

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 2004 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the six months ended 30th June 2004

		(Unaudited)	
		Six months ended 30th June	
	Note	2004 HK\$	2003 HK\$
TURNOVER	2	71,307,549	45,449,982
TOTAL REVENUES	2	86,545,321	43,991,264
COST OF PROPERTIES SOLD		(27,673,378)	(8,604,279)
NET COMMISSIONS, CLAIMS AND OTHER EXPENSES INCURRED ON INSURANCE BUSINESS		(13,008,358)	(16,485,024)
STAFF COSTS		(11,792,640)	(11,297,057)
DEPRECIATION		(1,191,955)	(1,264,062)
OTHER PROVISIONS AND LOSSES	3	(9,053,176)	(4,600,000)
OTHER OPERATING EXPENSES		(7,071,537)	(6,143,815)
TOTAL OPERATING EXPENSES		(69,791,044)	(48,394,237)
OPERATING PROFIT/(LOSS)		16,754,277	(4,402,973)
SHARE OF RESULTS OF			
– JOINTLY CONTROLLED ENTITIES		34,012,048	13,963,301
– ASSOCIATES		133,618	2,662,021
		34,145,666	16,625,322
PROFIT BEFORE TAXATION		50,899,943	12,222,349
TAXATION	4	(11,877,058)	(5,651,293)
PROFIT AFTER TAXATION		39,022,885	6,571,056
MINORITY INTERESTS		(2,439,109)	(548,932)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		36,583,776	6,022,124
		HK CENTS	HK CENTS
BASIC EARNINGS PER SHARE	5	7.96	1.31

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2004

		(Unaudited) 30th June 2004 HK\$	(Audited) 31st December 2003 HK\$
	Note		
NON-CURRENT ASSETS			
Fixed assets	6	120,651,008	152,023,204
Jointly controlled entities	7	516,209,468	512,426,822
Associates		71,040,329	100,505,419
Held-to-maturity debt securities, unlisted		5,007,242	9,009,318
Other asset	8	58,050,000	58,050,000
Deferred tax assets	12	1,331,292	-
		<u>772,289,339</u>	<u>832,014,763</u>
CURRENT ASSETS			
Properties held for sale		20,452,979	32,960,761
Deferred acquisition costs		9,478,312	7,824,360
Insurance debtors	9	17,903,955	13,777,314
Claims recoverable from reinsurers		19,308,253	17,511,179
Dividend receivable from a jointly controlled entity		18,375,000	-
Other debtors and prepayments	2(b)	58,980,378	3,762,450
Trading securities, listed		7,201,603	5,665,096
Cash and bank balances	10	506,525,008	478,469,483
		<u>658,225,488</u>	<u>559,970,643</u>
CURRENT LIABILITIES			
Unearned premiums		26,825,441	22,096,166
Unexpired risks		948,000	948,000
Gross outstanding insurance claims		67,120,242	68,806,753
Insurance liabilities	11	10,381,674	5,605,631
Other creditors and accruals		57,609,607	50,496,335
Taxation		5,830,997	4,854,747
		<u>168,715,961</u>	<u>152,807,632</u>
NET CURRENT ASSETS			
		<u>489,509,527</u>	<u>407,163,011</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>1,261,798,866</u>	<u>1,239,177,774</u>
DEFERRED TAX LIABILITIES			
	12	3,930,234	4,547,468
MINORITY INTERESTS			
		16,007,394	13,503,689
NET ASSETS			
		<u>1,241,861,238</u>	<u>1,221,126,617</u>
SHARE CAPITAL			
		459,428,656	459,428,656
OTHER RESERVES			
		697,081,534	674,059,815
RETAINED PROFITS			
Proposed final dividend		-	18,377,146
Others		85,351,048	69,261,000
SHAREHOLDERS' FUNDS			
		<u>1,241,861,238</u>	<u>1,221,126,617</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*for the six months ended 30th June 2004*

	(Unaudited)	
	Six months ended 30th June	
	2004	2003
	HK\$	HK\$
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	11,588,565	(14,720,609)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(5,883,668)	(29,373,816)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(18,379,143)	(2,461,280)
DECREASE IN CASH AND CASH EQUIVALENTS	(12,674,246)	(46,555,705)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	457,232,453	429,987,586
CASH AND CASH EQUIVALENTS AT 30TH JUNE	<u>444,558,207</u>	<u>383,431,881</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances <i>(Note 10)</i>	506,525,008	405,132,852
Less: Deposits placed pursuant to insurance regulatory requirements <i>(Note 10)</i>	(21,966,801)	(21,700,971)
Deposits with original maturity of over three months	(40,000,000)	–
	<u>444,558,207</u>	<u>383,431,881</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30th June 2004

