

2004
Interim Report



丹 楓 控 股 有 限 公 司
DAN FORM HOLDINGS COMPANY LIMITED

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, 2004. 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, 2004 and the consolidated balance sheet as at 30th June, 2004 of the Group which are all unaudited and condensed, along with selected explanatory notes, are set out on pages 1 to 13 of this report as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited Six months ended 30th June,	
		2004 HK\$'000	2003 HK\$'000
Turnover	(2)	19,940	33,132
Cost of sales		(6,024)	(13,535)
Gross profit		13,916	19,597
Other income		1,346	103
Administrative expenses		(10,393)	(13,257)
Other operating expenses		–	(1,462)
Write back of provision in respect of properties held under development		5,453	–
Write back of provision in respect of properties held for sale		4,529	–
Provision in respect of a civil action against a subsidiary of the Group		(3,097)	–
Operating profit	(3)	11,754	4,981
Finance costs		(12,693)	(3,758)
Share of results of associated companies		3,177	(25)
Profit before taxation		2,238	1,198
Taxation	(4)	(638)	(393)
Profit after taxation		1,600	805
Minority interests		–	(159)
Profit attributable to shareholders		1,600	646
Basic earnings per share	(5)	0.14 cents	0.06 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th June, 2004 HK\$'000	Audited 31st December, 2003 HK\$'000
Fixed assets	(6)	808,642	799,664
Interests in associated companies		1,133,463	1,133,953
Investment securities		13,370	13,793
Other assets		2,219	2,218
Current assets			
Properties held for sale		197,394	188,695
Trade receivables	(7)	4,657	5,733
Other receivables, prepayments and deposits		3,520	3,918
Tax recoverable		3,084	2,922
Bank balances and cash		27,519	8,328
		236,174	209,596
Current liabilities			
Trade payables	(8)	77,445	77,798
Other payables and accrued charges		167,005	123,372
Other short term loans		2,887	3,171
Short term bank loans – secured		197,641	197,926
Current portion of long term bank loans – secured	(9)	40,943	60,905
Bank overdrafts – secured		60,204	49,828
		546,125	513,000
Net current liabilities		(309,951)	(303,404)
Total assets less current liabilities		1,647,743	1,646,224
Financed by:			
Share capital		567,803	567,803
Reserves		1,004,115	1,002,850
Shareholders' funds		1,571,918	1,570,653
Minority interests		190	129
Deferred taxation		75,635	75,442
		1,647,743	1,646,224

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30th June,	
	2004	2003
	HK\$'000	<i>HK\$'000</i>
Net cash generated from/(used in) operating activities	2,703	(460)
Net cash generated from investing activities	26,867	8,039
Net cash used in financing activities	(20,759)	(53,997)
Increase/(decrease) in cash and cash equivalents	8,811	(46,418)
Cash and cash equivalents at 1st January	(41,500)	20,681
Effect of foreign exchange rate changes	4	-
Cash and cash equivalent at 30th June	<u>(32,685)</u>	<u>(25,737)</u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	27,519	4,661
Bank overdrafts	(60,204)	(30,398)
	<u>(32,865)</u>	<u>(25,737)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

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, 2004	567,803	694,070	337,252	509,973	3,483	(541,928)	1,570,653
Revaluation reserve realized upon disposal of properties of associated companies	-	-	-	(627)	-	-	(627)
Exchange differences	-	-	-	-	292	-	292
Profit for the period attributable to shareholders	-	-	-	-	-	1,600	1,600
At 30th June, 2004	<u>567,803</u>	<u>694,070</u>	<u>337,252</u>	<u>509,346</u>	<u>3,775</u>	<u>(540,328)</u>	<u>1,571,918</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, 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 realized 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>

*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”) No. 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 2003 annual financial statements. The accounting policies, methods of computation and basis of preparation and presentation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st December, 2003.

