

The Board of Directors of Min Xin Holdings Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the half year ended 30th June, 2003 as follows:

Condensed Consolidated Profit and Loss Account

for the six months ended 30th June 2003

| | | Six months ended 30th June (Unaudited) | |
|--|------|---|--------------------------|
| | Note | 2003 HK\$ | 2002 HK\$ (Note 1) |
| TURNOVER | 2 | 41,443,770 | 57,626,567 |
| OTHER REVENUES | 2 | 2,547,494 | 6,941,489 |
| TOTAL REVENUES | | 43,991,264 | 64,568,056 |
| COST OF PROPERTIES SOLD | | (8,604,279) | (20,584,897) |
| NET COMMISSIONS, CLAIMS AND OTHER EXPENSES INCURRED ON INSURANCE BUSINESS | | (16,485,024) | (19,608,165) |
| STAFF COSTS | | (11,297,057) | (10,644,374) |
| DEPRECIATION | | (1,264,062) | (1,220,151) |
| OTHER PROVISIONS AND LOSSES | 3 | (4,600,000) | 6,347,310 |
| OTHER OPERATING EXPENSES | | (6,143,815) | (7,077,586) |
| TOTAL OPERATING EXPENSES | | (48,394,237) | (52,787,863) |
| OPERATING (LOSS) / PROFIT | | (4,402,973) | 11,780,193 |
| SHARE OF PROFITS LESS LOSSES OF | | | |
| – JOINTLY CONTROLLED ENTITIES | | 13,963,301 | 26,341,312 |
| – ASSOCIATES | | 2,662,021 | 2,900,170 |
| | | 16,625,322 | 29,241,482 |
| PROFIT BEFORE TAXATION | | 12,222,349 | 41,021,675 |
| TAXATION | 4 | (5,651,293) | (9,159,389) |
| PROFIT AFTER TAXATION | | 6,571,056 | 31,862,286 |
| MINORITY INTERESTS | | (548,932) | (810,131) |
| PROFIT ATTRIBUTABLE TO SHAREHOLDERS | | 6,022,124 | 31,052,155 |
| | | HK CENTS | HK CENTS |
| BASIC EARNINGS PER SHARE | 5 | 1.31 | 6.76 |

Condensed Consolidated Balance Sheet

As at 30th June 2003

| | | 30th June (Unaudited) 2003 HK\$ | 31st December 2002 HK\$ (Note 1) |
|--|----|--|---|
| NON-CURRENT ASSETS | | | |
| Fixed assets | 6 | 166,137,703 | 171,591,605 |
| Jointly controlled entities | 7 | 463,278,876 | 441,453,181 |
| Associates | | 112,010,244 | 101,748,426 |
| Held-to-maturity debt securities | | 5,011,417 | – |
| Other asset | | 58,050,000 | 58,050,000 |
| TOTAL NON-CURRENT ASSETS | | <u>804,488,240</u> | <u>772,843,212</u> |
| CURRENT ASSETS | | | |
| Properties held for sale | | 26,259,279 | 23,685,878 |
| Deferred acquisition costs | | 8,251,728 | 9,045,071 |
| Insurance debtors | 8 | 18,740,178 | 18,460,111 |
| Claims recoverable from reinsurers | | 19,091,136 | 18,779,686 |
| Other debtors and prepayments | | 14,533,734 | 13,521,939 |
| Trading securities | | 16,243,954 | 14,028,704 |
| Cash and bank balances | 9 | 405,132,852 | 451,688,557 |
| | | <u>508,252,861</u> | <u>549,209,946</u> |
| CURRENT LIABILITIES | | | |
| Unearned premiums | | 24,470,321 | 26,749,608 |
| Unexpired risks | | 995,000 | 995,000 |
| Gross outstanding insurance claims | | 71,747,386 | 75,938,453 |
| Insurance liabilities | 10 | 13,276,383 | 7,684,838 |
| Other creditors and accruals | | 28,494,452 | 36,409,627 |
| Taxation | | 3,418,092 | 4,230,973 |
| | | <u>142,401,634</u> | <u>152,008,499</u> |
| NET CURRENT ASSETS | | <u>365,851,227</u> | <u>397,201,447</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,170,339,467 | 1,170,044,659 |
| DEFERRED TAX LIABILITIES | 11 | 3,781,389 | 3,803,715 |
| MINORITY INTERESTS | | 10,297,680 | 12,207,337 |
| NET ASSETS | | <u>1,156,260,398</u> | <u>1,154,033,607</u> |
| SHARE CAPITAL | | 459,428,656 | 459,428,656 |
| OTHER RESERVES | | 689,426,861 | 677,755,137 |
| RETAINED PROFITS | | 7,404,881 | 16,849,814 |
| SHAREHOLDERS' FUNDS | | <u>1,156,260,398</u> | <u>1,154,033,607</u> |