	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 HK\$	Total HK\$	(Unaudited)
At 1st January 2004	459,428,656	384,620,414	47,086,000	34,171,673	44,372,423	134,433,527	9,776,285	19,212,780	386,703	87,636,146	1,221,126,617	
Reversal of impairment losses	-	-	-	-	-	-	-	6,023,700	-	-	6,023,700	
Change in fair value of non-trading securities	-	-	-	-	-	-	(3,109,750)	-	-	-	(3,109,750)	
Deferred tax liabilities released/(recognised)	-	-	-	-	-	-	466,464	(1,054,148)	-	-	(587,684)	
Disposal of an associate	-	-	-	-	-	-	-	-	78,732	-	78,732	
Exchange differences arising on translation of the financial statements of foreign subsidiaries, associates and jointly controlled entities	-	-	-	-	-	-	-	-	123,001	-	123,001	
Net gain/(loss) not recognised in the profit and loss account	-	-	-	-	-	-	(2,649,204)	4,969,552	201,733	-	2,627,981	
Profit for the period	459,428,656	384,620,414	47,086,000	34,171,673	44,372,423	134,433,527	7,133,001	24,182,332	588,436	87,636,146	1,223,654,608	
Transfers	-	-	-	-	-	-	-	-	-	36,593,776	36,593,776	
Dividend	-	-	-	4,067,459	16,426,269	-	-	-	-	(20,493,728)	-	
At 30th June 2004	459,428,656	384,620,414	47,086,000	38,239,132	60,798,692	134,433,527	7,133,001	24,182,332	588,436	85,351,048	1,241,061,238	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

for the six months ended 30th June 2004

		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 HK\$	Total HK\$	(Unaudited)
At 1st January 2003		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	25,499,241	1,162,683,034	
Change in fair value of non-trading securities Deferred tax liabilities released/(recognised)		-	-	-	-	-	-	(4,158,127)	-	-	-	(4,158,127)	
Exchange differences arising on translation of the financial statements of foreign subsidiaries, associates and jointly controlled entities		-	-	-	-	-	-	623,719	(262,507)	-	-	361,212	
Net gain/(loss) not recognised in the profit and loss account		-	-	-	-	-	-	-	-	1,582	-	1,582	
		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	25,499,241	1,158,887,701	
Profit for the period		-	-	-	-	-	-	-	-	-	6,022,124	6,022,124	
Transfers		-	-	-	3,084,226	12,382,831	-	-	-	-	(15,467,057)	-	
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	16,054,308	1,164,909,825	

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 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. These condensed interim accounts should be read in conjunction with the 2003 annual accounts.

The accounting policies used in the preparation of these condensed interim accounts are consistent with those adopted in the Group’s annual accounts for the year ended 31st December 2003.

2. Turnover and Segmental Information

The Group is principally engaged in financial services, property development and investment, toll road investment, industrial instrument manufacturing and investment holding.

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

	Six months ended 30th June	
	2004	2003
	HK\$	HK\$
Turnover		
Gross insurance premiums	29,884,048	28,191,235
Insurance brokerage commission	792,013	614,831
Gross proceeds from disposal of properties held for sale	36,240,333	11,163,659
Rental income from investment properties	2,283,810	2,674,136
Interest income from bank deposits	1,813,045	2,571,821
Management fee	294,300	234,300
	71,307,549	45,449,982
Reinsurance premiums ceded	(5,096,832)	(6,285,499)
(Increase)/decrease in net unearned insurance premiums written and provision for unexpired risks	(4,729,275)	2,279,287
	61,481,442	41,443,770
Other revenues		
Dividend income from listed equity investments	117,760	258,707
Net realised and unrealised gains on trading securities	–	2,215,249
Interest income from debt securities	93,703	–
Gain on disposal of an associate (a)	6,030,032	–
Gain on disposal of investment properties (b)	14,204,660	–
Compensation receivable on affected right over usage of land (c)	3,954,280	–
Others	663,444	73,538
	25,063,879	2,547,494
Total revenues	86,545,321	43,991,264

