



丹楓控股有限公司

DAN FORM HOLDINGS COMPANY LIMITED

Interim Report **2003**

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, 2003. 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, 2003 and the consolidated balance sheet as at 30th June, 2003 of the Group which are all unaudited and condensed, along with selected explanatory notes, are set out on pages 1 to 12 of this report as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited	
		Six months ended 30th June,	
		2003	2002
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	(2)	33,132	40,095
Cost of sales		(13,535)	(20,946)
Gross profit		19,597	19,149
Other income		103	32
Administrative expenses		(13,257)	(12,223)
Other operating expenses		(1,462)	(3,803)
Operating profit	(3)	4,981	3,155
Finance costs		(3,758)	(4,095)
Share of net (loss)/profit of associated companies		(25)	983
Profit before taxation		1,198	43
Taxation	(4)	(393)	959
Profit after taxation		805	1,002
Minority interests		(159)	33
Profit attributable to shareholders		646	1,035
Basic earnings per share	(5)	0.06 cents	0.09 cents



CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	Unaudited 30th June, 2003 HK\$'000	Audited 31st December, 2002 HK\$'000
Fixed assets	(6)	1,074,621	1,070,433
Interests in associated companies		1,205,166	1,219,197
Investment securities		13,895	15,452
Other assets		2,218	2,218
Current assets			
Properties held for sale		170,772	179,994
Trade receivables	(7)	17,701	16,719
Other receivables, prepayments and deposits		3,687	4,755
Taxation		2,791	2,731
Bank balances and cash		4,661	36,621
		199,612	240,820
Current Liabilities			
Trade payables	(8)	77,036	83,860
Other payables and accrued charges		30,214	24,967
Other short term loans		3,448	3,719
Short term bank loans – secured		197,926	228,087
Current portion of long term bank loans – secured	(9)	83,905	87,470
Bank overdrafts		30,398	15,940
		422,927	444,043
Net current liabilities		(223,315)	(203,223)
Total assets less current liabilities		2,072,585	2,104,077
Financed by:			
Share capital		567,803	567,803
Reserves		1,351,729	1,370,680
Shareholders' funds		1,919,532	1,938,483
Minority interests		67,832	67,673
Long term bank loans – secured	(9)	–	20,000
Deferred taxation		85,221	77,921
		2,072,585	2,104,077

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30th June,	
	2003	2002
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(460)	(3,677)
Net cash from investing activities	8,039	10,927
Net cash used in financing activities	(53,997)	(25,292)
Decrease in cash and cash equivalents	(46,418)	(18,042)
Cash and cash equivalents at 1st January	20,681	60,019
Cash and cash equivalents at 30th June	(25,737)	41,977
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	4,661	41,977
Bank overdrafts	(30,398)	–
	(25,737)	41,977



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE, 2003**

Unaudited

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Investment properties revaluation reserve <i>HK\$'000</i>	Other properties revaluation reserve <i>HK\$'000</i>	Exchange difference reserve <i>HK\$'000</i>	Accumulated losses <i>HK'000</i>	Total <i>HK\$'000</i>
At 1st January, 2003	567,803	694,070	391,555	530,565	3,483	(248,993)	1,938,483
The difference in deferred taxation resulting from the increase in tax rate	-	-	(7,247)	(10,005)	-	-	(17,252)
Revaluation reserve realised upon disposal of properties of associated companies	-	-	-	(2,345)	-	-	(2,345)
Profit for the period attributable to shareholders	-	-	-	-	-	646	646
At 30th June, 2003	<u>567,803</u>	<u>694,070</u>	<u>384,308</u>	<u>518,215</u>	<u>3,483</u>	<u>(248,347)</u>	<u>1,919,532</u>

Unaudited

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Investment properties revaluation reserve <i>HK\$'000</i>	Other properties revaluation reserve <i>HK\$'000</i>	Exchange difference reserve <i>HK\$'000</i>	Accumulated losses <i>HK'000</i>	Total <i>HK\$'000</i>
At 1st January, 2002	567,803	694,070	393,321	642,886	3,483	(250,012)	2,051,551
Revaluation deficit realised upon disposal of investment properties	-	-	2,268	-	-	-	2,268
Revaluation reserve realised upon disposal of properties of associated companies	-	-	-	(833)	-	-	(833)
Profit for the period attributable to shareholders	-	-	-	-	-	1,035	1,035
At 30th June, 2002	<u>567,803</u>	<u>694,070</u>	<u>395,589</u>	<u>642,053</u>	<u>3,483</u>	<u>(248,977)</u>	<u>2,054,021</u>

Notes to Condensed Interim Accounts

(1) Accounting policies

These unaudited condensed consolidated interim accounts (“interim accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) (as applicable to condensed interim accounts) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed interim accounts should be read in conjunction with the 2002 annual financial statements.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st December, 2002 except that during the period, the Group has changed certain of its accounting policies following its adoption of SSAP 12 “Income Taxes” issued by the HKSA which is effective for accounting periods commencing on or after 1st January, 2003.