Condensed Consolidated Cash Flow Statement

for the six months ended 30th June 2003

| | Six months ended 30th June | |
|--|----------------------------|---------------------------|
| | (Unaudited) | |
| | 2003 | 2002 |
| | <i>HK\$</i> | <i>HK\$</i> |
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | (14,720,609) | (303,793) |
| NET CASH USED IN INVESTING ACTIVITIES | (29,373,816) | (344,185) |
| NET CASH USED IN FINANCING ACTIVITIES | (2,461,280) | – |
| DECREASE IN CASH AND CASH EQUIVALENTS | (46,555,705) | (647,978) |
| CASH AND CASH EQUIVALENTS AT 1ST JANUARY | 451,688,557 | 410,624,574 |
| CASH AND CASH EQUIVALENTS AT 30TH JUNE | <u>405,132,852</u> | <u>409,976,596</u> |
| ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances (<i>Note 9</i>) | <u>405,132,852</u> | <u>409,976,596</u> |

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30th June 2003

| | Share capital HK\$ | Share premium HK\$ | Capital redemption reserve HK\$ | Statutory reserve HK\$ | General reserve HK\$ | Capital reserve HK\$ | Investment revaluation reserve HK\$ | Other properties revaluation reserve HK\$ | Exchange translation reserve HK\$ | Retained profits/(accumulated losses) HK\$ | Total HK\$ |
|---|-----------------------|-----------------------|------------------------------------|---------------------------|-------------------------|-------------------------|--|--|--------------------------------------|---|---------------|
| At 1st January 2003 | 459,428,656 | 384,620,414 | 47,086,000 | 31,033,936 | 52,862,258 | 132,973,835 | 10,939,158 | 23,184,886 | 405,123 | 34,063,805 | 1,176,598,051 |
| - as previously stated | | | | | | | | | | | |
| Change in accounting policy | | | | | | | | | | | |
| - prior period adjustment on provision for net deferred tax liabilities (Note 1) | | | | | | | (1,640,874) | (3,708,579) | | (17,213,991) | (22,564,444) |
| At 1st January 2003, as restated | 459,428,656 | 384,620,414 | 47,086,000 | 31,033,936 | 52,862,258 | 132,973,835 | 9,298,284 | 19,475,287 | 405,123 | 16,849,814 | 1,154,033,607 |
| Change in fair value of non-trading securities | | | | | | | (4,158,127) | | | | (4,158,127) |
| Deferred tax liabilities released/ (recognised) | | | | | | | 623,719 | (262,507) | | | 361,212 |
| Exchange differences arising on translation of the financial statements of foreign subsidiaries, associates and jointly controlled entities | | | | | | | | | 1,582 | | 1,582 |
| Net gain/(loss) not recognised in the profit and loss account | | | | | | | (3,534,408) | (262,507) | 1,582 | | (3,795,333) |
| Profit for the period | 459,428,656 | 384,620,414 | 47,086,000 | 31,033,936 | 52,862,258 | 132,973,835 | 5,763,876 | 19,212,780 | 406,705 | 16,849,814 | 1,150,238,274 |
| Transfers | | | | 3,084,226 | 12,382,831 | | | | | 6,022,124 | 6,022,124 |
| At 30th June 2003 | 459,428,656 | 384,620,414 | 47,086,000 | 34,118,162 | 65,245,089 | 132,973,835 | 5,763,876 | 19,212,780 | 406,705 | 7,404,881 | 1,156,280,398 |

