

Chairman's Statement



Mr. Dai Xiaoming
Chairman & Chief Executive

Results

Dan Form Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group") recorded a turnover of HK\$28,984,000 for the year ended 31st December 2006, which represented a decrease of approximately HK\$3,580,000 or 11% as compared with last year. The decrease in turnover was mainly due to the decrease in rental income from Hong Kong.

The Group's profit attributable to equity holders in this year was HK\$52,893,000, as compared to HK\$177,873,000 in last year. The decrease in profit of this year was mainly due to comparatively less increase in fair value of investment properties, and properties held by the associated companies of the Company, coupled with increase in loss of an associated company of the Company. The decrease is partly offset by the recovery of the amount due from a minority shareholder of a former subsidiary during the year.

Management Discussion and Analysis

Review of Operation

Hong Kong Business

Property

The Group's residential properties situated at Red Hill Peninsula (33.33% owned) and South Horizons recorded average occupancy levels of approximately 68% and 94% respectively, while the commercial properties situated at Harbour Crystal Centre recorded an average occupancy level of approximately 68%. During the year, the Group's net rental income from property leasing was more or less the same when compared with that in the last year.

Beijing Business

The Wangfujing Project

Lot F1 (25.5% 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 a total consideration of RMB134,070,000 (approximately HK\$130,821,000) and the accrued interest of RMB12,225,000 (approximately HK\$11,982,000).

Turbo Dragon received a deposit of RMB25,000,000 (approximately HK\$24,038,000) from China Yintai on 9th May 2004. For the year ended 31st December 2006, Turbo Dragon have received a total of four instalments of consideration and the accrued interest from China Yintai representing 50.6% shareholding of Beijing Lucky, of which the three instalments representing 35.6% shareholding has been transferred to China Yintai before the year end and the balance of 15% shareholding has been transferred to China Yintai after the year end. The first instalment of RMB10,000,000

(approximately HK\$9,615,000) together with the accrued interest and penalty of approximately RMB975,000 (approximately HK\$937,000) were received on 27th February 2006; the second instalment of RMB10,000,000 (approximately HK\$9,615,000) together with the accrued interest of approximately RMB903,000 (approximately HK\$868,000) were received on 9th May 2006; the third instalment of RMB33,100,000 (approximately HK\$32,136,000) together with the accrued interest of approximately RMB3,558,000 (approximately HK\$3,455,000) were received on 4th August 2006; the fourth instalment of RMB33,100,000 (approximately HK\$32,772,000) together with the accrued interest of approximately RMB3,833,000 (approximately HK\$3,795,000) were received on 6th November 2006. The remaining sale consideration of RMB22,870,000 (approximately HK\$22,644,000) together with the accrued interest and the penalty of approximately RMB2,956,000 (approximately HK\$2,927,000) were also received on 9th February 2007. The interest of the Group in Beijing Lucky has been transferred in stages in proportion to the actual amount received from China Yintai.

In addition, on 20th July 2006, Turbo Dragon also entered into a supplemental agreement with Beijing Energy Investment Holdings Company Ltd. ("Beijing Energy") and on 27th July 2006, Turbo Dragon also entered into an assignment of debt with China Yintai, in which Turbo Dragon assigned the debt to China Yintai relating to its advance to Beijing Energy at a consideration of RMB21,504,000 (approximately HK\$20,877,000). Turbo Dragon has received the amount of RMB21,504,000 (approximately HK\$20,877,000) relating to the assignment of debt and the accrued interest and penalty of approximately RMB11,000 (approximately HK\$11,000) on 8th September 2006.

Dan Yao Building (85% owned)

Since the defaults in repayment of the debts due are not caused by and under the control of Beijing Dan Yao Property Company Limited ("Dan Yao"), and in order to deal with this matter in an open and fair manner, the Company has applied for the liquidation of Dan Yao so as to protect the legitimate rights of the creditors of Dan Yao, including the debt due to the Group. The Second Intermediate People's Court of Beijing Municipality (the "PRC Court") has convened the first creditors' meeting following the application of liquidation of Dan Yao on 28th September 2006. Currently, the examination of the application of the liquidation of Dan Yao is still in progress and the PRC Court has not yet made a decision on whether or not to grant an order for the liquidation of Dan Yao. If the PRC Court grants an order for the liquidation of Dan Yao, the PRC Court will form a liquidation team and will entirely take over the management of Dan Yao.

The assets of Dan Yao are placed in the custody of the PRC Court. The operations of the shopping mall of Dan Yao Building are basically stable. For the year ended 31st December 2006, the rental income of Dan Yao was RMB3,484,000 (approximately HK\$3,383,000), while the rental expenses (excluding finance expenses and non-recurring expenses) were approximately RMB3,587,000 (approximately HK\$3,483,000).

