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 six months ended 30th June 2005 as follows:

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

*for the six months ended 30th June 2005*

| | Note | (Unaudited) Six months ended 30th June 2005 HK$ | 2004 HK$ (Restated) |
|---|---|---|---|
| **TURNOVER** | 5 | **35,009,088** | 71,307,549 |
| **TOTAL REVENUES** | 5 | **34,726,013** | 86,545,321 |
| **OTHER LOSSES-NET** | 6 | **–** | (9,053,176) |
| **COST OF PROPERTIES SOLD** | | **–** | (27,673,378) |
| **NET COMMISSIONS, CLAIMS AND OTHER EXPENSES INCURRED ON INSURANCE BUSINESS** | | **(17,506,647)** | (13,008,358) |
| **STAFF COSTS** | | **(11,618,328)** | (11,792,640) |
| **DEPRECIATION AND AMORTISATION** | | **(763,440)** | (932,357) |
| **OTHER OPERATING EXPENSES** | | **(8,147,661)** | (7,071,537) |
| **OPERATING (LOSS)/PROFIT** | | **(3,310,063)** | 17,013,875 |
| **FINANCE COSTS** | | **(794,813)** | – |
| **SHARE OF RESULTS OF** | | | |
| **– JOINTLY CONTROLLED ENTITIES** | | **43,046,188** | 24,506,771 |
| **– ASSOCIATES** | | **(3,336,289)** | (65,919) |
| | | **39,709,899** | 24,440,852 |
| **PROFIT BEFORE TAXATION** | | **35,605,023** | 41,454,727 |
| **TAXATION** | 7 | **(147,007)** | (2,565,885) |
| **PROFIT AFTER TAXATION** | | **35,458,016** | 38,888,842 |
| **PROFIT ATTRIBUTABLE TO:** | | | |
| **EQUITY HOLDERS OF THE COMPANY** | | **36,471,508** | 36,449,733 |
| **MINORITY INTERESTS** | | **(1,013,492)** | 2,439,109 |
| | | **35,458,016** | 38,888,842 |
| | | ***HK CENTS*** | *HK CENTS* |
| **BASIC EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY DURING THE PERIOD** | 8 | **7.94** | 7.93 |

# CONDENSED CONSOLIDATED BALANCE SHEET

*As at 30th June 2005*

| | Note | (Unaudited) 30th June 2005 HK$ | 31st December 2004 HK$ (Restated) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 9 | **9,737,500** | 8,395,892 |
| Investment properties | 9 | **67,780,852** | 64,722,163 |
| Leasehold land and land use rights | 9 | **18,946,550** | 19,099,639 |
| Jointly controlled entities | 10 | **588,808,787** | 519,354,861 |
| Associates | | **60,683,215** | 67,357,175 |
| Available-for-sale financial assets | 11 | **373,582,700** | – |
| Held-to-maturity debt securities, unlisted | | **6,002,582** | 11,008,897 |
| Loan receivable | 12 | **58,050,000** | – |
| Other asset | 12 | **–** | 58,050,000 |
| | | **1,183,592,186** | 747,988,627 |
| **CURRENT ASSETS** | | | |
| Land acquisition deposit | | **–** | 67,698,295 |
| Land use rights | 13 | **67,676,665** | – |
| Deferred acquisition costs | | **11,526,363** | 11,421,587 |
| Insurance debtors | 14 | **18,668,816** | 18,882,553 |
| Claims recoverable from reinsurers | | **8,314,023** | 12,817,235 |
| Other debtors | | **5,421,957** | 3,581,035 |
| Prepayments and deposits | | **868,015** | 954,377 |
| Held-to-maturity debt securities, unlisted | | **5,000,000** | – |
| Trading securities, listed | | **–** | 6,199,974 |
| Financial assets at fair value through profit or loss | | | |
| – listed equity securities held for trading | | **7,114,977** | – |
| Cash and bank balances | 15 | **234,701,756** | 504,179,301 |
| | | **359,292,572** | 625,734,357 |

## CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

*As at 30th June 2005*

| | Note | (Unaudited) **30th June 2005** ***HK$*** | 31st December 2004 *HK$* *(Restated)* |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Unearned premiums, net | | **27,025,961** | 26,772,604 |
| Unexpired risks | | **2,643,000** | 3,115,000 |
| Gross outstanding insurance claims | | **56,904,163** | 60,742,915 |
| Insurance liabilities | *16* | **12,277,358** | 8,763,974 |
| Other creditors and accruals | | **26,818,426** | 21,061,793 |
| Short term advances | *17* | **23,014,026** | 21,143,482 |
| Current portion of bank borrowings | *18* | **15,885,690** | – |
| Taxation | | **3,641,716** | 3,854,844 |
| | | **168,210,340** | 145,454,612 |
| **NET CURRENT ASSETS** | | **191,082,232** | 480,279,745 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,374,674,418** | 1,228,268,372 |
| **NON-CURRENT LIABILITIES** | | | |
| Bank borrowings | *18* | **63,763,717** | – |
| Deferred tax liabilities | *19* | **447,020** | 311,731 |
| | | **64,210,737** | 311,731 |
| **NET ASSETS** | | **1,310,463,681** | 1,227,956,641 |
| **SHARE CAPITAL** | | **459,428,656** | 459,428,656 |
| **OTHER RESERVES** | | **809,701,581** | 678,330,630 |
| **RETAINED PROFITS** | | **25,870,957** | 73,716,111 |
| **SHAREHOLDERS' FUNDS** | | **1,295,001,194** | 1,211,475,397 |
| **MINORITY INTERESTS** | | **15,462,487** | 16,481,244 |
| **TOTAL EQUITY** | | **1,310,463,681** | 1,227,956,641 |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*for the six months ended 30th June 2005*

| | (Unaudited) Six months ended 30th June | |
|---|---|---|
| | **2005** | 2004 |
| | ***HK$*** | *HK$* |
| **NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES** | **(684,648)** | 11,588,565 |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(283,455,105)** | (5,883,668) |
| **NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES** | **82,662,208** | (18,379,143) |
| **DECREASE IN CASH AND CASH EQUIVALENTS** | **(201,477,545)** | (12,674,246) |
| **CASH AND CASH EQUIVALENTS AT 1ST JANUARY** | **414,212,500** | 457,232,453 |
| **CASH AND CASH EQUIVALENTS AT 30TH JUNE** | **212,734,955** | 444,558,207 |
| **ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS** | | |
| Cash and bank balances *(Note 15)* | **234,701,756** | 506,525,008 |
| Less: Bank deposits placed pursuant to insurance regulatory requirements *(Note 15)* | **(21,966,801)** | (21,966,801) |
| Bank deposits with original maturity over three months | **–** | (40,000,000) |
| | **212,734,955** | 444,558,207 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the six months ended 30th June 2005*