Condensed Consolidated Statement of Changes in Equity (Continued)

for the six months ended 30th June 2003

| | Share capital HK\$ | Share premium HK\$ | Capital redemption reserve HK\$ | Statutory reserve HK\$ | General reserve HK\$ | Capital reserve HK\$ | Investment revaluation reserve HK\$ | Other properties revaluation reserve HK\$ | Exchange translation reserve HK\$ | Retained profits/(accumulated losses) HK\$ | Total HK\$ |
|---|-----------------------|-----------------------|------------------------------------|---------------------------|-------------------------|-------------------------|--|--|--------------------------------------|---|---------------|
| At 1st January 2002 | 459,428,656 | 384,620,414 | 47,086,000 | 29,177,827 | 867,558,875 | 93,835,473 | 8,499,386 | 24,181,101 | 1,261,267 | (5,879,126) | 1,128,969,873 |
| - as previously stated | | | | | | | | | | | |
| Change in accounting policy | | | | | | | | | | | |
| - prior period adjustment on provision for net deferred tax liabilities (Note 1) | | | | | | | | | | | |
| At 1st January 2002, as restated | 459,428,656 | 384,620,414 | 47,086,000 | 29,177,827 | 867,558,875 | 93,835,473 | 7,218,474 | 20,312,125 | 1,261,267 | (3,955,838) | 1,157,492,773 |
| Impairment charge | - | - | - | - | - | - | - | (896,235) | - | - | (896,235) |
| Change in fair value of non-trading securities | - | - | - | - | - | - | (1,555,741) | - | - | - | (1,555,741) |
| Deferred tax liabilities released | - | - | - | - | - | - | 233,361 | 159,397 | - | - | 392,758 |
| Exchange differences arising on translation of the financial statements of foreign subsidiaries, associates and jointly controlled entities | - | - | - | - | - | - | - | - | 7,776 | - | 7,776 |
| Net gain/(loss) not recognised in the profit and loss account | - | - | - | - | - | - | (1,322,380) | (836,838) | 7,776 | - | (2,151,442) |
| Profit for the period | 459,428,656 | 384,620,414 | 47,086,000 | 29,177,827 | 867,558,875 | 93,835,473 | 5,896,094 | 19,475,287 | 1,269,043 | (3,955,838) | 1,115,591,831 |
| Winding up of subsidiaries | - | - | - | - | - | (5,871,245) | - | - | - | 31,052,155 | 31,052,155 |
| Disposal of a subsidiary by a jointly controlled entity | - | - | - | - | 7,974,616 | (7,974,616) | 40,029 | - | (858,993) | - | (6,730,238) |
| Capitalisation of reserve by a jointly controlled entity | - | - | - | - | (62,984,223) | 52,984,223 | - | - | - | - | 40,029 |
| Transfers | - | - | - | 1,265,180 | 11,716,384 | - | - | - | - | (13,001,564) | - |
| At 30th June 2002 | 459,428,656 | 384,620,414 | 47,086,000 | 30,463,007 | 53,465,652 | 132,973,835 | 5,936,123 | 19,475,287 | 410,050 | 4,094,753 | 1,137,953,777 |

Notes to Condensed Interim Accounts

1. Basis of Preparation

These unaudited condensed consolidated 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. These condensed interim accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies used in the preparation of these condensed interim accounts are consistent with those adopted in the annual audited accounts for the year ended 31st December 2002, except that the Group has changed its accounting policy on deferred taxation following the adoption of the new SSAP 12 “Income Taxes” issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January 2003.

Under the new SSAP 12, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented herein have been restated to conform to this changed policy.

1. Basis of Preparation (Continued)

As detailed in the Condensed Consolidated Statement of Changes in Equity, the Group's opening retained earnings, investment revaluation reserve and other properties revaluation reserve have been reduced by the net deferred tax liabilities of the Group (including those attributable to jointly controlled entities and associates) computed under the changed policy as at those dates, which amounted to HK\$8,076,712, HK\$1,280,912 and HK\$3,868,976 respectively at 1st January 2002 and HK\$17,213,991, HK\$1,640,874 and HK\$3,709,579 respectively at 1st January 2003. The application of the changed policy has resulted in an increase of the Group's deferred tax liabilities and a decrease of the Group's minority interests, share of net assets in jointly controlled entities and associates at 31st December 2002 by HK\$3,803,715, HK\$491,778, HK\$16,583,829 and HK\$2,668,678 respectively.

The Group's taxation charges attributable to the Company and its subsidiaries, jointly controlled entities and associates (*Note 4*) for the six months ended 30th June 2002 have also increased by HK\$383,446, HK\$4,143,027 and HK\$286,866 respectively, resulting in a decrease of net profit after minority interests for the six months ended 30th June 2002 by HK\$4,592,627. In addition, the Group's investment revaluation reserve and other properties revaluation reserve as at 30th June 2002 have also reduced by HK\$233,361 and HK\$159,397 respectively.

For the six months period ended 30th June 2003, the adoption of this changed policy has resulted in a decrease in net profit after minority interests and amount credited/charged to investment revaluation reserve/other properties revaluation reserve by HK\$2,630,039, HK\$623,719 and HK\$262,507 respectively.

