/>	<hr/>
Total equity	<u>2,391,660</u>	<u>795,689</u>

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the six months ended 30th June 2005. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30th June 2005.

DIRECTORS' SECURITIES TRANSACTIONS

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 Rules Governing the Listing of Securities ("the Listing Rules") as its own code of conduct regarding the directors' securities transactions. The Company has made specific enquiry of all Directors whether they have complied with the Model Code and all Directors confirmed that they have complied with the Model Code for the period ended 30th June 2005.

Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees have been sent to the relevant employees of the Group.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Group's interim report for the six months ended 30th June 2005 has been reviewed by the Audit Committee of the Company.

The Company is committed to maintaining the highest standard of corporate governance practices. The Company has complied with all the code provisions as set out in Appendix 14 of the Code on Corporate Governance Practices of the Listing Rules throughout the accounting period for the six months ended 30th June 2005, except for the following deviations:

Code Provision A.2.1

This Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of Chairman and Chief executive are still managed by the same individual. When suitable time comes, the roles of Chairman and Chief executive will be separated under the new regime.

Code Provision A.4.2 (last sentence)

Code A.4.2 (last sentence) stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with Article 102 of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office. The retiring Directors shall be eligible for re-election.

In order to ensure all compliance with Code A.4.2, a special resolution will be proposed to amend the relevant Articles of Association of the Company at the Annual General Meeting to be held in 2006, so that every Director, including those appointment for a specific term, shall be subject to retirement by rotation at least once every three years.

By Order of the Board

Fung Man Yuen

Company Secretary

Hong Kong, 13th September 2005