**(Unaudited)**

| | 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$* | Retained profits *HK$* | Minority interests *HK$* | Total *HK$* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1st January 2005, as previously reported as equity | 459,428,656 | 384,620,414 | 47,086,000 | 38,287,658 | 61,217,599 | 134,427,785 | 12,374,176 | 24,182,332 | 316,998 | 100,671,191 | - | 1,262,612,809 |
| At 1st January 2005, as previously separately reported as minority interests | - | - | - | - | - | - | - | - | - | - | 16,481,244 | 16,481,244 |
| – Prior period adjustments on adoption of new HKFRSs *(Note 2.1)* | - | - | - | - | - | - | - | (24,182,332) | - | (26,955,080) | - | (51,137,412) |
| At 1st January 2005, as restated | 459,428,656 | 384,620,414 | 47,086,000 | 38,287,658 | 61,217,599 | 134,427,785 | 12,374,176 | - | 316,998 | 73,716,111 | 16,481,244 | 1,227,956,641 |
| – Opening adjustments on adoption of HKAS 39 *(Note 2.1)* | - | - | - | - | - | - | - | - | - | 14,884,709 | - | 14,884,709 |
| – Transfer | - | - | - | - | - | - | 1,881,364 | - | - | (1,881,364) | - | - |
| At 1st January 2005, as adjusted | 459,428,656 | 384,620,414 | 47,086,000 | 38,287,658 | 61,217,599 | 134,427,785 | 14,255,540 | - | 316,998 | 86,719,456 | 16,481,244 | 1,242,841,350 |
| Change in fair value of available-for-sale financial assets held by jointly controlled entities | - | - | - | - | - | - | 13,561,080 | - | - | - | - | 13,561,080 |
| Change in fair value of available-for-sale financial assets | - | - | - | - | - | - | 20,658,484 | - | - | - | - | 20,658,484 |
| Deferred tax liabilities recognised | - | - | - | - | - | - | (2,031,234) | - | - | - | - | (2,031,234) |
| Exchange differences arising on translation of the financial statements of foreign subsidiaries, associates and jointly controlled entities | - | - | - | - | - | - | - | - | (18,750) | - | (5,265) | (24,015) |
| Net income/(expense) recognised directly in equity | - | - | - | - | - | - | 32,188,330 | - | (18,750) | - | (5,265) | 32,164,315 |
| | 459,428,656 | 384,620,414 | 47,086,000 | 38,287,658 | 61,217,599 | 134,427,785 | 46,443,870 | - | 298,248 | 86,719,456 | 16,475,979 | 1,275,005,665 |
| Profit/(loss) for the period | - | - | - | - | - | - | - | - | - | 36,471,508 | (1,013,492) | 35,458,016 |
| Transfers | - | - | - | 4,937,421 | 19,604,163 | 73,500,000 | - | - | (721,577) | (97,320,007) | - | - |
| At 30th June 2005 | 459,428,656 | 384,620,414 | 47,086,000 | 43,225,079 | 80,821,762 | 207,927,785 | 46,443,870 | - | (423,329) | 25,870,957 | 15,462,487 | 1,310,463,681 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

*for the six months ended 30th June 2004*

(Unaudited and restated)

| | 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$* | Retained profits *HK$* | Minority interests *HK$* | Total *HK$* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1st January 2004, as previously reported as equity | 459,428,656 | 384,620,414 | 47,086,000 | 34,171,673 | 44,372,423 | 134,433,527 | 9,776,295 | 19,212,780 | 386,703 | 81,662,433 | – | 1,215,150,904 |
| At 1st January 2004, as previously separately reported as minority interests | – | – | – | – | – | – | – | – | – | – | 14,452,599 | 14,452,599 |
| – Prior period adjustments on adoption of new HKFRSs *(Note 2.1)* | – | – | – | – | – | – | – | (19,212,780) | – | (25,305,350) | – | (44,518,130) |
| At 1st January 2004, as restated | 459,428,656 | 384,620,414 | 47,086,000 | 34,171,673 | 44,372,423 | 134,433,527 | 9,776,295 | – | 386,703 | 56,357,083 | 14,452,599 | 1,185,085,373 |
| Change in fair value of non-trading securities | – | – | – | – | – | – | (3,109,758) | – | – | – | – | (3,109,758) |
| Deferred tax liabilities released | – | – | – | – | – | – | 466,464 | – | – | – | – | 466,464 |
| 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 | – | 66,593 | 189,594 |
| Net income/(expense) recognised directly in equity | – | – | – | – | – | – | (2,643,294) | – | 201,733 | – | 66,593 | (2,374,968) |
| | 459,428,656 | 384,620,414 | 47,086,000 | 34,171,673 | 44,372,423 | 134,433,527 | 7,133,001 | – | 588,436 | 56,357,083 | 14,519,192 | 1,182,710,405 |
| Profit for the period | – | – | – | – | – | – | – | – | – | 36,449,733 | 2,439,109 | 38,888,842 |
| Transfers | – | – | – | 4,067,459 | 16,426,269 | – | – | – | – | (20,493,728) | – | – |
| Dividend | – | – | – | – | – | – | – | – | – | (18,377,146) | (2,881,329) | (21,258,475) |
| At 30th June 2004, as restated | 459,428,656 | 384,620,414 | 47,086,000 | 38,239,132 | 60,798,692 | 134,433,527 | 7,133,001 | – | 588,436 | 53,935,942 | 14,076,972 | 1,200,340,772 |
| Change in fair value of non-trading securities | – | – | – | – | – | – | 6,166,089 | – | – | – | – | 6,166,089 |
| Deferred tax liabilities recognised | – | – | – | – | – | – | (924,914) | – | – | – | – | (924,914) |
| Exchange differences arising on translation of the financial statements of foreign subsidiaries, associates and jointly controlled entities | – | – | – | – | (2,533) | (5,742) | – | – | (271,438) | – | (120,683) | (400,396) |
| Net income/(expense) recognised directly in equity | – | – | – | – | (2,533) | (5,742) | 5,241,175 | – | (271,438) | – | (120,683) | 4,840,779 |
| | 459,428,656 | 384,620,414 | 47,086,000 | 38,239,132 | 60,796,159 | 134,427,785 | 12,374,176 | – | 316,998 | 53,935,942 | 13,956,289 | 1,205,181,551 |
| Profit for the period | – | – | – | – | – | – | – | – | – | 20,250,135 | 2,524,955 | 22,775,090 |
| Transfers | – | – | – | 48,526 | 421,440 | – | – | – | – | (469,966) | – | – |
| At 31st December 2004, as restated | 459,428,656 | 384,620,414 | 47,086,000 | 38,287,658 | 61,217,599 | 134,427,785 | 12,374,176 | – | 316,998 | 73,716,111 | 16,481,244 | 1,227,956,641 |

## Notes to condensed Interim accounts

### 1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim accounts are prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These condensed consolidated interim accounts should be read in conjunction with the 2004 annual report.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim accounts are consistent with those used in the 2004 annual report, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (“INTs”) (hereinafter collectively referred to as new HKFRSs) which are effective for accounting periods commencing on or after 1st January 2005.