2. Turnover and Segment Revenue Information

The Group is principally engaged in property investment, development and sales, financial services, toll road investment and investment holdings.

The amount of each significant category of revenue recognised during the period is as follows:

| | Six months ended 30th June | |
|--|-----------------------------------|-------------|
| | 2003 | 2002 |
| | HK\$ | HK\$ |
| Turnover | | |
| Gross insurance premiums | 29,330,449 | 33,016,825 |
| Insurance brokerage commission | 614,831 | 363,834 |
| Gross proceeds from disposal of properties held for sale | 11,163,659 | 23,763,649 |
| Rental income from investment properties | 2,674,136 | 2,387,366 |
| Interest income | 2,571,821 | 3,529,526 |
| Management fee | 234,300 | 291,053 |
| | 46,589,196 | 63,352,253 |
| Less: Reinsurance | (5,145,426) | (5,725,686) |
| | 41,443,770 | 57,626,567 |
| Other revenues | | |
| Dividend income from listed equity investments | 258,707 | 172,841 |
| Net realised and unrealised gains on trading securities | 2,215,249 | 16,246 |
| Gain on winding up of subsidiaries (a) | – | 6,730,238 |
| Others | 73,538 | 22,164 |
| | 2,547,494 | 6,941,489 |
| Total revenues | 43,991,264 | 64,568,056 |

- (a) The prior period amount represented the release of capital reserve and exchange translation reserve attributable to the subsidiaries on their winding up.

2. Turnover and Segment Revenue Information (Continued)

The Group's activities are principally organised under the following business segments:

| | |
|--|--|
| Property investment, development and sales | – investing in and development of properties for sale and for rental income |
| Financial services | – underwriting of general insurance, investing in banking business and trading in securities |
| Toll road investment | – investing in toll road projects in Mainland China |
| Investment holdings and others | – this comprises other activities of the Group |

An analysis of the Group's revenues and results for the period by business segments is as follows:

| | For the six months ended 30th June 2003 | | | | |
|-------------------------------|--|--------------------|----------------------|--------------------------------|-------------------|
| | Property investment, development and sales | Financial services | Toll road investment | Investment holdings and others | Group |
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| Turnover | 13,876,338 | 25,244,118 | – | 2,323,314 | 41,443,770 |
| Other revenues | – | 2,536,287 | – | 11,207 | 2,547,494 |
| Total revenues | 13,876,338 | 27,780,405 | – | 2,334,521 | 43,991,264 |
| Segment results | (1,052,117) | 5,601,163 | – | (8,376,205) | (3,827,159) |
| Unallocated costs | | | | | (575,814) |
| Operating loss | | | | | (4,402,973) |
| Share of profits/(losses) of | | | | | |
| – Jointly controlled entities | – | 13,557,939 | – | 405,362 | 13,963,301 |
| – Associates | – | – | 2,689,939 | (27,918) | 2,662,021 |
| Profit before taxation | | | | | 12,222,349 |

2. Turnover and Segment Revenue Information (Continued)

| | For the six months ended 30th June 2002 | | | | |
|-------------------------------|--|--------------------------|----------------------|--------------------------------|--------------------------|
| | Property investment, development and sales | Financial services | Toll road investment | Investment holdings and others | Group |
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| Turnover | 26,261,703 | 28,218,393 | - | 3,146,471 | 57,626,567 |
| Other revenues | - | 197,662 | - | 6,743,827 | 6,941,489 |
| Total revenues | <u>26,261,703</u> | <u>28,416,055</u> | <u>-</u> | <u>9,890,298</u> | <u>64,568,056</u> |
| Segment results | 3,303,429 | 2,798,062 | - | 6,252,381 | 12,353,872 |
| Unallocated costs | | | | | (573,679) |
| Operating profit | | | | | 11,780,193 |
| Share of profits of | | | | | |
| – Jointly controlled entities | - | 26,341,312 | - | - | 26,341,312 |
| – Associates | - | - | 2,900,170 | - | 2,900,170 |
| Profit before taxation | | | | | <u>41,021,675</u> |

3. Other Provisions and Losses

| | Six months ended 30th June | |
|--|----------------------------|---------------------------|
| | 2003 HK\$ | 2002 HK\$ |
| Deficit on revaluation of investment properties (Note 6) | 4,600,000 | 3,700,000 |
| Write back of provision for loans to and amounts due from jointly controlled entities and associates | - | (10,047,310) |
| | <u>4,600,000</u> | <u>(6,347,310)</u> |

4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period. In 2003, the Hong Kong Government enacted a change in the profits tax rate from 16% to 17.5% starting from the fiscal year 2003/2004. Taxation on Mainland China and Macau profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in Mainland China and Macau.