2. Turnover and Segmental Information (Continued)

- (a) The amount represented the gain on disposal of an associated company, Changchun Changxin International Real Estate Development Co., Ltd., to a third party which was completed in March 2004.
- (b) In April 2004, the Group entered into a sale and purchase agreement with a third party (“the Buyer”) to dispose of one of the Group’s investment properties (“the Property”) at a cash consideration of HK\$52 million and a gain of HK\$14.2 million was recognised on disposal of the Property. As at 30th June 2004, the Group had an outstanding purchase consideration of HK\$46.8 million due from the Buyer, which was included in “Other debtors and prepayments”. The outstanding purchase consideration was fully settled by the Buyer in early July 2004.
- (c) During the period, a local government office of the Tianqiao District People’s Government of Jinan, Shandong Province, Mainland China has agreed to pay the Group RMB4.18 million as a compensation for the Group’s consequential loss of potential profits arising from the Group’s affected right over the usage of certain parcels of land in Jinan.

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

- | | |
|-------------------------------------|---|
| Financial services | – underwriting of general insurance, insurance brokerage, investing in banking business and trading in securities |
| Property development and investment | – development and sale of properties and leasing of investment properties |
| Toll road investment | – investing in toll road projects in Mainland China |
| Industrial instrument manufacturing | – manufacturing and distribution of digital instruments |
| Investment holding and others | – this comprises other investment activities of the Group |

2. Turnover and Segmental Information (Continued)

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 2004					
		Property		Industrial	Investment	Group
		development	Toll road	instrument	holding	
	Financial	and	investment	manufacturing	and others	
services	investment	investment	investment	investment		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Total revenues	21,148,390	63,065,278	-	-	2,331,653	86,545,321
Segment results	1,403,007	34,338,775	(9,700,913)	-	1,960,614	28,001,483
Unallocated costs						(11,247,206)
Operating profit						16,754,277
Share of results of						
- Jointly controlled entities	31,768,110	-	-	2,243,938	-	34,012,048
- Associates	-	-	76,016	-	57,602	133,618
Profit before taxation						50,899,943

	For the six months ended 30th June 2003					
		Property		Industrial	Investment	Group
		development	Toll road	instrument	holding	
	Financial	and	investment	manufacturing	and others	
services	investment	investment	investment	investment		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Total revenues	27,780,405	13,876,338	-	-	2,334,521	43,991,264
Segment results	5,601,163	(1,052,117)	-	-	1,508,533	6,057,579
Unallocated costs						(10,460,552)
Operating loss						(4,402,973)
Share of results 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

3. Other Provisions and Losses

	Six months ended 30th June	
	2004	2003
	HK\$	HK\$
(Write back of deficit)/deficit on revaluation of investment properties	(1,600,000)	4,600,000
Net realised and unrealised losses on trading securities	952,263	–
Impairment losses for loan to an associate	9,700,913	–
	<u>9,053,176</u>	<u>4,600,000</u>

4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the period. 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	
	2004	2003
	HK\$	HK\$
Company and subsidiaries:		
Hong Kong profits tax	1,550	65,500
Mainland China and Macau taxation	5,470,274	672,128
	<u>5,471,824</u>	<u>737,628</u>
Deferred taxation		
Relating to the origination and reversal of temporary differences	(3,005,411)	(284,833)
	<u>2,466,413</u>	<u>452,795</u>
Jointly controlled entities:		
Mainland China and Macau taxation	9,211,108	4,936,908
Associates:		
Mainland China taxation	199,537	261,590
Taxation charge	<u>11,877,058</u>	<u>5,651,293</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 2004 of HK\$36,583,776 (2003: HK\$6,022,124) and the weighted average number of 459,428,656 (2003: 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 HK\$	Other properties and fixed assets HK\$	Total HK\$
Six months ended 30th June 2004			
Opening net book amount	101,710,930	50,312,274	152,023,204
Translation differences	–	8,470	8,470
Additions	–	276,550	276,550
Disposals	(37,500,000)	(588,961)	(38,088,961)
Depreciation	–	(1,191,955)	(1,191,955)
Reversal of impairment	–	6,023,700	6,023,700
Revaluation (<i>Note 3</i>)	1,600,000	–	1,600,000
	<u>65,810,930</u>	<u>54,840,078</u>	<u>120,651,008</u>
Closing net book amount	<u>65,810,930</u>	<u>54,840,078</u>	<u>120,651,008</u>