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out in Note 2 below.

## 2. Changes in accounting policies

### 2.1 Effect of adopting new HKFRSs

In 2005, the Group adopted the new HKFRSs below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

| | |
|---|---|
| HKAS 1 | Presentation of Financial Statements |
| HKAS 2 | Inventories |
| HKAS 7 | Cash Flow Statements |
| HKAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors |
| HKAS 10 | Events after the Balance Sheet Date |
| HKAS 16 | Property, Plant and Equipment |
| HKAS 17 | Leases |
| HKAS 21 | The Effects of Changes in Foreign Exchange Rates |
| HKAS 23 | Borrowing Costs |
| HKAS 24 | Related Party Disclosures |
| HKAS 27 | Consolidated and Separate Financial Statements |
| HKAS 28 | Investments in Associates |
| HKAS 31 | Investments in Joint Ventures |
| HKAS 32 | Financial Instruments: Disclosures and Presentation |
| HKAS 33 | Earnings per Share |
| HKAS 36 | Impairment of Assets |
| HKAS 39 | Financial Instruments: Recognition and Measurement |
| HKAS 40 | Investment Property |
| HKAS-INT 15 | Operating Leases-Incentives |
| HKAS-INT 21 | Income Taxes-Recovery of Revalued Non-Depreciated Assets |
| HKFRS 3 | Business Combinations |
| HKFRS 4 | Insurance Contracts |

The adoption of HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 31, 33, 36, HKAS-INT 15 and HKFRSs 3 and 4 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and jointly controlled entities and other disclosures.

## 2. Changes in accounting policies (Continued)

### 2.1 Effect of adopting new HKFRSs (Continued)

– HKASs 2, 7, 8, 10, 16, 21, 23, 27, 31, 33, 36, HKAS-INT 15 and HKFRSs 3 and 4 had no material effect on the Group's accounting policies.

– HKAS 24 has affected the identification of related parties and some other related party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from fixed assets to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease and where there is impairment, the impairment loss is expensed in the profit and loss account. Revaluation surplus previously recognized on the buildings, leasehold land and land use rights are reversed. In prior years, the leasehold land and buildings were accounted for at valuation or cost less accumulated depreciation and accumulated impairment loss. Investment properties and the remainder of assets previously accounted for under fixed assets are reclassified as investment properties and property, plant and equipment in the balance sheet.

The adoption of HKAS 28 has resulted in a change in the accounting policy relating to the equity accounting of interests in associates. The Group recognises its share of losses in an associate to the extent of its equity contribution and the loans advanced to the associate which form part of the Group's investment. The residual net investment is then assessed for impairment losses. In prior years, the Group shared the losses of an associate to the extent of its equity contribution only and the loans advanced to the associate were separately assessed for impairment losses.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the accounting and/or classification of financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change and measurement of hedging activities.

## 2. Changes in accounting policies (Continued)

### 2.1 Effect of adopting new HKFRSs (Continued)

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values of investment properties are recorded in the profit and loss account as part of other income. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the profit and loss account.

The adoption of revised HKAS-INT 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 21-prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 39-does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 “Accounting for investments in securities” to investments in securities in presenting the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognized at 1st January 2005.

## 2. Changes in accounting policies (Continued)

### 2.1 Effect of adopting new HKFRSs (Continued)

– HKAS 40-the Group has adopted the fair value model and there is no requirement for the Group to restate the comparative information. Any adjustment should be made to the retained earnings as at 1st January 2005, including the reclassification of any amount held in revaluation surplus for investment property. The Group has incurred revaluation loss in prior years and there was no revaluation reserve brought forward. As a result, the adoption of HKAS 40 has no effect to the Group's opening retained earnings.

– HKAS-INT 15-does not require the recognition of incentives for leases beginning before 1st January 2005.

– HKFRS 3-prospectively after the adoption date.

(a) The financial impacts to the Group (excluding the impacts to associates and jointly controlled entities which are separately set out in Note 2.1(b) below) as a result of adopting the new HKFRSs are set out below:

(i) The adoption of revised HKAS 17 resulted in:

| **Impact on the balance sheet upon the adoption of HKAS 17** | **30th June 2005** *HK$* | 31st December 2004 *HK$* |
|---|---|---|
| (Decrease)/increase in assets | | |
| – Decrease in fixed assets | **(122,708,319)** | (118,872,497) |
| – Increase in property, plant and equipment | **9,737,500** | 8,395,892 |
| – Increase in investment properties | **67,780,852** | 64,722,163 |
| – Increase in leasehold land and land use rights | **18,946,550** | 19,099,639 |
| Decrease in liabilities | | |
| – Decrease in deferred tax liabilities | **3,568,650** | 3,668,122 |
| Decrease/(increase) in shareholders' equity | | |
| – Decrease in other properties revaluation reserve | **24,182,332** | 24,182,332 |
| – Increase in retained earnings | **(1,507,565)** | (1,195,651) |

## 2. Changes in accounting policies (Continued)

### 2.1 Effect of adopting new HKFRSs (Continued)

| **Impact on the profit and loss account upon the adoption of HKAS 17** | Year ended 2004 *HK$* | **Six months ended 30th June 2005** ***HK$*** | **Six months ended 30th June** 2004 *HK$* |
|---|---|---|---|
| Decrease in depreciation and amortisation | 601,258 | **259,958** | 259,598 |
| Increase in tax charge | 360,333 | **99,472** | 99,472 |
| | *HK cents* | ***HK cents*** | *HK cents* |
| Increase in basic earnings per share | 0.05 | **0.03** | 0.03 |

(ii) The adoption of HKAS 39 resulted in the following reclassification to the balance sheet at 30th June 2005.

| **Impact on the balance sheet upon the adoption of HKAS 39** | **30th June 2005** ***HK$*** |
|---|---|
| Increase/(decrease) in assets | |
| – Increase in financial assets at fair value through profit or loss | **7,114,977** |
| – Decrease in trading securities | **(7,114,977)** |
| – Increase in loan receivable | **58,005,000** |
| – Decrease in other asset | **(58,005,000)** |