The adoption of the new SSAP12 has no significant effect to the financial statements of the Group except that certain comparatives have been reclassified to conform with the presentation according to the new SSAP12.



(2) **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:

Six months ended 30th June, 2003

	Property development	Property investment	Estate management	Investment holding	Unallocated costs	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>3,881</u>	<u>18,036</u>	<u>4,647</u>	<u>6,568</u>		<u>33,132</u>
Segment results	<u>(2,180)</u>	<u>8,597</u>	<u>2,649</u>	<u>5,162</u>		<u>14,228</u>
Unallocated corporate expenses					(9,247)	<u>(9,247)</u>
Operating profit						4,981
Finance costs						(3,758)
Share of net (loss)/ profit of associated companies	(1,146)	1,121	-	-		<u>(25)</u>
Profit before taxation						1,198
Taxation						<u>(393)</u>
Profit after taxation						805
Minority interests						<u>(159)</u>
Profit attributable to shareholders						<u><u>646</u></u>

Dan Form Holdings Company Limited

Six months ended 30th June, 2002

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Estate management <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Unallocated costs <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover	<u>6,753</u>	<u>20,018</u>	<u>6,414</u>	<u>6,910</u>		<u>40,095</u>
Segment results	<u>217</u>	<u>2,019</u>	<u>3,856</u>	<u>6,910</u>		13,002
Unallocated corporate expenses					(9,847)	<u>(9,847)</u>
Operating profit						3,155
Finance costs						(4,095)
Share of net profit of associated companies	89	894	-	-		<u>983</u>
Profit before taxation						43
Taxation						<u>959</u>
Profit after taxation						1,002
Minority interests						<u>33</u>
Profit attributable to shareholders						<u>1,035</u>

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

	Six months ended 30th June, 2003		Six months ended 30th June, 2002	
	Turnover <i>HK\$'000</i>	Operating profit/(loss) <i>HK\$'000</i>	Turnover <i>HK\$'000</i>	Operating profit <i>HK\$'000</i>
Principal markets				
Hong Kong	22,660	6,743	25,828	3,145
Mainland China	10,472	(1,762)	14,267	10
	<u>33,132</u>	<u>4,981</u>	<u>40,095</u>	<u>3,155</u>



(3) Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June,	
	2003	2002
	HK\$'000	HK\$'000
Crediting		
Gross rental income	18,036	20,018
Less: Outgoings	(8,923)	(13,356)
Net rental income	9,113	6,662
Charging		
Cost of properties sold	2,368	4,690
Staff costs	4,797	6,028
Depreciation of fixed assets	6,335	6,842
Operating leases in respect of office premises and staff quarters	1,620	1,671
Directors' emoluments	2,986	3,072
Retirement benefits costs	162	226
Auditors' remuneration	510	510
Loss on sales of investment properties	-	3,785
Loss on disposal of other fixed assets	-	17
	=====	=====

(4) Taxation

The amount of taxation charged to /(written back from) the consolidated profit and loss account represents:

	Six months ended 30th June,	
	2003	2002
	HK\$'000	HK\$'000
Taxation during current period:		
– Under/(over) provisions in prior periods	15	(1,200)
Deferred taxation relating to the origination of temporary differences	192	278
	<hr/>	<hr/>
	207	(922)
Share of taxation attributable to associated companies	186	(37)
	<hr/>	<hr/>
	393	(959)
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No Hong Kong profits tax or enterprise income tax in the People's Republic of China (the "PRC") has been provided as there was no assessable profit derived from Hong Kong or from the subsidiaries in the PRC for the period (2002: HK\$Nil).

(5) Earnings per share

The calculation of basic earnings per share for the six months ended 30th June, 2003 is based on the unaudited consolidated profit attributable to shareholders of HK\$646,000 (2002: HK\$1,035,000) and 1,135,606,132 (2002: 1,135,606,132) ordinary shares in issue during the period. No diluted earnings per share are presented as all the share options of the Company expired on 22nd June, 2002.