7. Jointly Controlled Entities

At 30th June 2004, 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 HK\$	Others HK\$	Total HK\$
At 1st January 2004, net of provision	493,339,852	19,086,970	512,426,822
Share of net profit for the period	22,695,377	2,105,563	24,800,940
Dividend declared during the period	(18,375,000)	–	(18,375,000)
Decrease in investment revaluation reserve	(2,643,294)	–	(2,643,294)
At 30th June 2004	<u>495,016,935</u>	<u>21,192,533</u>	<u>516,209,468</u>

	Xiamen International Bank HK\$	Others HK\$	Total HK\$
At 1st January 2003, net of provision	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>

8. Other Asset

	30th June 2004 HK\$	31st December 2003 HK\$
Advance to an unrelated company	64,500,000	64,500,000
Less: Impairment loss	(6,450,000)	(6,450,000)
	<u>58,050,000</u>	<u>58,050,000</u>

The advance is secured by certain units of a building in Fuzhou, Mainland China. Interest of 14% and management fee of 4% per annum is payable by the borrower on the advance.

In 2001, the Company took legal action against the borrower for settlement of the advance which was not repaid as originally scheduled. On 26th January 2001, a court order was granted to confirm the Company's right to foreclose on secured units of the building held as collateral. The Company is currently taking steps to arrange for the disposal of the properties collateral and the directors, based on a valuation performed by an independent professional valuer as of 30th June 2004, consider that the impairment loss of HK\$6,450,000 against the advance brought forward from the prior year is adequate and appropriate. The Group has ceased accruing interest and management fee on the advance since 2001.

9. Insurance Debtors

The credit period for the majority of insurance debtors normally ranges from 90 to 120 days. The credit terms of insurance debtors, including whether guarantees from third parties are required, are determined by senior management.

At 30th June 2004, the ageing analysis of the insurance debtors by invoice date was as follows:

	30th June 2004 HK\$	31st December 2003 HK\$
Within 30 days	4,996,395	3,359,470
31-60 days	6,248,579	3,468,581
61-90 days	3,875,915	2,970,985
Over 90 days	2,783,066	3,978,278
	<u>17,903,955</u>	<u>13,777,314</u>

10. Cash and Bank Balances

Included in cash and bank balances are deposits of RMB184,990,076 (equivalent to HK\$175,000,612) placed with certain banks (including jointly controlled financial institutions as disclosed in Note 15(a)) in Mainland China (At 31st December 2003: RMB143,046,050, equivalent to HK\$134,713,618).

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 2003: HK\$16 million), in fixed deposits. The subsidiary has also maintained bank deposit of HK\$5,966,801 (At 31st December 2003: HK\$5,237,030) for fulfilling certain requirements under the Macau Insurance Ordinance.

11. Insurance Liabilities

At 30th June 2004, the ageing analysis of the insurance liabilities by invoice date was as follows:

	30th June	31st December
	2004	2003
	HK\$	HK\$
Within 30 days	5,252,673	796,351
31-60 days	2,386,949	1,771,455
61-90 days	1,583,968	1,218,123
Over 90 days	1,158,084	1,819,702
	<u>10,381,674</u>	<u>5,605,631</u>

12. Deferred Taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%) for Hong Kong taxation and 33% (2003: 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 assets/(liabilities) account is as follows:

	Six months ended 30th June 2004 HK\$	Year ended 31st December 2003 HK\$
At the beginning of the period/year	(4,547,468)	(3,803,715)
Deferred taxation credited/(charged) to profit and loss account	3,005,411	(480,823)
Deferred taxation charged to other properties revaluation reserves	(1,054,148)	(262,507)
Exchange differences	(2,737)	(423)
	<hr/> (2,598,942) <hr/>	<hr/> (4,547,468) <hr/>
At the end of the period/year	(2,598,942)	(4,547,468)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. At 30th June 2004, the Group has estimated unrecognised tax losses of HK\$86,671,161 (31st December 2003: HK\$80,440,770) to carry forward against future taxable income. These tax losses have no expiry date.

13. Contingent Liabilities

	30th June	31st December
	2004	2003
	HK\$	HK\$
Guarantees	<u>44,376,103</u>	<u>13,800,340</u>

A non-wholly owned subsidiary has issued guarantees for bank mortgage loan facilities obtained by certain buyers for acquiring properties in Mainland China from such non-wholly owned 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 issue of guarantee.