## 2. Changes in accounting policies (Continued)

### 2.1 Effect of adopting new HKFRSs (Continued)

(b) The adoption of the new HKFRSs resulted in changes of the Group's interests in associates and jointly controlled entities as follows:

(i) Associates

| Impact on the balance sheet upon the adoption of new HKFRSs | **30th June 2005** ***HK$*** | 31st December 2004 *HK$* |
|---|---|---|
| Adoption of HKAS 28 | | |
| – Decrease in interests in associates | **(5,749,772)** | (1,321,210) |
| – Decrease in retained earnings | **5,749,772** | 1,321,210 |

| Impact on the profit and loss account upon the adoption of new HKFRSs | Year ended 2004 *HK$* | **Six months ended 30th June 2005** ***HK$*** | **Six months ended 30th June** 2004 *HK$* |
|---|---|---|---|
| Decrease in share of results of associates | | | |
| – Adoption of HKAS 28 | 1,321,210 | **4,428,562** | – |
| – Adoption of HKAS 1 | 19,009 | **136,563** | 199,537 |
| | 1,340,219 | **4.565,125** | 199,537 |
| Decrease in taxation | | | |
| – Adoption of HKAS 1 | 19,009 | **136,563** | 199,537 |

## 2. Changes in accounting policies (Continued)

### 2.1 Effect of adopting new HKFRSs (Continued)

(ii) Jointly controlled entities

| Impact on the balance sheet upon the adoption of new HKFRSs | **30th June 2005** ***HK$*** | 31st December 2004 *HK$* |
|---|---|---|
| Decrease in assets | | |
| – Decrease in interests in jointly controlled entities | **(274,237)** | (26,829,521) |
| Decrease/(increase) in shareholders' equity | | |
| – Decrease in retained earnings upon adoption of HKAS 17 | **27,098,250** | 26,829,521 |
| – Increase in retained earnings upon adoption of HKAS 39 | **(11,939,304)** | – |
| – Opening adjustments upon the adoption of HKAS 39 | | |
| – Increase in investment revaluation reserve | **(1,881,364)** | – |
| – Increase in retained earnings | **(13,003,345)** | – |

| Impact on the profit and loss account upon the adoption of new HKFRSs | Year ended 2004 *HK$* | **Six months ended 30th June 2005** ***HK$*** | Six months ended 30th June 2004 *HK$* |
|---|---|---|---|
| Increase/(decrease) in share of results of jointly controlled entities | | | |
| – Adoption of HKAS 1 | (15,526,528) | **(8,890,705)** | (9,211,108) |
| – Adoption of HKAS 39 | – | **15,305,597** | – |
| – Adoption of HKAS 17 | (625,687) | **(294,028)** | (324,473) |
| – Effect on deferred tax | 56,242 | **(3,340,994)** | 30,304 |
| | (16,095,973) | **2,779,870** | (9,505,277) |
| Decrease in taxation | | | |
| – Adoption of HKAS 1 | 15,526,528 | **8,890,705** | 9,211,108 |

## 2. Changes in accounting policies (Continued)

### 2.2 New Accounting Policies

The accounting policies used for these condensed consolidated interim accounts are the same as those set out in Note 1 to the 2004 annual report except for the following:

*(a) Foreign currency translation*

(i) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the revaluation reserve in equity.

## 2. Changes in accounting policies (Continued)

### 2.2 New Accounting Policies (Continued)

*(a) Foreign currency translation (Continued)*

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognized in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## 2. Changes in accounting policies (Continued)

### 2.2 New Accounting Policies (Continued)

*(b) Property, plant and equipment*

Cost may include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

*(c) Investment properties*

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value. Changes in fair values are recognized in the profit and loss account.

*(d) Goodwill*

Goodwill on acquisitions of jointly controlled entities and associates after 1st January 2005 is included in investments in jointly controlled entities and associates respectively. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

## 2. Changes in accounting policies (Continued)

### 2.2 New Accounting Policies (Continued)

*(e) Investments*

From 1st January 2004 to 31st December 2004:

The Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as non-trading securities, trading securities and held-to-maturity securities.

(i) Non-trading securities

Non-trading securities other than debt securities intended to be held-to-maturity are stated at fair value at the balance sheet date. Non-trading securities are held by the Group's jointly controlled entities.

Changes in the fair value of non-trading securities are credited or debited to the investment revaluation reserve until the security is sold or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sale proceeds and the carrying amount of the relevant security, together with any surplus/deficit in the investment revaluation reserve, is dealt with in the profit and loss account. Where there is objective evidence that individual investments are impaired, the cumulative loss recorded in the revaluation reserve is taken to the profit and loss account.

(ii) Trading securities

Trading securities are securities which are acquired for the purpose of generating a profit from short-term fluctuations in price and are stated at fair value at the balance sheet date. Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Changes in fair value of trading securities are recognized in the profit and loss account as they arise.

## 2. Changes in accounting policies (Continued)

### 2.2 New Accounting Policies (Continued)

*(e) Investments (Continued)*

(ii) Trading securities (Continued)

Profit or loss on disposal of trading securities, representing the difference between the net sale proceeds and the carrying amounts, are recognized in the profit and loss account as they arise.

(iii) Held-to-maturity securities

Held-to-maturity securities are stated in the balance sheet at cost plus/less any discount/premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income/expense in the profit and loss account.

The carrying amounts of individual held-to-maturity securities or holdings of the same securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Impairment loss is recognized when there is a diminution in value other than temporary and the carrying amounts are not expected to be recovered. Such impairment loss is recognized in the profit and loss account as an expense immediately.

From 1st January 2005 onwards:

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

## 2. Changes in accounting policies (Continued)

### 2.2 New Accounting Policies (Continued)

*(e) Investments (Continued)*

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for those with maturities greater than or are expected to be realized after 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in loan receivable and debtors in the balance sheet *(Note 2.2 (f))*.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets traded in active markets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. They are included in current assets except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

## 2. Changes in accounting policies (Continued)

### 2.2 New Accounting Policies (Continued)

*(e) Investments (Continued)*

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit and loss account in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains or losses from investment securities.

## 2. Changes in accounting policies (Continued)

### 2.2 New Accounting Policies (Continued)

*(e) Investments (Continued)*

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis or other valuation models as appropriate.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit and loss account, is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

## 2. Changes in accounting policies (Continued)

### 2.2 New Accounting Policies (Continued)

*(f) Loan receivable and debtors*

Loan receivable and debtors are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses. Impairment loss of loan receivable and debtors is recognized when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate, and is recognized in the profit and loss account.