(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, 2004

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Estate management <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Unallocated costs <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover	-	17,659	2,168	113		19,940
Segment results	1,613	16,644	1,624	134		20,015
Unallocated corporate expenses					(8,261)	(8,261)
Operating profit						11,754
Finance costs						(12,693)
Share of results of associated companies	(831)	4,008	-	-		3,177
Profit before taxation						2,238
Taxation						(638)
Profit after taxation						1,600
Minority interests						-
Profit attributable to shareholders						1,600

Six months ended 30th June, 2003

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Estate management <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Unallocated costs <i>HK\$'000</i>	Group <i>HK\$'000</i>
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>		14,228
Unallocated corporate expenses					(9,247)	<u>(9,247)</u>
Operating profit						4,981
Finance costs						(3,758)
Share of results 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>646</u>

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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, 2004		Six months ended 30th June, 2003	
	Turnover <i>HK\$'000</i>	Operating profit <i>HK\$'000</i>	Turnover <i>HK\$'000</i>	Operating profit/(loss) <i>HK\$'000</i>
Principal markets				
Hong Kong	<u>13,874</u>	<u>1,363</u>	22,660	6,743
Mainland China	<u>6,066</u>	<u>10,391</u>	<u>10,472</u>	<u>(1,762)</u>
	<u>19,940</u>	<u>11,754</u>	<u>33,132</u>	<u>4,981</u>

(3) Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June,	
	2004	2003
	HK\$'000	<i>HK\$'000</i>
Crediting		
Gross rental income	17,659	18,036
Less: Outgoings	(5,600)	(8,923)
Net rental income	12,059	9,113
Charging		
Cost of properties sold	–	2,368
Staff costs	3,906	4,797
Depreciation of fixed assets	436	6,335
Operating leases in respect of office premises and staff quarters	632	1,620
Directors' emoluments	2,973	2,986
Retirement benefits costs	84	162
Auditors' remuneration	510	510
Write-off of other fixed assets	2	–
	<u> </u>	<u> </u>

(4) Taxation

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Six months ended 30th June,	
	2004	2003
	HK\$'000	<i>HK\$'000</i>
Under provisions of Hong Kong profits tax in prior periods	54	15
Deferred taxation relating to the origination of temporary differences	193	192
	247	207
Share of taxation attributable to associated companies	391	186
	638	393

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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 (2003: HK\$Nil).

(5) Earnings per share

The calculation of basic earnings per share for the six months ended 30th June, 2004 is based on the unaudited consolidated profit attributable to shareholders of HK\$1,600,000 (2003: HK\$646,000) and 1,135,606,132 (2003: 1,135,606,132) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30th June, 2004 and 2003 were presented because there were no dilutive potential ordinary shares during the period.

(6) Fixed assets

	Properties and equipment <i>HK\$'000</i>
Net book value at 1st January, 2004	799,664
Exchange differences	430
Additions	3,533
Write-off	(2)
Depreciation	(436)
Write back of impairment	5,453
	<hr/>
Net book value at 30th June, 2004	<u><u>808,642</u></u>

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(7) Trade receivables

The ageing analysis of the trade receivables was as follows:

	30th June, 2004 <i>HK\$'000</i>	31st December, 2003 <i>HK\$'000</i>
Within 30 days	1,297	1,215
31-60 days	428	1,157
61-90 days	190	498
Over 90 days	2,742	2,863
	<hr/>	<hr/>
	<u><u>4,657</u></u>	<u><u>5,733</u></u>

The Group's trade receivables represented rental charges due from tenants which are due on presentation of invoices and the sales of properties held for sale, the repayment of which is in accordance with respective contract terms.