14. Capital Commitments

	30th June	31st December
	2004	2003
	HK\$	HK\$
For property development and investment		
Contracted but not provided for	<u>410,185</u>	<u>284,760</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>550,408</u>	<u>1,421,817</u>

On 28th June 2004, the Board of Directors authorised the Company's proposed acquisition of certain interests in Huaneng Power International, Inc. and a conditional purchase agreement was entered into by the Company on 19th July 2004 (Note 16).

15. 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 2004, the Group had deposits with jointly controlled financial institutions totalling HK\$259,126,200 (At 31st December 2003: HK\$216,143,594). The deposits carry interest at normal commercial rates and have generated interest income of HK\$1,097,667 (2003: HK\$979,679) to the Group for the period.
- (b) Gross insurance premium less commission paid totalling HK\$2,912,169 (2003: HK\$2,605,300) was generated from jointly controlled entities during the period. Those insurance policies underwritten by the Group were contracted at prices and terms not less favourable than those contracted with other third party customers of the Group.
- (c) As of 30th June 2004, the Group had shareholder's loans to and amounts due from jointly controlled entities amounting to HK\$110,256,527 (At 31st December 2003: HK\$110,256,527) and HK\$51,130,299 (At 31st December 2003: HK\$51,130,299) respectively as part of the Group's investment in these jointly controlled entities. As of 30th June 2004, total provisions of HK\$145,053,156 (At 31st December 2003: HK\$145,053,156) had been made against these balances as a result of the accumulated losses arising from the underlying joint ventures.

The shareholder's loans are unsecured and have no fixed repayment terms. Except for an interest free loan of HK\$16,333,670 (At 31st December 2003: HK\$16,333,670), the remaining balance bears interest of 12% per annum (2003: 12%). The amounts due from the jointly controlled entities are unsecured, 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 (2003: Nil).

15. Related Party Transactions (Continued)

- (d) As of 30th June 2004, the Group had loans to and amounts due from associates totalling HK\$55,231,990 (At 31st December 2003: HK\$70,770,275). These loans and amounts are unsecured, interest free and have no fixed repayment terms except for a loan of RMB1,520,000 which bore interest at normal commercial rates at 31st December 2003. This loan was disposed of in conjunction with the Group's disposal of its interest in an associate during the period (Note 2(a)). No interest income was received from these associates during the period (2003: Nil).
- (e) An amount of HK\$940,000 (2003: 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 pursuant to a management agreement.

16. Subsequent Event

On 19 July 2004, the Company entered into a conditional agreement ("the Agreement") with the liquidation team of Fujian International Trust & Investment Corporation ("FITIC") ("the Vendor"), where FITIC is a substantial shareholder of the Company. Pursuant to the Agreement, the Company agreed to acquire from the Vendor 108,000,000 unlisted ordinary domestic shares of Huaneng Power International, Inc. ("the Asset") at a cash consideration of RMB358.56 million (equivalent to approximately HK\$338.94 million) as adjusted by an amount equal to the appreciation in the net asset value (as defined in the Agreement) of the Asset from 1st January 2004 to the date of payment of the aforementioned consideration of RMB358.56 million.

The completion of the Agreement is subject to the provision by the Vendor (or the successor/transferee of the Asset (if any) as defined in the Agreement) of certified true copies of all the necessary approvals required by Hong Kong and the People's Republic of China laws and regulations for effecting the transaction contemplated thereunder.

17. Disclosure Under Rule 13.22 of Chapter 13 of the Listing Rules

The Group had amounts due from jointly controlled entities and associates of HK\$161.4 million (before impairment losses of HK\$145.1 million) and HK\$55.2 million respectively. A pro-forma combined balance sheet of these companies and the Group's attributable interest in these companies are presented below:

As at 30th June 2004

	Pro-forma combined balance sheet HK\$	Group's attributable interest HK\$
Fixed assets	632,708,135	231,891,370
Property under development	3,607,175	1,442,870
Goodwill	10,694,175	4,277,670
Current assets	58,418,928	22,640,477
Current liabilities	(68,774,353)	(17,641,696)
Long term bank loans	(183,422,750)	(69,452,600)
Deferred tax liabilities	(4,585,555)	(1,519,853)
Minority interests	<u>(210,921,468)</u>	<u>(79,238,796)</u>
Net assets	<u><u>237,724,287</u></u>	<u><u>92,399,442</u></u>
Share capital and reserves	(322,009,223)	(167,982,814)
Shareholder's loans and advances	<u>559,733,510</u>	<u>260,382,256</u>
	<u><u>237,724,287</u></u>	<u><u>92,399,442</u></u>

INTERIM DIVIDEND

The Directors have resolved that no interim dividend be declared for the half year ended 30th June 2004 (2003: Nil).