*(g) Borrowings*

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

*(h) Interest income*

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

## 2. Changes in accounting policies (Continued)

### 2.2 New Accounting Policies (Continued)

*(i) Comparatives*

As further explained above, due to the adoption of the new HKFRSs during the current period, the accounting treatment and presentation of certain items in the interim accounts have been revised to comply with the new requirements. Accordingly, certain comparatives have been restated to conform with the current period presentation.

## 3. Financial risk management

The Group's activities expose it to a variety of financial risks including currency risk, price risk, credit risk, liquidity risk and cash flow and fair value interest rate risk.

*(a) Foreign exchange risk*

The Group mainly operates in Hong Kong and the People's Republic of China ("PRC") and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi ("RMB"). Foreign exchange risk arises from recognized assets and liabilities and net investments in foreign operations.

*(b) Price risk*

The Group is exposed to equity securities price risk on investments held by the Group classified on the balance sheet as available-for-sale financial assets or as financial assets at fair value through profit or loss.

*(c) Credit risk*

The Group manages its credit risk arising from its loans and receivables through on-going monitoring and acquisition of collateral from counterparties. The Group also maintains bank balances with reputable financial institutions.

## 3. Financial risk management (Continued)

*(d) Liquidity risk*

Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping surplus cash or committed credit lines available.

*(e) Cash flow and fair value interest rate risk*

The Group's interest rate risk mainly arises from its interest bearing assets (bank balances, debt securities and loan receivable) and borrowings. The Group is exposed to cash flow interest rate risk for variable rate instruments and fair value interest rate risk for fixed rate instruments.

The Group's overall risk management policy focuses on monitoring all potential financial risks of the Group. Whenever necessary, the Group will reduce the risk exposure.

## 4. Critical accounting estimates and judgements

The preparation of accounts requires the use of estimates and assumption about future events and conditions. In this connection, management believes the significant areas where management's judgement is necessary are those in relation to the valuation of the Group's unlisted available-for-sale financial assets *(Note 11)* and recognition of losses against the loan receivable from a third party *(Note 12)* and an associated company *(Note 22(d))*. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. It should be noted that actual results could differ from those estimates.

## 5. 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 | |
|---|---|---|
| | **2005** | 2004 |
| | ***HK$*** | *HK$* |
| Turnover | | |
| Gross insurance premiums | **27,754,007** | 29,884,048 |
| Insurance brokerage commission | **921,757** | 792,013 |
| Gross proceeds from disposal of properties for sale | **–** | 36,240,333 |
| Rental income from investment properties | **1,916,161** | 2,283,810 |
| Interest income from bank deposits | **4,122,863** | 1,813,045 |
| Management fee | **294,300** | 294,300 |
| | **35,009,088** | 71,307,549 |
| Reinsurance premiums ceded | **(3,923,959)** | (5,096,832) |
| Decrease/(increase) in net unearned insurance premiums written and provision for unexpired risks | **218,643** | (4,729,275) |
| | **31,303,772** | 61,481,442 |
| Other revenues | | |
| Dividend income from listed equity securities held for trading | **186,697** | 117,760 |
| Interest income from unlisted held-to-maturity debt securities | **124,901** | 93,703 |
| Gain on disposal of an associate *(a)* | **–** | 6,030,032 |
| Gain on disposal of investment properties | **–** | 14,204,660 |
| Compensation receivable on affected right over usage of land *(b)* | **–** | 3,954,280 |
| Fair value gains on investment properties *(Note 9)* | **3,058,689** | – |
| Others | **51,954** | 663,444 |
| | **3,422,241** | 25,063,879 |
| Total revenues | **34,726,013** | 86,545,321 |

## 5. 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 June 2004, 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 compensation was received in December 2004.

**Primary reporting format – business segments**

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 | – | investing in manufacturing and distribution of digital instruments |
| Investment holding and others | – | this comprises other investment activities of the Group |

# 5. Turnover and Segmental Information (Continued)

## Primary reporting format – business segments (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 2005 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Financial services *HK$* | Property development and investment *HK$* | Toll road investment *HK$* | Industrial instrument manufacturing *HK$* | Investment holding and others *HK$* | Unallocated items *HK$* | Group *HK$* |
| Total revenues | 29,700,762 | 1,053,002 | – | – | 3,972,249 | – | 34,726,013 |
| Segment results | 5,650,485 | (868,641) | – | – | 2,997,980 | – | 7,779,824 |
| Corporate overheads | – | – | – | – | – | (11,089,887) | (11,089,887) |
| Operating profit/(loss) | 5,650,485 | (868,641) | – | – | 2,997,980 | (11,089,887) | (3,310,063) |
| Finance costs | – | (541,165) | – | – | (253,648) | – | (794,813) |
| Share of results of | | | | | | | |
| – Jointly controlled entities | 41,677,164 | – | – | 1,369,024 | – | – | 43,046,188 |
| – Associates | – | – | (3,284,627) | – | (51,662) | – | (3,336,289) |
| Profit/(loss) before taxation | 47,327,649 | (1,409,806) | (3,284,627) | 1,369,024 | 2,692,670 | (11,089,887) | 35,605,023 |
| Taxation | | | | | | | (147,007) |
| Profit after taxation | | | | | | | 35,458,016 |
| Capital expenditure | 210,429 | 27,033 | – | – | 2,011,826 | – | 2,249,288 |
| Depreciation | 121,393 | 168,673 | – | – | 319,011 | 154,363 | 763,440 |
| Segment assets | 234,169,367 | 93,741,033 | – | – | 543,735,191 | – | 871,645,591 |
| Investments in jointly controlled entities | 564,927,609 | – | – | 23,881,178 | – | – | 588,808,787 |
| Investments in associates | – | – | 50,664,170 | – | 10,019,045 | – | 60,683,215 |
| Corporate assets | – | – | – | – | – | 21,747,165 | 21,747,165 |
| Total assets | 799,096,976 | 93,741,033 | 50,664,170 | 23,881,178 | 553,754,236 | 21,747,165 | 1,542,884,758 |
| Segment liabilities | 105,529,955 | 33,916,488 | – | – | 85,840,002 | – | 225,286,445 |
| Unallocated liabilities | – | – | – | – | – | 7,134,632 | 7,134,632 |
| Total liabilities | 105,529,955 | 33,916,488 | – | – | 85,840,002 | 7,134,632 | 232,421,077 |