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

| | Six months ended 30th June | |
|---|-----------------------------------|-------------------------|
| | 2003 | 2002 |
| | HK\$ | HK\$ |
| | | <i>(Note 1)</i> |
| Company and subsidiaries: | | |
| Hong Kong profits tax | 65,500 | 9,000 |
| Mainland China and Macau taxation | 672,128 | 258,254 |
| | <u>737,628</u> | <u>267,254</u> |
| Deferred taxation | | |
| Relating to the origination and reversal of temporary differences | (284,833) | 383,446 |
| | <u>452,795</u> | <u>650,700</u> |
| Share of taxation attributable to | | |
| – Jointly controlled entities: | | |
| Mainland China and Macau taxation | 4,936,908 | 8,071,550 |
| – Associates: | | |
| Mainland China taxation | 261,590 | 437,139 |
| Taxation charge | <u><u>5,651,293</u></u> | <u><u>9,159,389</u></u> |

5. Basic Earnings Per Share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the six months ended 30th June 2003 of HK\$6,022,124 (2002: HK\$31,052,155) and the weighted average number of 459,428,656 (2002: 459,428,656) shares in issue during the period.

The Group has no dilutive potential ordinary shares in issue during the current and prior period and therefore there is no diluted earnings per share presented in these accounts.

6. Fixed Assets

| | Investment properties <i>HK\$</i> | Other properties and fixed assets <i>HK\$</i> | Total <i>HK\$</i> |
|--|---|---|-----------------------------|
| Six months ended 30th June 2003 | | | |
| Opening net book amount | 119,394,720 | 52,196,885 | 171,591,605 |
| Translation differences | – | 392 | 392 |
| Additions | – | 423,136 | 423,136 |
| Disposals | – | (13,368) | (13,368) |
| Depreciation | – | (1,264,062) | (1,264,062) |
| Revaluation (<i>Note 3</i>) | (4,600,000) | – | (4,600,000) |
| Closing net book amount | <u>114,794,720</u> | <u>51,342,983</u> | <u>166,137,703</u> |

7. Jointly Controlled Entities

At 30th June 2003, investments in jointly controlled entities mainly represent the Group's investments of 36.75% in Xiamen International Bank. The Group's investments comprising share of their net assets and balances due from them are set out below:

| | Xiamen International Bank | Others | Total |
|---|--|-------------------|--------------------|
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| At 1st January 2003, net of provision (<i>Note 1</i>) | 441,453,181 | – | 441,453,181 |
| Equity investment and shareholder's loan advanced | – | 16,333,710 | 16,333,710 |
| Share of net profit for the period | 8,691,255 | 335,138 | 9,026,393 |
| Decrease in investment revaluation reserve | (3,534,408) | – | (3,534,408) |
| At 30th June 2003 | <u>446,610,028</u> | <u>16,668,848</u> | <u>463,278,876</u> |
| | Xiamen International Bank | Others | Total |
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| At 1st January 2002, net of provision (<i>Note 1</i>) | 420,330,458 | 9,151,527 | 429,481,985 |
| Share of net profit for the period | 18,269,762* | – | 18,269,762 |
| Decrease in investment revaluation reserve | (1,322,380) | – | (1,322,380) |
| Reserve released on disposal of a subsidiary | 40,029 | – | 40,029 |
| Increase in amounts advanced | – | 65,532 | 65,532 |
| Write back of provision for loans and amounts advanced | – | 10,246,555 | 10,246,555 |
| At 30th June 2002 | <u>437,317,869</u> | <u>19,463,614</u> | <u>456,781,483</u> |

* The amount includes the Group's share of the gain on disposal of a subsidiary by Xiamen International Bank during the period of HK\$6.97 million.

8. Insurance Debtors

The majority of the insurance debtors is on open account basis with the credit terms, including whether guarantees from third parties are required, determined by senior management.