Dan Yao will be committed to maintain the stability and safety in the operations of the building.

The Xidan Project (29.4% owned)

During the year of 2006, ruled by the China International Economic and Trade Arbitration Commission which was in favor of Beijing Jing Yuan Property Development Co., Ltd. ("Jing Yuan"), the dispute between Jing Yuan and China Telecom Group Beijing Telecom Co., Ltd. in respect of the sale value of the building located at Lot No. 1 was resolved, and the remaining outstanding amount of RMB37,504,000 (approximately HK\$37,133,000) according to the sale and purchase agreement has been received. Regarding the separation of real estate certificates for commercial units in respect of the building located at Lot No. 2, two out of sixteen units have been completed, while for individual business units, fifteen out of twenty-six units have also been completed. According to the sale and purchase agreement of the land located at Lot No. 4, Jing Yuan has received RMB1,110,000,000 (approximately HK\$1,049,075,000) out of the sales of RMB1,220,000,000 (approximately HK\$1,150,943,000), whereas the remaining outstanding amount of RMB110,000,000 (approximately HK\$108,911,000) which is entitled to be received on or before 31st December 2006 has not yet been received. As mentioned in the sale and purchase agreement of the building located at Lot No. 5, RMB30,000,000 (approximately HK\$29,703,000) out of the remaining outstanding of RMB69,244,000 (approximately HK\$68,558,000) has been received. The final stage for the development of the building located at Lot No. 9 is nearly completed, and the facilities installed for the building, including maintenance works, have been tested

for several times. The marketing of the building is still in progress. A preliminary agreement of assignment of land at Lot No. 10 has been entered with Beijing Yonganxingye Property Development Co., Ltd. ("Yonganxingye"). The intended price for the sale of land is RMB110,000,000 (approximately HK\$108,911,000) and RMB15,000,000 (approximately HK\$14,851,000) has been received as deposit and the transfer of title is in process.

In the year 2007, it is expected that the separation of real estate certificates for the commercial and individual business units of the project at Lot No. 2 will be carried on. As stipulated in the sale and purchase agreement of the land at Lot No. 4, it is expected that the total remaining outstanding amount of RMB110,000,000 (approximately HK\$108,911,000) will be received. The outstanding amount of RMB39,244,000 (approximately HK\$38,855,000) for Lot No. 5 as stated in the sale and purchase agreement of the property will be received. The marketing of the building at Lot No. 9 will be carried on. The assignment of land at Lot No. 10 to Yonganxingye is in process and will be implemented according to the agreement of assignment. The balance of the sale consideration of the assignment of RMB95,000,000 (approximately HK\$94,059,000) will be collected.

Group Assets Position and Charge

The total assets of the Group have increased from HK\$2,184,286,000 in last year to HK\$2,217,546,000 in this year. The net assets of the Group have also increased from HK\$1,823,437,000 to HK\$1,875,246,000. The amount of the bank borrowings of the Group, on which the property assets are pledged, has decreased from HK\$89,689,000 in last year to HK\$52,376,000 in the current year.

Group Financial Position, Liquidity and Financial Resources

The total liabilities of the Group have decreased from HK\$360,849,000 as at 31st December 2005 to HK\$342,300,000 as at 31st December 2006. The Group had cash and bank balances of HK\$96,394,000 as at 31st December 2006 (2005: HK\$16,727,000). The ratio of total liabilities to total assets was approximately 15% (2005: 16%). As at 31st December 2006, the aggregated amount of bank loans was HK\$52,376,000 (2005: HK\$89,689,000) which are repayable on demand and the amount of total equity was HK\$1,875,246,000 (2005: HK\$1,823,437,000), and therefore the capital gearing ratio was 3% (2005: 5%).

As at 31st December 2006, the current assets of the Group, amounting to HK\$689,939,000 (2005: HK\$740,094,000), exceeded its current liabilities by HK\$402,539,000 (2005: HK\$428,182,000). Given that Dan Yao has been in the application for liquidation as explained above and no further payments except for a small amount of liquidation expenses are required for Dan Yao, the other operations of the Group can generate sufficient cash flows to meet its requirements.

For the year ended 31st December 2006, the Group has no exposure to fluctuation in exchange rates and related hedges and there were no contingent liabilities.

Employees

As at 31st December 2006, the Group, excluding associated companies, employed 51 people 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 a defined contribution provident fund scheme and mandatory provident fund scheme.

Prospects

Basically, the adjustment of the business strategy of the Group was nearly completed in the last two years. The structure and the liquidity of the Group's assets have also been improved. The Group's capabilities of risk minimization and opportunity maximization have also been enhanced. As a result, the Group would establish a foundation to integrate such capacities into the globalised and highly-technical economic trends.

The Group will also be beware of the situations and environment and will actively and reliably seek for its development.