(8) Trade payables

The ageing analysis of the trade payables was as follows:

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
Within 30 days	477	302
31 – 60 days	540	468
61 – 90 days	240	375
Over 90 days	<u>76,188</u>	<u>76,653</u>
	<u><u>77,445</u></u>	<u><u>77,798</u></u>

(9) Long-term bank loans

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
Secured	40,943	60,905
Current portion – secured	<u>(40,943)</u>	<u>(60,905)</u>
	<u><u>–</u></u>	<u><u>–</u></u>

The Group's bank loans were repayable as follows:

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
Within one year	<u>40,943</u>	<u>60,905</u>

(10) Contingent liabilities

On 30th June, 2004, the Commissioner of Inland Revenue raised additional profits tax assessments of HK\$160,138,000 (31st December, 2003: HK\$120,465,000) on Zeta Estates Limited ("Zeta"), a 33 $\frac{1}{3}$ % owned associated company of the Group for the years of assessment 1998/1999, 1999/2000, 2000/2001, 2001/2002 and 2002/2003 resulting in additional tax of HK\$25,041,000 (31st December, 2003: HK\$18,693,000) 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 appealed against the commissioner's determination to the Board of Review set up under the Inland Revenue Ordinance. The Board of Review's hearing was held in early May, 2004 and its decision made on 25th August, 2004 was unfavourable to Zeta. Zeta will make an application requiring the Board to state the case on the question of law for the opinion of the High Court. The share of this tax liability by the Group amounting to HK\$8,347,000 (31st December, 2003: HK\$6,231,000) was not provided for as at 30th June, 2004.

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(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, 2004 HK\$'000	31st December, 2003 HK\$'000
Not later than one year	846	1,050
Later than one year and not later than five years	1,139	1,567
	1,985	2,617

(b) Future minimum rental receivables

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

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
Not later than one year	17,435	15,717
Later than one year and not later than five years	31,989	31,721
Later than five years	14,171	16,105
	<u>63,595</u>	<u>63,543</u>

(12) Related party transaction

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, 2004, such mortgage loans amounted to RMB3,060,000 (HK\$2,887,000) (31st December, 2003: RMB3,364,000 (HK\$3,171,000)).

INTERIM DIVIDEND

The Directors of the Company have resolved not to declare any interim dividend for the six months ended 30th June, 2004 (2003: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

14 The Group recorded a turnover of HK\$19,940,000 for the six months ended 30th June, 2004, which represented a decrease of approximately HK\$13,192,000 or 40% as compared with the same period in 2003. The decrease is mainly due to the fact that in the first half of the year 2004, no interest income was received from an associated company whereas an interest income of HK\$6,447,000 was received from the associated company in the prior period. In addition, there was no property sale in the PRC in the first half of the year whereas in the prior period the property sale in the PRC amounted to HK\$3,881,000.

The profit attributable to shareholders for the six months ended 30th June, 2004 was HK\$1,600,000 whereas a profit attributable to shareholders of HK\$646,000 was made for the same period in 2003.

PRC BUSINESS

The Wangfujing Projects

Lot No. F1 (61.1% owned)

As at June, 2004, the Group has completed the re-organization work of Beijing Lucky Building Project located at Beijing Wangfujing Lot No. F1. On 29th April, 2004, a sale and purchase supplemental agreement has been signed with China Yintai Investment Company Limited ("China Yintai"). The sale and purchase agreement is supplemental to the sale and purchase agreement made between the Group and China Yintai on 30th July, 2003 so that the 61.1% interest in Beijing Lucky Building Company Limited was disposed of to China Yintai. For details in this respect, please refer to the circular issued to the shareholders of Dan Form Holdings Company Limited on 25th May, 2004.

Lot No. B3 (85% owned)

In April, 2004, the Group has appointed Beijing Dan Yao Commercial Management Company Limited to lease out the commercial area of Danyao Building. After the deduction of management fee, the monthly net rental income is approximately RMB132,000 (approximately HK\$125,000). The apartment area leased out in Danyao Building is 1,835 square metres, and its monthly rental income, including management fee, is approximately RMB125,000 (approximately HK\$118,000). In the first half of the year, rental income of RMB1,589,000 (approximately HK\$1,499,000) was received.