The ageing analysis of the insurance debtors by invoice date was as follows:

| | 30th June 2003 HK\$ | 31st December 2002 HK\$ |
|----------------|------------------------------------|-------------------------------|
| Within 30 days | 5,017,871 | 3,793,371 |
| 31-60 days | 4,329,359 | 7,783,371 |
| 61-90 days | 6,185,770 | 4,053,969 |
| Over 90 days | 3,207,178 | 2,829,400 |
| | <u>18,740,178</u> | <u>18,460,111</u> |

9. Cash and Bank Balances

Included in cash and bank balances are deposits of RMB105,236,015 (equivalent to HK\$99,103,386) placed with certain banks (including jointly controlled financial institutions as disclosed in Note 14(a) in Mainland China (At 31st December 2002: RMB117,342,495, equivalent to HK\$110,480,893).

In accordance with the requirement from The Commissioner of Insurance in Hong Kong, a subsidiary maintains at all times a portion of its funds, being not less than HK\$16 million (At 31st December 2002: HK\$16 million), in fixed deposits. The subsidiary has also maintained bank deposit of HK\$5,700,971 (At 31st December 2002: HK\$5,700,971) for fulfilling certain requirements under the Macau Insurance Ordinance.

10. Insurance Liabilities

The ageing analysis of the insurance liabilities by invoice date was as follows:

| | 30th June | 31st December |
|----------------|--------------------------|-------------------------|
| | 2003 | 2002 |
| | HK\$ | HK\$ |
| Within 30 days | 6,058,741 | 2,303,248 |
| 31-60 days | 2,860,173 | 2,212,207 |
| 61-90 days | 1,872,308 | 1,444,832 |
| Over 90 days | 2,485,161 | 1,724,551 |
| | <u>13,276,383</u> | <u>7,684,838</u> |

11. Deferred Tax Liabilities

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2002: 16%) for Hong Kong taxation and 33% (2002: 33%) for Mainland China taxation. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movement on the deferred tax liabilities account is as follows:

| | Six months | Year |
|--|-------------------------|-------------------------|
| | ended | ended |
| | 30th June | 31st December |
| | 2003 | 2002 |
| | HK\$ | HK\$ |
| | | (Note 1) |
| At the beginning of the period/year | 3,803,715 | 3,415,586 |
| Deferred taxation (credited)/charged to profit and loss account | (284,833) | 547,526 |
| Deferred taxation charged/(credited) to other properties revaluation reserve | 262,507 | (159,397) |
| At the end of the period/year | <u>3,781,389</u> | <u>3,803,715</u> |

11. Deferred Tax Liabilities (Continued)

Deferred income tax assets are recognised for tax loss carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 30th June 2003, the Group has unrecognised tax losses of HK\$79,771,308 (31st December 2002: HK\$78,446,291) to carry forward against future taxable income. These tax losses have no expiry date.

12. Contingent Liabilities

| | 30th June 2003 HK\$ | 31st December 2002 HK\$ |
|------------|------------------------------------|-------------------------------|
| Guarantees | <u>7,519,980</u> | <u>9,454,335</u> |

A subsidiary has issued guarantees for mortgage loan facilities obtained by certain buyers for acquiring properties in Mainland China from the subsidiary. These guarantees will be released upon the receipt of title deeds of the related mortgaged properties by the banks which normally takes less than one year from the date of guarantee.

13. Capital Commitments

| | 30th June 2003 HK\$ | 31st December 2002 HK\$ |
|---|------------------------------------|-------------------------------|
| For properties investment and development | | |
| Authorised but not contracted for | – | 2,750,000 |
| Contracted but not provided for | <u>8,877,707</u> | <u>573,850</u> |
| | <u>8,877,707</u> | <u>3,323,850</u> |
| The Group's share of capital commitments for fixed assets of jointly controlled entities not included in above is as follows: | | |
| Contracted but not provided for | <u>1,757,621</u> | <u>3,487,532</u> |