Finally, I would like to take this opportunity to express my sincere thanks to my fellow Directors for their guidance and support and to all members of the staff for their loyalty and dedication during the year.

Dai Xiaoming
Chairman

Hong Kong, 19th April 2007

Investment Properties



Harbour Industrial Centre, Ap Lei Chau,
Hong Kong



Oceanic Industrial Centre, Ap Lei Chau,
Hong Kong

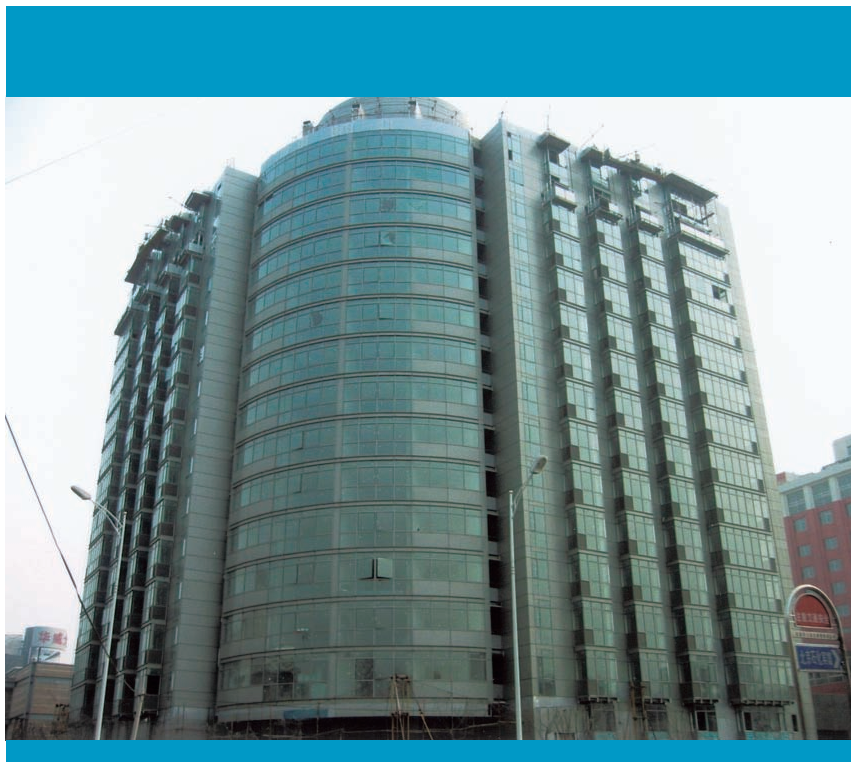


The Red Hill, Tai Tam, Hong Kong

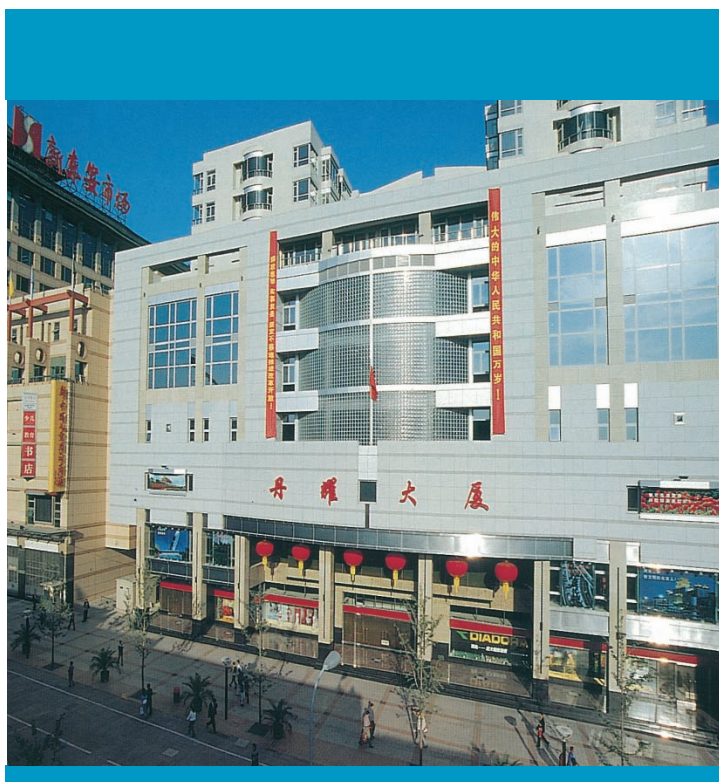


Harbour Crystal Centre, Tsimshatsui East, Kowloon

Xidan and Wangfujing Projects



Jing Yuan International Mansion erected on Lot No. 9 of the Xidan Project



Danyao Building erected on Lot No. B3 of the Wangfujing Project