

INTERIM REPORT

2006



丹 楓 控 股 有 限 公 司

DAN FORM HOLDINGS COMPANY LIMITED

Stock code : 271



CORPORATE INFORMATION

DIRECTORS	:	Dai Xiaoming* (<i>Chairman and Chief Executive</i>) Kenneth Hiu King Kon* (<i>Deputy Chief Executive</i>) Jesse Nai Chau Leung** Xiang Bing** Edward Shen**
		* <i>Executive Directors</i> ** <i>Independent Non-Executive Directors</i>
AUDIT COMMITTEE	:	Jesse Nai Chau Leung (<i>Chairman</i>) Xiang Bing Edward Shen
REMUNERATION COMMITTEE	:	Edward Shen (<i>Chairman</i>) Jesse Nai Chau Leung Xiang Bing
COMPANY SECRETARY AND FINANCIAL CONTROLLER	:	Fung Man Yuen
AUDITORS	:	PricewaterhouseCoopers
PRINCIPAL BANKERS	:	Industrial and Commercial Bank of China (Asia) Limited Standard Chartered Bank (Hong Kong) Limited
SOLICITORS	:	Stephenson Harwood & Lo Hampton, Winter & Glynn
REGISTRARS	:	Tengis Limited 26/F., Tesbury Centre 28 Queen's Road East 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 2006. The consolidated profit and loss account, the consolidated cash flow statement and the consolidated statement of changes in equity for the six months ended 30th June 2006 and the consolidated balance sheet as at 30th June 2006 of the Group which are all unaudited and condensed, along with selected explanatory notes, are set out on pages 2 to 11 of this report as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30TH JUNE 2006

	Note	2006 HK\$'000	2005 HK\$'000
Turnover	(3)	14,062	16,610
Cost of sales		(4,701)	(5,164)
Gross profit		9,361	11,446
Other income		2,458	180
Administrative expenses		(8,675)	(8,947)
Other operating expenses		(313)	(3,471)
Write back of provision for properties for sale		2,087	5,259
Change in fair value of investment properties		32,000	–
Operating profit	(4)	36,918	4,467
Finance costs	(5)	(3,432)	(3,202)
Share of (losses)/profits of associated companies		(3,326)	1,783
Profit before taxation		30,160	3,048
Taxation	(6)	(5,843)	(33)
Profit for the period		24,317	3,015
		HK cents	HK cents
Earnings per share	(7)	2.14	0.27



CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS AT 30TH JUNE 2006

	Note	30th June 2006 HK\$'000	31st December 2005 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	(8)	365	256
Investment properties		447,270	415,270
Prepayments of lease premiums		327	328
Associated companies		997,625	990,861
Available-for-sale financial assets		36,490	37,477
Other non-current assets		9,368	–
		<u>1,491,445</u>	<u>1,444,192</u>
Current assets			
Properties for sale		215,588	213,501
Investment for sale	(9)	85,644	128,913
Trade and other receivable	(10)	23,716	23,644
Amounts due from associated companies		343,247	357,309
Cash and bank balances		11,788	16,727
		<u>679,983</u>	<u>740,094</u>
Total assets		<u>2,171,428</u>	<u>2,184,286</u>
EQUITY			
Share capital		567,803	567,803
Reserves		1,278,983	1,255,634
Total equity		<u>1,846,786</u>	<u>1,823,437</u>
LIABILITIES			
Non-current liabilities			
Deferred taxation liabilities		54,781	48,937
Current liabilities			
Creditors and accruals	(11)	183,323	203,887
Amounts due to associated companies		13,658	12,417
Bank loans and bank overdrafts		66,962	89,689
Tax payable		5,918	5,919
		<u>269,861</u>	<u>311,912</u>
Total liabilities		<u>324,642</u>	<u>360,849</u>
Total equity and liabilities		<u>2,171,428</u>	<u>2,184,286</u>
Net current assets		<u>410,122</u>	<u>428,182</u>
Total assets less current liabilities		<u>1,901,567</u>	<u>1,872,374</u>



CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30TH JUNE 2006

	2006 HK\$'000	2005 HK\$'000
Net cash (used in)/from operating activities	(23,253)	3,533
Net cash from investing activities	<u>41,040</u>	<u>4,441</u>
Increase in cash and cash equivalents	17,787	7,974
Cash and cash equivalents at beginning of period	<u>(22,096)</u>	<u>(31,876)</u>
Cash and cash equivalents at end of period	<u><u>(4,309)</u></u>	<u><u>(23,902)</u></u>
Analysis of cash and cash equivalents:		
Cash and bank balances	11,788	15,918
Bank overdrafts	<u>(16,097)</u>	<u>(39,820)</u>
	<u><u>(4,309)</u></u>	<u><u>(23,902)</u></u>



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30TH JUNE 2006

	Share capital HK\$'000	Other reserves HK\$'000	Retained profit HK\$'000	Total HK\$'000
At 31st December 2005	567,803	721,559	534,075	1,823,437
Changes in exchange rates	-	19	-	19
Change in fair value of available-for-sale financial assets	-	(987)	-	(987)
Profit for the period	-	-	24,317	24,317
At 30th June 2006	<u>567,803</u>	<u>720,591</u>	<u>558,392</u>	<u>1,846,786</u>
At 31st December 2004	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>



NOTES TO THE INTERIM FINANCIAL INFORMATION

(1) GENERAL INFORMATION

The principal activities of Dan Form Holdings Company Limited (the “Company”) and its subsidiaries (together the “Group”) are property development, property investment, estate management and holding of investments.

The Company is a limited liability company incorporated in Hong Kong and has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited. The address of its registered office is Room 901-903, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

The interim financial information has been approved by the Board of Directors on 8th September 2006.

(2) BASIS OF PREPARATION

The interim financial information has been prepared under the historical cost convention as modified by the revaluation of certain properties, available-for-sale financial assets and investment for sale, which are carried at fair value, and also presented in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those adopted in the annual financial statements for the year ended 31st December 2005. For the six months ended 30th June 2006, the Group has also applied for the first time, a number of new standards, amendments and interpretations under Hong Kong Financial Reporting Standards which are effective for the accounting periods beginning on or after 1st January 2006. The adoption of these new standards has no material impact to the accounting policies of the Group.

Hong Kong Accounting Standard 40 “Investment Property” 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 profit and loss account for that period. Accordingly, the investment properties, including those held by the associated companies of the Group, have been revalued at 30th June 2006. However, a revaluation of the investment properties was not carried out at 30th June 2005 as explained in the 2005 interim report. As a result, the results for the period are not comparable to the corresponding period of last year.



(3) SEGMENT INFORMATION

(a) Business segments

	Property development HK\$'000	Property investment HK\$'000	Estate management HK\$'000	Investment holding HK\$'000	Total HK\$'000
For the six months ended 30th June 2006					
Turnover	<u>–</u>	<u>11,229</u>	<u>2,612</u>	<u>221</u>	<u>14,062</u>
Segment results	<u>1,484</u>	<u>38,880</u>	<u>2,326</u>	<u>2,632</u>	<u>45,322</u>
Unallocated corporate expenses					<u>(8,404)</u>
Operating profit					<u>36,918</u>
Finance costs					<u>(3,432)</u>
Share of (losses)/profits of associated companies	<u>(10,090)</u>	<u>6,764</u>	<u>–</u>	<u>–</u>	<u>(3,326)</u>
Profit before taxation					<u>30,160</u>
Taxation					<u>(5,843)</u>
Profit for the period					<u>24,317</u>

	Property development HK\$'000	Property investment HK\$'000	Estate management HK\$'000	Investment holding HK\$'000	Total HK\$'000
For the six months ended 30th June 2005					
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					<u>4,467</u>
Finance costs					<u>(3,202)</u>
Share of (losses)/profits of associated companies	<u>(1,301)</u>	<u>3,084</u>	<u>–</u>	<u>–</u>	<u>1,783</u>
Profit before taxation					<u>3,048</u>
Taxation					<u>(33)</u>
Profit for the period					<u>3,015</u>

(b) Geographical segments

	Turnover		Operating profit	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Hong Kong	<u>12,364</u>	<u>14,879</u>	<u>32,870</u>	<u>3,243</u>
Mainland China	<u>1,698</u>	<u>1,731</u>	<u>4,048</u>	<u>1,224</u>
	<u>14,062</u>	<u>16,610</u>	<u>36,918</u>	<u>4,467</u>



(4) OPERATING PROFIT

Operating profit is arrived at after crediting:

Gross rental income
Outgoings of investment properties
Net rental income

and after charging:

Depreciation and amortisation
Exchange loss
Operating leases in respect of office premises and staff quarters
Provision for impairment of other receivable
Write-off of plant and equipment

2006 HK\$'000	2005 HK\$'000
11,229	14,141
(4,382)	(4,859)
6,847	9,282
52	174
373	–
648	661
–	3,069
5	–
<u>5</u>	<u>–</u>

(5) FINANCE COSTS

Interest on bank loans and overdrafts
Interest on other loans
Other incidental borrowing costs

2006 HK\$'000	2005 HK\$'000
3,340	3,151
6	–
86	51
<u>3,432</u>	<u>3,202</u>

(6) TAXATION

Deferred

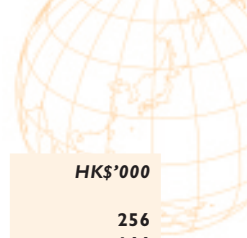
2006 HK\$'000	2005 HK\$'000
<u>5,843</u>	<u>33</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period. Taxation on profits generated in Mainland China has been provided at the prevailing rates applicable to those subsidiaries which operate in Mainland China.

The Group's share of (losses)/profits of associated companies is stated after deducting the Group's share of taxation charge amounting to HK\$1,239,000 (2005: HK\$194,000).

(7) EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to equity holders of the Company of HK\$24,317,000 (2005: HK\$3,015,000) and 1,135,606,132 (2005: 1,135,606,132) shares in issue during the period. There is no diluted earnings per share since there is no dilutive potential shares in issue during the period.



(8) PROPERTY, PLANT AND EQUIPMENT

Net book value at 31st December 2005
 Additions
 Write-off
 Depreciation

HK\$'000

256
 166
 (5)
 (52)

Net book value at 30th June 2006

365

(9) INVESTMENT FOR SALE

The investment represents the Group's 40.5% (2005: 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 supplemental agreement, which was supplemental to the sale and purchase agreement dated 30th July 2003 and subsequently amended by supplemental agreements (collectively the "Agreements"), with China Yintai Investment Company Limited ("China Yintai") to sell its entire interest in Beijing Lucky, at an aggregate consideration, as subsequently amended on 22nd June 2004, of RMB134,070,000 (approximately HK\$128,913,000). On execution of the Agreements, a deposit of RMB25,000,000 (approximately HK\$24,038,000) was received. During the period, the Group received from China Yintai the first and second instalments of RMB20,000,000 (approximately HK\$19,231,000) together with accrued and penalty interest of RMB1,878,000 (approximately HK\$1,806,000) and the remaining balance of the consideration of RMB89,070,000 (approximately HK\$85,644,000) is receivable by instalments which carry interest at agreed interest rates. On 21st November 2005, Turbo Dragon entered into another supplemental agreement with China Yintai, under which, inter alia, the payment schedule for the balance of the sale consideration was revised and the method of calculating interest on the instalments was agreed. 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 received. As a result, the Group has transferred 20.6% equity interest in Beijing Lucky to China Yintai.

(10) TRADE AND OTHER RECEIVABLE

Trade receivable
 Other receivable
 Prepayments and deposits

30th June 2006 HK\$'000	31st December 2005 HK\$'000
4,530	4,733
12,616	12,382
6,570	6,529
23,716	23,644

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

Within 30 days
 31 to 60 days
 61 to 90 days
 Over 90 days

30th June 2006 HK\$'000	31st December 2005 HK\$'000
764	1,434
409	354
294	194
3,063	2,751
4,530	4,733



(11) CREDITORS AND ACCRUALS

Trade payable
Other payable
Accrued operating expenses

30th June 2006 HK\$'000	31st December 2005 HK\$'000
47,294	48,010
124,865	146,809
11,164	9,068
<u>183,323</u>	<u>203,887</u>

The ageing analysis of the trade payable of the Group is as follows:

Within 30 days
31 to 60 days
61 to 90 days
Over 90 days

30th June 2006 HK\$'000	31st December 2005 HK\$'000
338	448
-	247
-	326
46,956	46,989
<u>47,294</u>	<u>48,010</u>