OVERALL RESULTS

For the six months ended 30th June 2004, the Group attained a better interim result and recorded a profit attributable to shareholders of HK\$36.58 million with earnings per share of 7.96 cents, a growth of 5.1 times from HK\$6.02 million and 1.31 cents per share for the same period in 2003 respectively. The profit growth is mainly attributable to the continuous economic growth in Mainland China and the gain on disposal of an investment property and an associated company which engaged in property development.

BUSINESS REVIEW

Banking Business

The Group's major investment, a 36.75% interest in Xiamen International Bank, has achieved a steady growth for the period under review. Although the net interest income was affected by the decreasing interest spread, the growth in business volume and non-interest income had offset the falling income from interest spread. For the six months ended 30th June 2004, Xiamen International Bank's consolidated net profit as adjusted for the Group's financial reporting purposes went up by 161.1% to HK\$61.76 million from HK\$23.65 million for the same period in 2003. Following the receipt of the license for RMB business and full-range foreign exchange business by the Fuzhou branch and Zhuhai branch, the scope of business of Xiamen International Bank has been expanded. Xiamen International Bank will diligently develop its geographical presence and seek business growth with a view to build up the brand of a quality commercial bank and provide satisfactory return to the shareholders.

BUSINESS REVIEW (Continued)

Insurance Business

The Group's wholly owned subsidiary, Min Xin Insurance Company Limited ("MXIC"), achieved a profit after tax of HK\$4.33 million for the first half of 2004, an increase of 127.9% from HK\$1.90 million for the same period last year. The profit growth is mainly due to the increase in the market value of the investment property portfolio of MXIC. In view of the recent downward market trend for insurance premium rate, a more fierce competition is expected in the second half of the year. Nevertheless, the management will continue to develop new business lines in order to bring in better return for MXIC.

Property Development and Investment

The Group's property project in Jinan, Shandong Province has achieved a favourable result and recorded a profit after tax of RMB5.27 million, a growth of 3.4 times from the profit after tax of RMB1.19 million for the same period in 2003. The increase in profit was mainly due to the sales of the fifth phase of the project. It is anticipated that the sales of the remaining units of the fifth phase of this project will be recognised in the second half of this year and will provide satisfactory return to the Group.

During the period, the Group disposed of its debt interest and the 20% equity interest in an associated company which engaged in property development in Changchun, Jilin Province, at a cash consideration of RMB22.15 million (equivalent to approximately HK\$20.90 million), generating a profit of HK\$6.03 million.

The Group recorded a profit of HK\$14.20 million during the period as a result of its disposal of a floor of a commercial building in Hong Kong at a cash consideration of HK\$52 million. The property was previously held by the Group for long term leasing purpose.

BUSINESS REVIEW (Continued)

Toll Road Investments

The Group's toll road investment through its associated company in Maanshan, Anhui Province, continued to operate satisfactorily during the period under review. The toll road has registered a revenue of RMB24.66 million, an increase of 9.3% from RMB 22.56 million for the same period last year. We believe that the traffic flow and toll revenue of this toll road will continue the rising trend in the second half of 2004. However, due to the continued diversion effect from the neighbouring competing routes, the Group recorded a share of loss and an impairment loss against the Group's toll road investment through its associated company in Fenghua, Zhejiang Province totalling HK\$12.61 million in the first half of 2004.

High-Tech Investments

Fuzhou Charm Faith Autosystem Co., Ltd. ("Fuzhou Charm Faith"), of which the Group holds a 40% interest, has benefited from the continued economic growth in Mainland China and reported a favourable result. In the first half of 2004, it recorded a profit after tax of RMB5.39 million, an increase of 19.0% from a profit after tax of RMB4.53 million for the same period in 2003. Fuzhou Charm Faith will continue its market expansion through the improvement of its product quality and the research and development of new product lines.