## 5. Turnover and Segmental Information (Continued)

### Primary reporting format – business segments (Continued)

| | For the six months ended 30th June 2004 *(Restated)* | | | | | | |
|---|---|---|---|---|---|---|---|
| | Financial services *HK$* | Property development and investment *HK$* | Toll road investment *HK$* | Industrial instrument manufacturing *HK$* | Investment holding and others *HK$* | Unallocated items *HK$* | Group *HK$* |
| Total revenues | 21,148,390 | 63,065,278 | – | – | 2,331,653 | – | 86,545,321 |
| Segment results | 1,396,194 | 34,338,775 | (9,700,913 ) | – | 1,960,614 | – | 27,994,670 |
| Corporate overheads | – | – | – | – | – | (10,980,795 ) | (10,980,795 ) |
| Operating profit/(loss) | 1,396,194 | 34,338,775 | (9,700,913 ) | – | 1,960,614 | (10,980,795 ) | 17,013,875 |
| Share of results of | | | | | | | |
| – Jointly controlled entities | 22,401,208 | – | – | 2,105,563 | – | – | 24,506,771 |
| – Associates | – | – | (105,781 ) | – | 39,862 | – | (65,919 ) |
| Profit/(loss) before taxation | 23,797,402 | 34,338,775 | (9,806,694 ) | 2,105,563 | 2,000,476 | (10,980,795 ) | 41,454,727 |
| Taxation | | | | | | | (2,565,885 ) |
| Profit after taxation | | | | | | | 38,888,842 |
| Capital expenditure | 21,594 | – | – | – | 254,956 | – | 276,550 |
| Depreciation | 291,301 | 115,361 | – | – | 229,378 | 296,317 | 932,357 |

The segment assets and liabilities at 31st December 2004 are as follows:

| | Financial services *HK$* | Property development and investment *HK$* | Toll road investment *HK$* | Industrial instrument manufacturing *HK$* | Investment holding and others *HK$* | Unallocated items *HK$* | Group *HK$* |
|---|---|---|---|---|---|---|---|
| Segment assets | 228,400,387 | 92,376,600 | – | – | 444,193,282 | – | 764,970,269 |
| Investments in jointly controlled entities | 496,835,890 | – | – | 22,518,971 | – | – | 519,354,861 |
| Investments in associates | – | – | 57,283,249 | – | 10,073,926 | – | 67,357,175 |
| Corporate assets | – | – | – | – | – | 22,040,679 | 22,040,679 |
| Total assets | 725,236,277 | 92,376,600 | 57,283,249 | 22,518,971 | 454,267,208 | 22,040,679 | 1,373,722,984 |
| Segment liabilities | 104,440,698 | 32,627,652 | – | – | 1,006,498 | – | 138,074,848 |
| Unallocated liabilities | – | – | – | – | – | 7,691,495 | 7,691,495 |
| Total liabilities | 104,440,698 | 32,627,652 | – | – | 1,006,498 | 7,691,495 | 145,766,343 |

## 5. Turnover and Segmental Information (Continued)

**Secondary reporting format – geographical segments**

| | For the six months ended 30th June 2005 | | | 30th June 2005 |
|---|---|---|---|---|
| | **Total revenues** *HK$* | **Operating profit/(loss)** *HK$* | **Capital expenditure** *HK$* | **Total assets** *HK$* |
| Hong Kong | **28,187,421** | **(4,470,141)** | **2,220,305** | **216,834,712** |
| Mainland China | **2,996,498** | **(197,659)** | **27,033** | **664,619,638** |
| Macau | **3,542,094** | **1,357,737** | **1,950** | **11,938,406** |
| | **34,726,013** | **(3,310,063)** | **2,249,288** | **893,392,756** |
| Investments in jointly controlled entities | | | | **588,808,787** |
| Investments in associates | | | | **60,683,215** |
| | | | | **1,542,884,758** |

| | For the six months ended 30th June 2004 *(Restated)* | | | 31st December 2004 |
|---|---|---|---|---|
| | Total revenues *HK$* | Operating profit *HK$* | Capital expenditure *HK$* | Total assets *HK$* |
| Hong Kong | 35,750,480 | 11,086,874 | 273,925 | 282,691,760 |
| Mainland China | 47,573,766 | 4,692,381 | – | 399,699,768 |
| Macau | 3,221,075 | 1,234,620 | 2,625 | 104,619,420 |
| | 86,545,321 | 17,013,875 | 276,550 | 787,010,948 |
| Investments in jointly controlled entities | | | | 519,354,861 |
| Investments in associates | | | | 67,357,175 |
| | | | | 1,373,722,984 |

There are no sales or other transactions between the business and geographical segments disclosed above.

## 6. OTHER LOSSES-NET

| | Six months ended 30th June | |
|---|---|---|
| | **2005** | 2004 |
| | ***HK$*** | *HK$* |
| Write back of deficit on revaluation of investment properties *(Note 9)* | **–** | 1,600,000 |
| Impairment losses on loan to an associate | **–** | (9,700,913) |
| Net realised and unrealised losses on trading securities | **–** | (952,263) |
| | **–** | (9,053,176) |

## 7. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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 | |
|---|---|---|
| | **2005** | 2004 |
| | ***HK$*** | *HK$* |
| | | *(Restated)* |
| Company and subsidiaries: | | |
| Hong Kong profits tax | **–** | 1,550 |
| Mainland China and Macau taxation | **11,620** | 5,470,274 |
| | **11,620** | 5,471,824 |
| Deferred taxation | | |
| Relating to the origination and reversal of temporary differences | **135,387** | (2,905,939) |
| | **147,007** | 2,565,885 |

## 8. 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 2005 of HK$36,471,508 (2004: HK$36,449,733) and the weighted average number of 459,428,656 (2004: 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.

## 9. CAPITAL EXPENDITURE

| | Property, plant and equipment *HK$* | Investment properties *HK$* | Leasehold land and land use rights *HK$* | Total *HK$* |
|---|---|---|---|---|
| **For the six months ended 30th June 2005** | | | | |
| Opening net book amount at 1st January 2005 | 8,395,892 | 64,722,163 | 19,099,639 | 92,217,694 |
| Translation differences | (677) | – | – | (677) |
| Additions | 2,249,288 | – | – | 2,249,288 |
| Disposals | (296,652) | – | – | (296,652) |
| Depreciation/amortisation | (610,351) | – | (153,089) | (763,440) |
| Revaluation *(Note 5)* | – | 3,058,689 | – | 3,058,689 |
| Closing net book amount at 30th June 2005 | 9,737,500 | 67,780,852 | 18,946,550 | 96,464,902 |