(12) COMMITMENTS

(a) Operating leases commitments

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

Within one year
One to five years

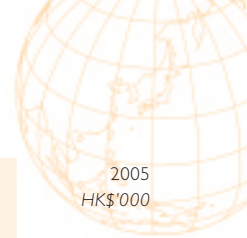
30th June 2006 HK\$'000	31st December 2005 HK\$'000
923	1,095
526	-
<u>1,449</u>	<u>1,095</u>

(b) Operating lease rental receivable

The future minimum lease rental income under non-cancellable operating leases in respect of investment and other properties are receivable in the following periods:

Within one year
One to five years
Over five years

30th June 2006 HK\$'000	31st December 2005 HK\$'000
13,847	10,555
30,347	9,646
7,260	3,424
<u>51,454</u>	<u>23,625</u>



(13) RELATED PARTY TRANSACTIONS

Estate management fee income
from associated companies

2006 HK\$'000	2005 HK\$'000
<u>1,578</u>	<u>1,261</u>

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

(14) LITIGATION

In February 2003, a purchaser of the properties developed by Beijing Dan Yao Property Co., Ltd ("Dan Yao"), a 85% subsidiary of the Group, lodged claims against Dan Yao for the refund of purchase consideration and penalties for reasons, among others, that Dan Yao was not able to obtain the property title certificate within the time stated in the relevant sale and purchase agreement. The first court judgement ruled in favor of the purchaser and as a result, the Group has made a full provision for the claims while Dan Yao appealed against this ruling. In order to enable the interest of all creditors of Dan Yao, including the Group, to be dealt with fairly and properly, the Company has applied in December 2004 for the liquidation of Dan Yao. In March 2005, the Second Intermediate People's Court of Beijing Municipality (the "PRC Court") accepted for consideration of the application of the Company to liquidate Dan Yao, which is then operating under the supervision of the PRC Court. Thereafter, certain creditors of Dan Yao have filed objections against placing Dan Yao under liquidation. The PRC Court will decide whether or not to grant an order for the liquidation after completing the audit of the accounts and valuation of the assets of Dan Yao. Currently, a decision has not yet been made by the PRC Court. However, the Directors are of the opinion that the proposed liquidation of Dan Yao will not have any significant negative impact on the financial statements of the Group as a whole.



INTERIM DIVIDEND

The Directors of the Company have resolved not to declare any interim dividend for the six months ended 30th June 2006 (2005: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The Group recorded a turnover of HK\$14,062,000 for the six months ended 30th June 2006, which represented a decrease of approximately HK\$2,548,000 or 15% as compared with the same period in 2005. The decrease is mainly due to the decrease in rental income from Hong Kong.

The profit attributable to equity holders for the six months ended 30th June 2006 was HK\$24,317,000 whereas HK\$3,015,000 was made for the same period in 2005. The profit is mainly due to the increase in fair value of Harbour Crystal Centre.

Hong Kong Business

Property

For the six months ended 30th June 2006, the average occupancy rates of the Group's residential properties situated at Red Hill Peninsula and South Horizons were approximately 68% and 100% respectively, while the average occupancy rate of commercial properties situated at Harbour Crystal Centre was approximately 68%. During the period, the Group's net rental income from property leasing was lower than that for the same period in last year as a result of the decrease in occupancy levels of the properties situated at Harbour Crystal Centre.

Beijing Business

The Wangfujing Projects

Lot No. F1 (40.5% owned)

As requested by the Beijing Municipal Bureau of Commerce on approving the sale and purchase agreement, the Group's wholly-owned subsidiary Turbo Dragon Limited ("Turbo Dragon") entered into a supplementary sale and purchase agreement with China Yintai Investment Company Limited ("China Yintai") on 8th February 2006. According to the contents of the relevant sale and purchase agreements, Turbo Dragon would sell its 61.1% interest in Beijing Lucky Building Company Limited ("Beijing Lucky") to China Yintai for total a consideration of RMB134,070,000 (approximately HK\$128,913,000).