FINANCIAL REVIEW

The Group has been maintaining a sound financial position during the period. Based on the issued share capital of 459,428,656 shares (At 31st December 2003: 459,428,656 shares), the net asset value per share and cash per share were HK\$2.70 (At 31st December 2003: HK\$2.66) and HK\$1.10 (At 31st December 2003: HK\$1.04) respectively. As at 30th June 2004, the current assets and current liabilities were HK\$658.23 million (At 31st December 2003: HK\$559.97 million) and HK\$168.72 million (At 31st December 2003: HK\$152.81 million) respectively with a current ratio of 3.9 (At 31st December 2003: 3.7).

As at 31st December 2003 and 30th June 2004, the Group was debt free with a gearing ratio (long-term liabilities including deferred tax liabilities divided by net asset value) of 0.3% (At 31st December 2003: 0.4%).

FINANCIAL REVIEW (Continued)

As at 30th June 2004, bank deposits of the Group amounted to HK\$506.53 million (At 31st December 2003: HK\$478.47 million) which included deposits of RMB184.99 million (equivalent to HK\$175.00 million) placed with certain banks in Mainland China (At 31st December 2003: RMB143.05 million, equivalent to HK\$134.71 million).

Both the Group's assets and liabilities are primarily denominated in Hong Kong dollars and Renminbi with part of the bank deposits denominated in United States dollars. The Group anticipates that it will not face material risks arising from fluctuated foreign exchange rate.

As at 30th June 2004, a non wholly-owned subsidiary of the Group in Mainland China has issued guarantees amounting to HK\$44.38 million (At 31st December 2003: HK\$13.80 million) for mortgage loan facilities obtained by certain buyers for acquiring properties from it. Such guarantees will be released upon receipt of the titles deeds of the properties by the relevant banks.

VERY SUBSTANTIAL ACQUISITION

On 19th July 2004, the Company entered into an agreement ("the Agreement") with the liquidation team of Fujian International Trust & Investment Corporation ("FITIC") ("the Vendor"), where FITIC is a controlling shareholder of the Company, to acquire 108,000,000 Huaneng Power International, Inc. ("Huaneng") unlisted domestic shares ("the Asset") from the Vendor at a cash consideration of RMB358,560,000 (equivalent to approximately HK\$338,940,000) ("the Acquisition Consideration"). Pursuant to the Agreement, the Company will pay the Vendor a pro-rata entitlement in terms of the appreciation in the net asset value of the Asset during the period from 1st January 2004 until the date of actual payment of the Acquisition Consideration with reference to the audited accounts to be issued by Huaneng for the year ending 31 December 2004 and thereafter (if applicable) under PRC Accounting Standards ("the NAV Appreciation"). The Company intends to fund the Acquisition Consideration and the NAV Appreciation from its internal resources and bank borrowings of HK\$120 million.

EMPLOYEES AND REMUNERATION POLICY

As at 30th June 2004, the Group had 88 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

Looking ahead into the second half of the year, it is expected that the trend of the continued economic growth will be maintained despite the further implementation of the macroeconomic adjustment policies in Mainland China. We believe that the impact of the macroeconomic adjustment policies on the Group's existing investments will not be significant. The Group will grasp the opportunities arising from the further opening policy of Mainland China and are ready to meet the challenges ahead. The Board of Directors believes that with the Group's sound financial position, we have every confidence and capability to take on quality projects and strengthen the future development of the Group so as to provide more attractive return to the shareholders.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30th June 2004, the interests and short positions of the directors and chief executive of the Company 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 ("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 of Hong Kong Limited ("the Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Long Positions in Ordinary Shares of the Company

Name of Director	Nature of interests	Number of shares held	Approximate percentage of shareholding
Ip Kai Ming	Personal interest	666,000	0.14%

Save as disclosed above, as at 30th June 2004, none of the directors and chief executive 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 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; and none of the directors or the 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' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 30th June 2004, 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	Approximate 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%

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 in the ordinary shares of the Company. As at 30th June 2004, 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 2004.

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 ("Listing Rules"), 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.

COMPLIANCE WITH MODEL CODE

The Company has adopted its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. The directors of the Company have complied with, and there has been no non compliance with, the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions, as supported by specific enquiry made of all directors of the Company.

By Order of the Board
Ding Shi Da
Chairman

Hong Kong, 24th September 2004