By reason that is not under the control of Beijing Dan Yao Property Co., Ltd (“Dan Yao”), which has only obtained part of the real estate certificates (area of 5,867.28 square metres), the remaining real estate certificates for the area of 34,899.60 square metres have not yet been obtained, resulting that the business operation for Dan Yao Building cannot be maintained, including (1) the area without obtaining real estate certificates cannot be sold out; (2) the property owners, who have obtained the pre-sale certificates without the real estate certificates have taken actions to request for cancellation of the purchase of the properties and demand for penalties. As mentioned in the annual report 2003, a buyer of the properties has lodged a civil action in demand for the cancellation of the sale and purchase agreement with Dan Yao and return 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). The first court judgement ruled unfavourable against Dan Yao, Dan Yao filed an appeal against the judgement but the result of the appeal was not yet announced; and (3) as a result of the above, Dan Yao has been unable to sell its properties and may have difficulties in settling its liabilities, including the bank loan due to Bank of China of RMB43,400,000 (approximately HK\$40,944,000).

In facing the above events, Dan Yao has adopted below the following three approaches: (1) to reflect the facts to the concerned parties of Beijing Government demanding for the early issue of real estate certificates; (2) to face the civil actions, hoping that the court can issue fair and reasonable judgements; and (3) proactively in carrying out lease of properties so that operations of the building can be maintained. The Group has already reflected the situation to the Beijing Government and will take appropriate actions to preserve the Group’s interests in this investment and to maintain the business operation of the building.

As disclosed in the 2003 annual report, the Group’s share of the net asset value of Dan Yao was fully provided. The directors are of the view that this provision fully reflects the financial impact of the above.

The Xidan Project (29.4% owned)

Up to 30th June, 2004, the real estate certificate for the building located at Lot No. 1 has been obtained. It is expected that the property can be transferred to China Telecom Group Beijing Company Limited, and the balance of the purchase consideration will be received in the second half of this year; the real estate certificate for the building located at Lot No. 5 has been applied for; the development of the property at Lot No. 4 has started since 23rd April, 2004, and it is expected that the foundation work will be completed in October, 2004; the installation and the final works for the building located at Lot No. 9 is expected to be completed by the end of the year 2004 and the preparation work for product sales has begun; the preliminary planning for the building located at Lot No. 10 has begun, and its design plan will begin before the end of the year 2004.

- 16 The underground shopping mall to be built along with the Metro is called "Xidan Dimensional Traffic Redevelopment Project". Its concept and feasibility study have been carried out. It is expected that the conditions for the development, and the establishment of the project and its design plan will be obtained before the end of the year 2004.

HONG KONG BUSINESS

Property

For the six months ended 30th June, 2004, the average occupancy rates of the Group's residential properties situated at Red Hill Peninsula and South Horizons were approximately 44% and 100% respectively, while the average occupancy rate of commercial properties situated at Harbour Crystal Centre was approximately 81%. 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 increase in rental expenses.

GROUP ASSETS POSITION AND CHARGE ON GROUP ASSETS

The total assets of the Group have increased from HK\$2,159,224,000 as at 31st December, 2003 to HK\$2,193,868,000 as at 30th June, 2004. The net assets of the Group have increased from HK\$1,570,653,000 as at 31st December, 2003 to HK\$1,571,918,000 as at 30th June, 2004. As at 30th June, 2004, the amount of the Group's bank borrowings where the property assets are pledged amounted to HK\$298,788,000.

