



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					36,918
Finance costs					(3,432)
Share of (losses)/profits of associated companies	(10,090)	6,764	–	–	<u>(3,326)</u>
Profit before taxation					30,160
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					4,467
Finance costs					(3,202)
Share of (losses)/profits of associated companies	(1,301)	3,084	–	–	<u>1,783</u>
Profit before taxation					3,048
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	12,364	14,879	32,870	3,243
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
5,843	33
<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
183,323	203,887

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
47,294	48,010

(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

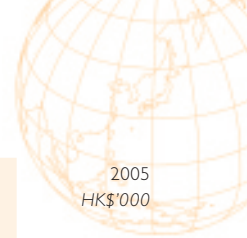
30th June 2006 HK\$'000	31st December 2005 HK\$'000
923	1,095
526	–
1,449	1,095

(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
51,454	23,625



(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.