(6) Fixed assets

	Properties and equipment
	HK\$'000
Net book value at 1st January, 2003	1,070,433
Additions	10,523
Depreciation	(6,335)
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Net book value at 30th June, 2003	1,074,621
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(7) Trade receivables

The ageing analysis of the trade receivables was as follows:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
0-30 days	1,993	1,102
31-60 days	1,272	659
61-90 days	873	476
Over 90 days	13,563	14,482
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	17,701	16,719
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A majority of the Group's trade receivables over 90 days represents amounts due from customers on sale of properties in the Danyao Building, which are due upon the issuance of Property Rights Certificates by the relevant governmental authority in the PRC.

(8) Trade payables

The ageing analysis of the trade payables was as follows:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
0-30 days	273	470
31-60 days	108	612
61-90 days	1	123
Over 90 days	76,654	82,655
	<hr/>	<hr/>
	77,036	83,860
	<hr/> <hr/>	<hr/> <hr/>

(9) Long-term bank loans

	30th June, 2003	31st December, 2002
	HK\$'000	HK\$'000
Secured	83,905	107,470
Current portion – secured	(83,905)	(87,470)
	<u>–</u>	<u>20,000</u>

The Group's bank loans were repayable as follows:

	30th June, 2003	31st December, 2002
	HK\$'000	HK\$'000
Within one year	83,905	87,470
In the second year	<u>–</u>	<u>20,000</u>
	<u>83,905</u>	<u>107,470</u>

(10) Contingent liabilities

- (a) On 30th June, 2003, the Commissioner of Inland Revenue raised additional profits tax assessments of HK\$118,893,000 on Zeta Estates Limited (“Zeta”), a 33^{1/3}% owned associated company of the Group for the years of assessment 1998/1999, 1999/2000, 2000/2001 and 2001/2002, resulting in additional tax of HK\$19,023,000 being payable. These additional assessable profits arose from non-acceptance of part of the interest on unsecured loans paid by Zeta during these years as allowable deductions in computing the assessable profits. Zeta objected to these assessments, and as at 30th June, 2003, the result of the objection was still not known. The share of this tax liability by the Group amounting to HK\$6,341,000 (2002: HK\$4,685,000) was not provided for as at 30th June, 2003.
- (b) On 21st February, 2003, a buyer of certain properties developed by Beijing Dan Yao Property Co., Ltd. (“Dan Yao”), the Group's 85% owned subsidiary, has lodged a civil action against Dan Yao to claim for the refund of the purchase consideration of the properties of US\$8,879,000 (approximately HK\$69,256,000) and a penalty of US\$1,776,000 (approximately HK\$13,852,000) by reasons, among others, of not being able to obtain the Property Rights Certificate within the timeframe as set out in the relevant sale and purchase agreement. Taking into account the advice from legal advisors, the Directors of the Company are of the view that it is too early to realistically assess the outcome of the case, and therefore, no provision has been made in the condensed accounts for the six months ended 30th June, 2003.

(11) Commitments

(a) Commitments under operating leases

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Not later than one year	1,363	2,665
Later than one year and not later than five years	62	338
	<u>1,425</u>	<u>3,003</u>

(b) Future minimum rental receivables

The Group had future aggregate minimum lease rental receivable under non-cancellable operating leases as follows:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Not later than one year	13,409	17,482
Later than one year and not later than five years	17,531	18,643
Later than five years	12,734	14,149
	<u>43,674</u>	<u>50,274</u>

(12) Related party transactions

- (a) During the six months ended 30th June, 2003, the Group in its normal course of business received interest income in the sum of HK\$6,447,000 (2002: HK\$6,608,000) from an associated company in respect of the amount due from the associated company of HK\$260,000,000 (2002: HK\$260,000,000) which is interest bearing at prime rate.
- (b) On 21st November, 2000, Dan Yao entered into respective agreements (the "Agency Agreements") with Mr. Zhao Sheng Li and Mr. Hua Ming, being two connected persons of the Company, to act as their property management agent of the properties owned by them for a period from 1st July, 2001 to 30th June, 2009. Under the Agency Agreements, Dan Yao is entitled to all the net income arising from leasing the properties and in return, Dan Yao has undertaken the repayments of mortgage loans amounted to RMB5,090,000 (HK\$4,797,000) and the interest accrued thereon and provided corporate guarantees to the bank on the mortgage loans. As at 30th June, 2003, such mortgage loans amounted to RMB3,658,000 (HK\$3,448,000) (2002: RMB3,946,000 (HK\$3,719,000)).