## 9. CAPITAL EXPENDITURE (Continued)

| | Property, plant and equipment *HK$* | Investment properties *HK$* | Leasehold land and land use rights *HK$* | Total *HK$* |
|---|---|---|---|---|
| For the six months ended 30th June 2004 and 31st December 2004 *(Restated)* | | | | |
| Opening net book amount at 1st January 2004 | 9,674,135 | 101,710,930 | 19,405,822 | 130,790,887 |
| Translation differences | 8,426 | – | – | 8,426 |
| Additions | 276,550 | – | – | 276,550 |
| Disposals | (588,961) | (37,500,000) | – | (38,088,961) |
| Depreciation/amortisation | (779,204) | – | (153,153) | (932,357) |
| Revaluation *(Note 6)* | – | 1,600,000 | – | 1,600,000 |
| Closing net book amount at 30th June 2004 | 8,590,946 | 65,810,930 | 19,252,669 | 93,654,545 |
| Translation differences | (11,571) | – | – | (11,571) |
| Additions | 675,042 | – | – | 675,042 |
| Disposals | (74,235) | – | – | (74,235) |
| Depreciation/amortisation | (784,290) | – | (153,030) | (937,320) |
| Revaluation | – | (1,088,767) | – | (1,088,767) |
| Closing net book amount at 31st December 2004 | 8,395,892 | 64,722,163 | 19,099,639 | 92,217,694 |

## 10. JOINTLY CONTROLLED ENTITIES

At 30th June 2005, investments in jointly controlled entities mainly represent the Group's investment of 36.75% in Xiamen International Bank. The Group's investment comprising share of their net assets and balances due from them are set out below:

| | Xiamen International Bank *HK$* | Others *HK$* | Total *HK$* |
|---|---|---|---|
| **For the six months ended 30th June 2005** | | | |
| At 1st January 2005, net of impairment losses | 511,720,599 | 22,518,971 | 534,239,570 |
| Share of net profit for the period | 41,677,164 | 1,369,024 | 43,046,188 |
| Translation differences | – | (6,817) | (6,817) |
| Increase in investment revaluation reserve | 11,529,846 | – | 11,529,846 |
| At 30th June 2005 | 564,927,609 | 23,881,178 | 588,808,787 |

## 10. JOINTLY CONTROLLED ENTITIES (Continued)

| | Xiamen International Bank | Others | Total |
|---|---|---|---|
| | *HK$* | *HK$* | *HK$* |
| For the six months ended 30th June 2004 and 31st December 2004 *(Restated)* | | | |
| At 1st January 2004, net of impairment losses | 467,079,776 | 19,086,970 | 486,166,746 |
| Share of net profit for the period | 22,401,208 | 2,105,563 | 24,506,771 |
| 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 | 468,462,690 | 21,192,533 | 489,655,223 |
| Share of net profit for the period | 23,132,025 | 1,383,585 | 24,515,610 |
| Translation differences | – | (57,147) | (57,147) |
| Increase in investment revaluation reserve | 5,241,175 | – | 5,241,175 |
| At 31st December 2004 | 496,835,890 | 22,518,971 | 519,354,861 |

## 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | **30th June 2005** |
|---|---|
| | ***HK$*** |
| Cost of acquisition | |
| – Amount paid | **373,165,562** |
| – Estimated additional cost | **5,070,363** |
| – Less: Pre-acquisition dividend received | **(25,311,709)** |
| Revaluation gain | **20,658,484** |
| | **373,582,700** |

## 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

The available-for-sale financial assets represent the Group's investment in 108,000,000 unlisted legal person shares ("Huaneng Shares") of Huaneng Power International, Inc. ("Huaneng"), a company incorporated in the People's Republic of China ("PRC") with shares listed on the stock exchanges of Shanghai and Hong Kong. The investment was acquired from the Group's substantial shareholder, Fujian International Trust & Investment Corporation ("FITIC"), and therefore constituted a connected party and very substantial acquisition of the Group under the Listing Rules. The Group has obtained the independent shareholders' and relevant PRC authorities' approval for the acquisition, and completed the transaction on 7th June 2005.

Pursuant to the agreement and supplemental agreement with FITIC on 19th July 2004 and 2nd March 2005, the purchase consideration of Huaneng Shares comprised a fixed sum of approximately RMB374 million (equivalent to approximately HK$353.4 million) and an amount based on the net asset value appreciation (as defined in the agreement) of Huaneng from 1st January 2004 to the date of completion of the acquisition i.e. 7th June 2005. The net asset value appreciation is calculated based on the published annual audited financial information of Huaneng. As at 30th June 2005, the Group has already paid an amount of HK$19.8 million to FITIC for the net asset value appreciation of Huaneng for the year ended 31st December 2004. In addition, the Group has also estimated the additional cost of acquisition in relation to Huaneng's net asset value appreciation from 1st January 2005 to 7th June 2005 (i.e. date of completion) with reference to its unaudited financial information for the six months ended 30th June 2005, after taking into consideration the estimated dividend payout ratio of Huaneng based on historical experience. Such amount will be subjected to the actual audited financial results of Huaneng for the year ending 31st December 2005, which will not be available to the Group until early 2006.

For the interim accounts preparation purposes, the Group has appointed an external professional valuer to estimate the fair value of the Huaneng Shares at 30th June 2005. Reference was made to the listed share price of Huaneng on the Shanghai Stock Exchange and the estimated discount rate to reflect the unlisted status of Huaneng's legal person shares. Based on the valuation result, the Group's investment in Huaneng Shares was revalued to RMB398 million (equivalent to HK$373.6 million) as at 30th June 2005 and the resulting revaluation gain was accounted for in reserves.

## 12. LOAN RECEIVABLE/OTHER ASSET

| | 30th June 2005 HK$ | 31st December 2004 HK$ |
|---|---|---|
| Advance to an unrelated company | **64,500,000** | 64,500,000 |
| Less: Impairment losses | **(6,450,000)** | (6,450,000) |
| | **58,050,000** | 58,050,000 |

The advance is secured by certain units of a building in Fuzhou, Mainland China. Interest of 14% and a 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 the secured units of the building held as collateral.

The Company arranged for the disposal of the property collateral by public auction in 2003 and the results were unsatisfactory due to the absence of a certificate of compliance for the building. In order to speed up the realisation process, the Company and the main contractor of the building has jointly appointed a law firm in Mainland China to take necessary steps for the issuance of the certificate of compliance for the building. The process is still ongoing as at the date of this report.

The directors, based on a valuation performed by an independent professional valuer as of 30th June 2005 and the estimated discounted cash flow from disposal of the collateral, consider that an impairment loss of HK$6,450,000 against the advance brought forward from the prior year is appropriate.

## 13. LAND USE RIGHTS

The balance represents the land use rights of a parcel of land in Jinan, PRC, acquired by a non-wholly owned subsidiary of the Group in its ordinary course of property development and sales business. The Group is currently in the process of obtaining the land use rights certificate of that parcel of land. It is the Group's intention to either develop properties on that parcel of land for sale or dispose of the rights within the next 12 months. As a result, the rights have been classified as current assets in the balance sheet.