GROUP FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

The total liabilities of the Group have increased from HK\$588,571,000 at 31st December, 2003 to HK\$621,950,000 at 30th June, 2004. The Group had cash at banks and in hand of HK\$27,519,000 at 30th June, 2004 (2003: HK\$8,328,000). The ratio of total liabilities to total assets was approximately 28% (2003: 27%). At 30th June, 2004, the aggregate amount of bank loans and bank overdrafts was HK\$298,788,000 (2003: HK\$308,659,000) and the amount of shareholders' funds was HK\$1,571,918,000 (2003: HK\$1,570,653,000), and therefore the capital gearing ratio was 19% (2003: 20%). Since 20th April, 2004, arrangement has been made with a bank in Hong Kong for overdraft facilities of HK\$75,000,000 (2003: HK\$100,000,000) of which HK\$60,204,000 (2003: HK\$49,828,000) has been utilized as at 30th June, 2004. Of the total borrowings, HK\$69,165,000 is repayable within one year and HK\$229,623,000 is repayable on demand. As at 30th June, 2004, the Group's current liabilities, amounting to HK\$546,125,000 (2003: HK\$513,000,000), exceeded its current assets by HK\$309,951,000 (2003: HK\$303,404,000). A significant portion of the Group's current liabilities is attributable to Lot F1 and Lot B3. Given the sale and purchase agreement of Lot F1 has been signed in this year and provision in respect of Lot B3 has been made in last year, the directors are of the view the impact of such current liabilities has been properly dealt with. The other operations of the Group can generate sufficient cash flows to enable the settlement of its remaining liabilities as and when they fall due. For the six months ended 30th June, 2004, the Group has no exposure to fluctuations in exchange rates and related hedges. Details in respect of contingent liabilities relating to an associated company's tax dispute with the Inland Revenue Department are disclosed in Note (10) to the accounts.

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EMPLOYEES

As at 30th June, 2004, the Group, excluding associated companies, employed 67 people of which 42 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 has disposed of its interest in the Wangfujing Project F1, resulting that it will improve the Group's assets liquidity and safety. In respect of properties in Hong Kong, the improvement of the property occupancy rates enhances better results in performance. The Group continues to carry out a strict cost control and to capture new opportunities for better development.

DIRECTORS' INTERESTS

As at 30th June, 2004, 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 or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") 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, 2004 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 (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 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 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.

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, 2004 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, 2004, 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, 2004:

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, 2004, 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, 2004, 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, 2004, 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.

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, 2004, 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, 2004 as follows:

Name of entity	Date of advance	Percentage of equity held by the Group	Remaining balance of the advance <i>HK\$'000</i>	<i>Notes</i>
Zeta Estates Limited ("Zeta")	1/7/1998	33 $\frac{1}{3}$ %	278,823	1
Beijing Jing Yuan Property Development Co., Ltd. ("BJYPD")	1/12/1998	29.4%	106,543	2

Notes:

- (1) The advance is unsecured, interest-free as from 1st January, 2004 but interest bearing ranging from prime rate less 3% to prime rate per annum prior to 1st January, 2004 and has no fixed terms of repayment. Repayment of the advance has been made by Zeta on 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 has no fixed terms of repayment. The advance will be repaid by BJYPD 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

An unaudited proforma combined balance sheet of the affiliated companies of the Group mentioned above and the interest attributable to the Group as at 30th June, 2004 (the latest practicable date) are as follows:

Description	Combined Total <i>HK\$'000</i>	Interest attributable to the Group <i>HK\$'000</i>
Investment properties	7,293	2,431
Properties under development for sale	1,837,631	540,263
Fixed assets	180,929	53,193
Long-term receivables	3,502	1,052
Current assets	1,235,556	397,908
Current liabilities	(911,098)	(301,252)
Long-term liabilities	<u>(1,720,111)</u>	<u>(505,713)</u>
Shareholders' funds	633,702	187,882
Surplus arising from revaluation, based on the market value of the underlying properties of the affiliated company	<u>1,521,714</u>	<u>507,238</u>
Adjusted net assets	<u><u>2,155,416</u></u>	<u><u>695,120</u></u>

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30th June, 2004, 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 15th April, 2004 and 14th September, 2004, 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, 2004.

CORPORATE GOVERNANCE

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The Group's interim report for the six months ended 30th June, 2004 was unaudited, but has been reviewed by the Audit Committee of the Company.

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, 2004, 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.

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding Director's securities transactions. The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard set out in the Model Code during the six months ended 30th June, 2004 and all Directors confirmed that they have complied with the Model Code.

By Order of the Board
Fung Man Yuen
Company Secretary

Hong Kong, 15th September, 2004