Turbo Dragon received a deposit of RMB25,000,000 (approximately HK\$24,038,000) from China Yintai on 9th May 2004; the first instalment of RMB10,000,000 (approximately HK\$9,615,000) together with accrued interest of RMB975,000 (approximately HK\$938,000) and the second instalment of RMB10,000,000 (approximately HK\$9,615,000) together with accrued interest of RMB903,000 (approximately HK\$868,000) were also received by the Group on 27th February 2006 and 9th May 2006 respectively. The remaining sale consideration of RMB89,070,000 (approximately HK\$85,644,000) and the accrued interest of RMB10,332,000 (approximately HK\$9,935,000) will be received by three instalments on or before 6th February 2007. The interest of the Group in Beijing Lucky will be transferred in stages in proportion to the actual amount received from China Yintai. As a result, the Group has transferred 20.6% equity interest in Beijing Lucky to China Yintai.



Dan Yao Building (85% owned)

For the six months ended 30th June 2006, the Second Intermediate People's Court of Beijing Municipality (the "PRC Court") is still examining the application for the liquidation of Beijing Dan Yao Property Company Limited ("Dan Yao"). The PRC Court has not yet made a decision on whether or not to grant an order for the liquidation of Dan Yao. It is expected that the PRC Court will make a decision on our application for the liquidation of Dan Yao by the end of 2006.

The business operation of the shopping mall of Dan Yao Building remains steady. For the six months ended 30th June 2006, the rental income was approximately RMB1,670,000 (approximately HK\$1,606,000), where the rental expenses (excluding finance expenses and non-recurring expenses) were approximately RMB1,894,000 (approximately HK\$1,821,000).

The operating strategy of Dan Yao Building will be continually adjusted; we are refining the operating structure of the shopping mall and enhancing the management of the building in order to maintain its stability in operations so as to achieve a break-even results.

The Xidan Project (29.4% owned)

For the six months ended 30th June 2006, the disputes between Beijing Jing Yuan Property Development Co., Ltd. ("Jing Yuan") and China Telecom Group Beijing Telecom Co., Ltd. ("Telecom Group Beijing") over the sale areas of the building located at Lot No.1 were resolved by the China International Economic and Trade Arbitration Commission ("CIETAC") on 27th June 2006, where the CIETAC ruled in favor of Jing Yuan; the application for the building ownership certificates in respect of the resettlement units of the building located at Lot No. 2 was submitted to the relevant Departments of the PRC Government and is being examined; according to the sale and purchase agreement of the land at Lot No. 4, Jing Yuan received RMB95,000,000 (approximately HK\$91,346,000) of the sales of RMB125,000,000 (approximately HK\$120,192,000) which is entitled to receive on or before 31st December 2005, whereas the sales of RMB50,000,000 (approximately HK\$48,077,000) which is entitled to receive on or before 30th June 2006 has not been received; the land and the building ownership certificates of the property at Lot No. 5, which was sold to China United Telecommunication Corporation ("China United Telecom") has been registered in the name of Jing Yuan, and the transfer of the title of the land and building to China United Telecom is being carried out; the project at Lot No. 9 has undergone the stages of maintenance, operations and costs recognition, and the sale of the building has also begun; in respect of the land at Lot No. 10, we are approaching to several parties for the sale of land.

In the second half of 2006, it is expected that the sales receivable of RMB37,504,000 (approximately HK\$36,062,000) stated in the original sale and purchase agreement of the building situated at the land of Lot No.1 will be received from Telecom Group Beijing based on the decision of the CIETAC; the arrangement of the building ownership certificates for the resettlement units of the building located at Lot No. 2 will be completed and the transfer of the titles has begun; the total outstanding sales receivable of RMB120,000,000 (approximately HK\$115,385,000) stipulated in the original sale and purchase agreement of the land at Lot No. 4 will be received; the transfer of title of the land and the building ownership certificates of the property at Lot No. 5 to China United Telecom will be completed and accordingly, we will receive the amount of RMB69,244,000 (approximately HK\$66,581,000) as stated in the sale and purchase agreement; the processes of maintenance, operations and costs recognition of Lot No. 9 will be completed and the sales will be carried out; at this preliminary stage, the transferee of the sale of the land at Lot No. 10 will be confirmed and the procedures for the transfer will be carried out.



ASSETS AND CHARGES

The total assets of the Group decreased from HK\$2,184,286,000 as at 31st December 2005 to HK\$2,171,428,000 as at 30th June 2006. Net assets of the Group increased from HK\$1,823,437,000, as at 31st December 2005 to HK\$1,846,786,000 as at 30th June 2006. As at 30th June 2006, the amount of the Group's bank borrowings, which is secured by a pledge of property, decreased from HK\$89,689,000 as at 31st December 2005 to HK\$66,962,000 as at 30th June 2006.

FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

The total liabilities of the Group decreased from HK\$360,849,000 at 31st December 2005 to HK\$324,642,000 at 30th June 2006. The Group had cash at banks and in hand of HK\$11,788,000 at 30th June 2006 (2005: HK\$16,727,000). The ratio of total liabilities to total assets was approximately 15% (2005: 16%). At 30th June 2006, the aggregate amount of bank loans and bank overdrafts was HK\$66,962,000 (2005: HK\$89,689,000) and the total equity was HK\$1,846,786,000 (2005: HK\$1,823,437,000), and therefore the capital gearing ratio was 4% (2005: 5%). The bank overdraft facility was reduced from HK\$45,000,000 to HK\$36,000,000 on 28th February 2006. As from 30th May 2006, it has been further reduced to HK\$26,000,000 (2005: HK\$45,000,000) of which HK\$16,097,000 (2005: HK\$38,823,000) has been utilised as at 30th June 2006. Currently, the Group has arranged for new banking facilities of a total sum of HK\$50,000,000, which has been approved by a new banker. As at 30th June 2006, the Group's current assets, amounting to HK\$679,983,000 (2005: HK\$740,094,000), exceeded its current liabilities by HK\$410,122,000 (2005: HK\$428,182,000). Given that Dan Yao has applied for liquidation as mentioned above and no payments except for minor liquidation expenses 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 2006, the Group has no exposure to fluctuations in exchange rates and related hedges and there were no contingent liabilities.

EMPLOYEES

As at 30th June 2006, the Group, excluding associated companies, has 51 employees of which 39 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 continuously adjusting its business structure and strategy at this stage in pursuit of the stability of financial position of the Group. As the current property market condition in Hong Kong is improving, such circumstance will be beneficial to the Group's property holding in Hong Kong.

The Group will continually apply a stable financial policy by increasing the operating revenues and tightening its control in costs and expenses on one hand; and by improving its corporate governance on the other. In addition, the management is considering investing new projects with higher returns for its 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 2006, the interests and short positions of 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				
	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total Interest
DAI Xiaoming (Note)	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 2006 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 2006.

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

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

As at 30th June 2006, 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 2006, 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 2006, 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.

ADVANCE TO AN ENTITY

In accordance with Rule 13.20 of the Listing Rules, the Directors of the Company reported on details of the advance made by the Group for the benefit of the following entity as at 30th June 2006, which exceeded 8% of the total assets of the Group as at 30th June 2006 as follows:

Name of entity	Date of advance	Percentage of equity held by the Group	Remaining amount of the advance <i>HK\$'000</i>
Zeta Estates Limited ("Zeta")	1st July 1988	33 $\frac{1}{3}$ %	264,646

The advance is unsecured, interest-free as from 1st January 2004 and has no fixed terms of repayment. Repayment of the advance is made by Zeta on monthly basis.

PROFORMA COMBINED BALANCE SHEET OF AFFILIATED COMPANIES

In accordance to Rule 13.16 of the Listing Rules, the unaudited proforma combined balance sheet of financial assistance to the affiliated companies of the Group and the interest attributable to the Group as at 30th June 2006 (the latest practicable date) are set out as follows:

Description	Combined <i>HK\$'000</i>	Attributable to the Group <i>HK\$'000</i>
Investment properties	3,552,828	1,183,638
Properties under development for sale	372,734	109,584
Properties, plant and equipment	3,758	1,105
Long-term receivable	32,108	9,464
Current assets	276,158	82,989
Current liabilities	(911,453)	(300,959)
Non-current liabilities	(707,872)	(208,114)
Net assets	<u>2,618,261</u>	<u>877,707</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 2006. 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 2006.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 2006.

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 2006 has been reviewed by the Audit Committee of the Company.

The Company is committed to maintaining a high standard of corporate governance within a sensible framework. 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 2006, 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, Mr. Dai Xiaoming. Since the Group has not completed the adjustments of its business structure and strategy, the roles of Chairman and Chief Executive have not been separated in order to uphold the effectiveness and efficiency of the management and operations of the Group. The Board would review this arrangement at regular intervals.

By Order of the Board
Fung Man Yuen
Company Secretary

Hong Kong, 8th September 2006