INTERIM DIVIDEND

The Directors of the Company have resolved not to declare any interim dividend for the six months ended 30th June, 2003 (2002: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The Group recorded a turnover of HK\$33,132,000 for the six months ended 30th June, 2003, which represented a decrease of approximately HK\$6,963,000 or 17% as compared with the same period in 2002. It is mainly due to the decrease in sales of properties and rental income in the PRC from HK\$14,249,000 in the prior period to HK\$10,402,000 in the first half of the year 2003.

The profit attributable to shareholders for the six months ended 30th June, 2003 was HK\$646,000 whereas a profit attributable to shareholders of HK\$1,035,000 was made for the same period in 2002. The decrease is mainly due to the reversal of over provision of taxation in 2002.

PRC BUSINESS

The Wangfujing Projects

Lot No. F1 (61.1% owned)

A temporary shopping mall surrounding the boundary of Beijing Wangfujing Lot F1 has been fully let out. It brought in rental income of approximately RMB3,779,000 (approximately HK\$3,561,000) for the first half of the year 2003. The loan facility of RMB200 million (approximately HK\$189 million) was due to be repaid and the Group is now negotiating with the bank on the loan renewal.

The Group continues to find investors to proceed with the reorganization works for the development of the Lucky Building, with a view to commence the development of the Lucky Building at the end of the year 2003.



Lot No. B3 (85% owned)

The outbreak of SARS has a great impact on the business operation of retails area of Dan Yao Building and the progress of the sales and leasing of the retails area and apartments is also slowing down. The Group has adjusted the overall business operation strategy in order to reduce the loss arising from SARS. In addition, the Group has also speeded up the process in applying for the Property Rights Certificates of Dan Yao Building to ensure that the remaining balances of the property sales will be received soon. Meanwhile, the Group has developed a new business operation strategy in order to get new customers. Up to 30th June, 2003, six apartments were leased out.

The Group is now actively defending itself against a buyer who has lodged a civil action in demand for Beijing Dan Yao Property Co. Ltd. to cancel the contract previously made, to refund the purchase consideration of the properties of US\$8,879,000 (approximately HK\$69,256,000) and to pay a penalty of US\$1,776,000 (approximately HK\$13,852,000).

In the second half of the year 2003, the Group will further establish a better property management and business operation system for Dan Yao Building.

The Xidan Project (29.4% owned)

As at 30th June, 2003, the inspection for the delivery of the buildings located at Lot No. 1 and Lot No. 5 continued and it is expected that the process in applying for and the issue of the Building Ownership Certificates will be completed at the end of the year 2003. The inspection for the construction and installation works for the building located at Lot No. 2 continued, and is expected to be completed by the end of the year 2003. The purchases of building materials and equipment for the building located at Lot No. 9 were completed and it is expected that the building can be used in the year 2004. The Planning Permit for Construction Works for the building located at Lot No. 4 was obtained from Beijing Urban Planning and Administrative Bureau. The development of the building is at the design stage and it is expected that the project can be started in the first half of the year 2004. Amendments to the design proposal for the building located at Lot No. 10 are being undertaken and it is expected that it will be approved by the end of the year 2003. The remaining municipal works including the southern side of Lot No. 1 and the northern side of Lot No. 2 and Yu Pi Chai Road and plantation works were completed, and it is expected that the municipal and underground works for Da Mu Cang South Lane will be completed at the end of the year 2003.

An invitation for the design and traffic proposal for the development of the underground shopping mall beneath Xidan North Avenue is in progress.

HONG KONG BUSINESS

Property

For the six months ended 30th June, 2003, the average occupancy rates of the Group's residential properties situated at Red Hill Peninsula and South Horizons were approximately 46% and 75% respectively, while the average occupancy rate of commercial properties situated at Harbour Crystal Centre was approximately 59%. 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 decrease in rental expenses.

PROSPECTS

The local market has gradually recovered after the outbreak of SARS has been under control. The local property market is undergoing a consolidation stage. The signing of the Mainland and Hong Kong Closer Economic Partnership Arrangement and the relaxation of travel restraints for people in the various provinces of the Mainland will help to speed up the local economy and tourist industry respectively, which in turn will make the local people feel optimistic to the local economy and believe that the property market will improve.

The Group will continue to adopt prudent financial strategies to gauge its income and cash inflows against its expenses and cash outflows and to capture good returns in investments for the Group's business development.

GROUP ASSETS POSITION AND CHARGE ON GROUP ASSETS

The total assets of the Group have decreased from HK\$2,548,120,000 as at 31st December, 2002 to HK\$2,495,512,000 as at 30th June, 2003. The net assets of the Group have decreased from HK\$1,938,483,000 as at 31st December, 2002 to HK\$1,919,532,000 as at 30th June, 2003. As at 30th June, 2003, the amount of the Group's bank borrowings where the property assets are pledged amounted to HK\$312,229,000.