14. Related Party Transactions

Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

- (a) As of 30th June 2003, the Group had deposits with jointly controlled financial institutions totalling HK\$171,687,040 (*At 31st December 2002: HK\$133,182,917*). The deposits carry interest at normal commercial rates and generated interest income of HK\$979,679 (*2002: HK\$1,295,130*) to the Group for the period.
- (b) Insurance premium generated from jointly controlled entities totalling HK\$2,605,300 (*2002: HK\$2,774,251*) for the period were conducted at prices and terms not less favourable than those charged to and contracted with other third party customers of the Group.
- (c) The Company has committed to advance an unsecured loan of up to RMB6 million (*At 31st December 2002: RMB 6 million*) to a non-wholly owned subsidiary for the purpose of financing a property project. The loan bears interest at 8% per annum and is repayable within the next twelve months from the drawdown date. As of 30th June 2003, the loan has not been drawn down.
- (d) As of 30th June 2003, the Group had shareholder's loans to and amounts due from jointly controlled entities amounting to HK\$111,013,168 (*At 31st December 2002: HK\$94,679,498*) and HK\$51,130,299 (*At 31st December 2002: HK\$51,130,299*) respectively. The loans and amounts were advanced to the jointly controlled entities as part of the Group's investment in the jointly controlled entities. As of 30th June 2003, total provisions of HK\$145,809,797 (*At 31st December 2002: HK\$145,809,797*) had been made against these balances as a result of the accumulated losses arising from the underlying joint ventures. The shareholder's loans have no fixed repayment terms and except for an amount of HK\$16,333,670 (*At 31st December 2002: Nil*) which is interest free, the remaining balance bears interest at 12% per annum. The amounts due from the jointly controlled entities are interest free and have no fixed repayment terms. Given the circumstances, interest income on these loans is accounted for on a cash basis and no interest income was received during the period (*2002: HK\$70,282*).

14. Related Party Transactions (Continued)

- (e) As of 30th June 2003, the Group had loans to and amounts due from associates totalling HK\$82,770,469 (*At 31st December 2002: HK\$84,977,107*). These loans and amounts are unsecured, interest free and have no fixed repayment terms except for a secured loan of RMB10 million (*At 31st December 2002: RMB10 million*) and a loan of RMB1,520,000 (*At 31st December 2002: RMB1,520,000*). These two loans bear interest at normal commercial rates and are repayable within 2003. In addition, the RMB10 million loan is secured by a piece of land in Mainland China. Interest income received and receivable from the associates during the period amounted to HK\$316,070 (*2002: HK\$40,208*).

At of 30th June 2003, provisions of HK\$9,217,350 (*At 31st December 2002: HK\$9,215,537*) had been made against the loans to and amounts due from an associate.

- (f) An amount of HK\$940,000 (*2002: HK\$940,000*) was paid to Vigour Fine Company Limited, a substantial shareholder of the Company, for the provision of certain management services which include the provision of directors to the Board of Directors of the Company.

15. Subsequent Event

As disclosed in the 2002 annual accounts, the Group entered into an agreement in January 2003 with its associate company, Changchun Changxin International Real Estate Development Co., Ltd. (“the Associate”) and a third party whereby the Group agreed to exchange its equity in and balances due from the Associate for a piece of land (“the Land”) in Mainland China held by the Associate. The completion of the transaction was subject to, inter alia, the satisfactory registration of the Land by the Group free from any encumbrance on or before 30th August 2003.

Due to the change in requirements on land transfer in Mainland China, the Group considered that it was unlikely to complete the registration of the Land on or before 30th August 2003. In view of the circumstances, the aforementioned transaction was cancelled and the Associate has repaid the secured loan of RMB10 million to the Group subsequent to the balance sheet date.

16. Comparative Figures

Certain comparative figures have been reclassified to conform with the change in accounting policy as detailed in Note 1.

Interim Dividend

The Directors have resolved that no interim dividend be declared for the half year ended 30th June 2003 (2002: Nil).

Business Review

The Group recorded a profit attributable to shareholders of HK\$6.02 million for the six months ended 30th June 2003 with earnings per share of 1.31 cents, as compared with HK\$31.05 million and 6.76 cents per share for the same period in 2002. The decline in profit is mainly attributable to the fact that the profit for the same period last year included a write back of provision against loans and amounts due from jointly controlled entities and a gain on winding up of subsidiaries.

The Group's major investment, a 36.75% interest in Xiamen International Bank, reported a consolidated net profit of HK\$46.55 million for the six months ended 30th June 2003, as compared with HK\$70.93 million (including the gain on disposal of a subsidiary of HK\$18.96 million during the period) for the same period in 2002. As China's financial reforms advancing into further depth, Xiamen International Bank will capitalize on the opportunities to accelerate development, enhance its capital strength and the quality of its assets and upgrade its operating efficiencies with a view to attain the target of becoming a quality bank and provide attractive yield to the shareholders.

In the first half of 2003, the Group's wholly owned subsidiary, Min Xin Insurance Company Limited, achieved a profit after tax of HK\$1.9 million, an increase of 18% from HK\$1.61 million for the same period last year. As the effect of the SARS event is expected to be diminishing gradually, the management believes that the business result may be further improved in the second half of the year.

The Group's toll road investment through its associated company in Maanshan, Anhui Province, has been operating satisfactorily during the period under review. Even with the short-term impact of the SARS event, the toll road has been able to record a revenue of RMB22.56 million, an increase of 5.3% from RMB21.43 million for the same period last year. We believe that the traffic flow and revenue of this toll road will continue the rising trend in the second half of 2003. The Group's toll road investment through its associated company in Fenghua, Zhejiang Province, on the other hand, has recorded a revenue of RMB19.34 million, a decrease of 16.6% from the same period last year owing to the continued diversion effect. It is expected that the adverse factors will last for some time.

Business Review (Continued)

Following the Group's investment through a 40%-owned investee in a high-tech manufacturer in Mainland China at the beginning of 2003, this manufacturer has achieved remarkable performance in the first half of the year with both of its revenue and profit after tax nearly doubled to RMB13.61 million and RMB4.53 million respectively. It is anticipated that this project will generate a favourable return to the Group even in the first year of the investment.

The Group's property project in Jinan, Shandong Province has recorded a net profit of RMB1.19 million, as compared with RMB1.74 million for the same period in 2002. We envisage that with the gradual recognition of the sale proceeds of the fifth phase of this project in the second half of this year, it will contribute better return to the Group.

Financial Position

The Group currently maintains a sound financial position. As at 30th June 2003, the Group had current assets and current liabilities of HK\$508.25 million (*At 31st December 2002: HK\$549.21 million*) and HK\$142.4 million (*At 31st December 2002: HK\$152.01 million*) respectively with a current ratio of 3.6 (*At 31st December 2002: 3.6*).

As at 31st December 2002 and 30th June 2003, the Group was debt free.

As at 30th June 2003, bank deposits of the Group amounted to HK\$405.13 million (*At 31st December 2002: HK\$451.69 million*) which included deposits of RMB105.24 million (equivalent to HK\$99.1 million) placed with certain banks in Mainland China (*At 31st December 2002: RMB117.34 million, equivalent to HK\$110.48 million*).

As at 30th June 2003, a subsidiary of the Group in Mainland China has issued guarantees amounting to HK\$7.52 million (*At 31st December 2002: HK\$9.45 million*) for mortgage loan facilities obtained by certain buyers for acquiring properties from the subsidiary. Such guarantees will be released upon receipt of the titles deeds of the properties by the relevant banks.

Employees and Remuneration Policy

As at 30th June 2003, the Group had 83 employees. The remuneration of the employees is based on individual merits and experience. The Group also provides other benefits to the employees including retirement benefits and medical scheme.

Prospects

In the face of the changing operating environment, we will endeavor to maximize the asset value and competitiveness of our investments through cost control measures and higher operational efficiencies. The Board of Directors believes that with the Group's solid foundation and advantageous position in Mainland China, coupled with surplus cash and sound financial position, the Board has every confidence and capability to capture the numerous emerging market opportunities in Mainland China to take on quality businesses, such as infrastructure project, so as to strengthen the future development of the Group.

Directors' Interests

As at 30th June 2003, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) 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 for Securities Transactions by Directors of Listed Companies; and none of the directors or their spouses, or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

Substantial Shareholders

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 30th June 2003, the following corporations had interests (as defined in the SFO) in the Company set opposite their respective names:

| Name of Corporation | <i>Notes</i> | Number of shares held | Percentage of shareholding |
|---|--------------|------------------------------|-----------------------------------|
| Samba Limited ("Samba") | | 144,885,000 | 31.54% |
| Papilio Inc. | 1 | 169,125,000 | 36.81% |
| Vigour Fine Company Limited ("Vigour Fine") | 1 | 192,764,600 | 41.96% |
| Fujian International Trust & Investment Corporation ("FITIC") | 2 | 192,764,600 | 41.96% |

Substantial Shareholders (Continued)

Notes:

1. Papilio Inc. and Vigour Fine which were both substantial shareholders of Samba were deemed to be interested in Samba's interest of 144,885,000 shares in the Company.
2. FITIC was deemed to be interested in Vigour Fine's interest of 192,764,600 shares in the Company by virtue of its controlling interests in Vigour Fine.

All the interests stated above represent long positions. As at 30th June 2003, no short positions were recorded in the register maintained by the Company under section 336 of the SFO.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

Audit Committee

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th June 2003.

Corporate Governance

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not or was not for any part of the accounting period covered by this interim report, 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, except that the independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the Company's Articles of Association.

By Order of the Board
Ding Shi Da
Chairman

Hong Kong, 25th September 2003