GROUP FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

The total liabilities of the Group have decreased from HK\$609,637,000 at 31st December, 2002 to HK\$575,980,000 at 30th June, 2003. The Group had cash at banks and in hand of HK\$4,661,000 at 30th June, 2003 (2002: HK\$36,621,000). The ratio of total liabilities to total assets was approximately 23% (2002: 24%). At 30th June, 2003, the aggregate amount of bank loans and bank overdrafts was HK\$312,229,000 (2002: HK\$351,497,000) and the amount of shareholders' funds was HK\$1,919,532,000 (2002: HK\$1,938,483,000), and therefore the capital gearing ratio was 16% (2002: 18%). Since 18th February, 2000, arrangement has been made with a bank in Hong Kong for overdraft facilities of

HK\$100,000,000 of which HK\$30,233,000 has been utilized as at 30th June, 2003. Of the total borrowings, all are repayable within one year and most of the borrowings are revolving in nature. For the six months ended 30th June, 2003, the Group has no exposure to fluctuations in exchange rates and related hedges. In respect of contingent liabilities relating to (a) a tax dispute between an associated company of the Group and the Inland Revenue Department and (b) on 21st February, 2003, a buyer of certain properties developed by the Group's 85% owned subsidiary has lodged a civil action against the subsidiary are disclosed in note (10) to the accounts.

EMPLOYEES

As at 30th June, 2003, the Group, excluding associated companies, employed 83 people of which 52 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.

DIRECTORS' INTERESTS

As at 30th June, 2003, the interests or short positions of the Chief Executive, Directors 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")) as recorded in the register required to be kept by the Company pursuant to section 352 of Part XV of the SFO were as follows:-

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

The interests of the Chief Executive, Directors and their respective associates in the shares of the Company (other than equity derivatives such as share options, warrants to subscribe or convertible bonds) as at 30th June, 2003 were as follows:

Name of Director	Personal interest	Ordinary shares of HK\$0.50 each			Total 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") was 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 or was deemed to have any interests in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be disclosed pursuant to the SFO or Model Code for Securities Transactions by Directors of Listed Companies.

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.

None of the Directors (including their spouse and children under the age of 18) has been granted, or has exercised, any right to subscribe for shares (or warrants or debentures) of the Company.

At no time during the six months ended 30th June, 2003 was the Company, its subsidiaries or its associated companies a party to any arrangements to enable the Chief Executive, Directors of the Company (including their spouse and children under the age of 18) to acquire benefits by means of the acquisition of shares or underlying shares in or debentures of the Company or its associated corporations.



SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June, 2003, the interests or short positions of the following persons or corporations, other than directors and chief executives of the Company, in the shares and underlying shares of the Company, as recorded according to the register kept by the Company pursuant to section 336 of Part XV of SFO were as follows:-

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

The Company had been notified of the following substantial shareholders' interests, being 5% or more of the issued share capital of the Company in the shares (other than equity derivatives such as share options, warrants to subscribe or convertible bonds) as at 30th June, 2003:

Name	Note	No. 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' Interests" above.
- (2) By virtue of the 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.

As at 30th June, 2003, the Company had not been notified of any substantial shareholders’ interests under equity derivatives or in underlying shares of the Company.

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

As at 30th June, 2003, the Company had not been notified of any short positions being held by any substantial shareholder in the shares or underlying shares of the Company.

INTERESTS OF ANY OTHER PERSONS

As at 30th June, 2003, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under section 336 of Part XV of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

During the six months ended 30th June, 2003, there was no purchase, sale or redemption of the Company’s shares by the Company or any of its subsidiaries.

AUDIT COMMITTEE

To comply with the revised Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Company set up an Audit Committee on 15th September, 1998. The terms of reference of the Audit Committee have been established with reference to “A Guide for Effective Audit Committees” issued by the Hong Kong Society of Accountants on February, 2002. During the year, the Audit Committee held two meetings on 4th April, 2003 and 16th September, 2003, which have discussed the internal controls and financial reporting matters with management and reviewed the interim financial statements of the Group for the six months ended 30th June, 2003.



CODE OF BEST PRACTICE

Save and except that the non-executive Directors have not been appointed for any specific term but are subject to retirement by rotation and re-election at annual general meetings in accordance with Articles 93 and 102 of the Articles of Association of the Company, the Directors are not aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By Order of the Board
Fung Man Yuen
Company Secretary

Hong Kong, 17th September, 2003