## 14. 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 2005, the ageing analysis of the insurance debtors by invoice date was as follows:

| | **30th June 2005** *HK$* | 31st December 2004 *HK$* |
|---|---|---|
| Within 30 days | **6,894,996** | 4,286,924 |
| 31-60 days | **4,903,441** | 3,357,819 |
| 61-90 days | **2,975,243** | 8,068,186 |
| Over 90 days | **3,895,136** | 3,169,624 |
| | **18,668,816** | 18,882,553 |

## 15. CASH AND BANK BALANCES

Included in cash and bank balances are deposits of RMB128,304,927 (equivalent to HK$120,433,419) placed with certain banks (including jointly controlled financial institutions as disclosed in Note 22(a)) in Mainland China (At 31st December 2004: RMB128,637,902, equivalent to HK$120,784,558).

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 2004: HK$16 million), in fixed deposits. The subsidiary has also maintained bank deposit of HK$5,966,801 (At 31st December 2004: HK$5,966,801) for fulfilling certain requirements under the Macau Insurance Ordinance.

## 16. INSURANCE LIABILITIES

At 30th June 2005, the ageing analysis of the insurance liabilities by invoice date was as follows:

| | **30th June 2005** | 31st December 2004 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Within 30 days | **7,646,695** | 2,351,586 |
| 31-60 days | **1,362,955** | 1,286,934 |
| 61-90 days | **2,464,914** | 4,156,633 |
| Over 90 days | **802,794** | 968,821 |
| | **12,277,358** | 8,763,974 |

## 17. SHORT TERM ADVANCES

As at 30th June 2005, a non-wholly owned subsidiary of the Group had outstanding unsecured RMB advances of RMB24.5 million (equivalent to HK$23 million) from non-financial institutions in Mainland China for financing its acquisition of the land use rights over a parcel of land. Both advances are repayable on demand and bear interest at 5.22% to 6% per annum.

## 18. BANK BORROWINGS

| | **30th June 2005** |
|---|---|
| | ***HK$*** |
| Bank loan-secured | **79,649,407** |
| Less: Amounts due within one year included under current liabilities | **(15,885,690)** |
| | **63,763,717** |

## 18. BANK BORROWINGS (Continued)

The bank loan is secured by one of the properties (including the leasehold land component) of the Group with a net book value of HK$14.6 million as at 30th June 2005 and the effective interest rate at the balance sheet date was 4.84% per annum. As of 30th June 2005, the Group has outstanding credit facilities of HK$40 million which could be drawndown on or before 31st December 2005.

The maturity of the bank loan is as follows:

| | **30th June 2005** |
|---|---|
| | ***HK$*** |
| Within 1 year | **15,885,690** |
| More than 1 year but within 2 years | **15,906,729** |
| More than 2 years but within 5 years | **47,856,988** |
| | **79,649,407** |

## 19. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%) for Hong Kong taxation and 33% (2004: 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.

## 19. DEFERRED TAXATION (Continued)

The movement on the deferred tax assets/(liabilities) account is as follows:

| | **Six months ended 30th June 2005** | Year ended 31st December 2004 |
|---|---|---|
| | ***HK$*** | *HK$* |
| At the beginning of the period/year | **311,731** | 1,573,161 |
| Deferred taxation charged/(credited) to profit and loss account | **135,387** | (1,264,477) |
| Exchange differences | **(98)** | 3,047 |
| At the end of the period/year | **447,020** | 311,731 |

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 2005, the Group has estimated unrecognised tax losses of HK$99,274,912 (31st December 2004: HK$93,742,772) to carry forward against future taxable income. These tax losses have no expiry date.

## 20. CONTINGENT LIABILITIES

A non-wholly owned subsidiary of the Group has issued guarantees for bank mortgage loan facilities obtained by certain buyers to acquire properties in Mainland China from it. As at 30th June 2005, the outstanding loan balances amounted to RMB15,644,500 (equivalent to HK$14,684,710) (2004: RMB40,247,696, equivalent to HK$37,790,574). These guarantee 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.

## 21. CAPITAL COMMITMENTS

| | 30th June 2005 HK$ | 31st December 2004 HK$ |
|---|---|---|
| For property development and investment | | |
| Authorised but not contracted for | – | 2,600,000 |
| Contracted but not provided for | 155,619 | 155,669 |
| | 155,619 | 2,755,669 |
| The Group's share of capital commitments of jointly controlled entities relating to purchase of property, plant and equipment not included in above is as follows: | | |
| Contracted but not provided for | 1,925,011 | 1,215,513 |

## 22. RELATED PARTY TRANSACTIONS

On 1st January 2005, the Group has adopted HKAS 24 "Related Party Disclosures" which has affected the identification of related parties and some other related-party disclosures. This HKAS also requires the disclosure of the compensation of key management personnel.

In addition to those disclosed elsewhere in the accounts, 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 2005, the Group had deposits with jointly controlled financial institutions totalling HK$135,589,584 (At 31st December 2004: HK$337,546,492). The deposits carry interest at normal commercial rates and have generated interest income of HK$2,836,529 (Period ended 30th June 2004: HK$1,097,667) to the Group for the period.

## 22. RELATED PARTY TRANSACTIONS (Continued)

(b) Gross insurance premium less commission paid totalling HK$2,584,889 (Period ended 30th June 2004: HK$2,912,169) was derived from business referred to a subsidiary by a jointly controlled entity 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 2005, the Group had loans and other amounts advanced to the jointly controlled entities of HK$16,333,670 (At 31st December 2004: HK$16,333,670) and HK$13,500,000 (At 31st December 2004: HK$13,500,000) respectively. These balances represent the Group's investments in these jointly controlled entities and are unsecured, interest free and have no fixed repayment terms. As of 30th June 2005, losses of HK$13,500,000 (At 31st December 2004: HK$13,500,000) has been recognised by the Group against the amounts due from one of these jointly controlled entities as a result of the accumulated losses arising from the underlying joint ventures.

(d) As of 30th June 2005, the Group had loans to associates of HK$54,744,243 (At 31st December 2004: HK$55,051,395) which are unsecured, interest free and have no fixed repayment terms. As at 30th June 2005, losses of HK$5.75 million (At 31st December 2004: HK$1.32 million) has recognised by the Group against the loan as a result of the accumulated losses incurred by one of the associates.

(e) Management fee of HK$940,000 (Period ended 30th June 2004: 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.

(f) As of 30th June 2005, the Group and the minority shareholder of a non-wholly owned subsidiary have provided advances of RMB7 million (31st December 2004: RMB5 million) and RMB1.2 million (31st December 2004: Nil) respectively to the non-wholly owned subsidiary for working capital purposes. The loans are unsecured, bearing interest at 6% per annum. Except for the loan of RMB1.2 million which has no fixed repayment terms, the remaining loan of RMB7 million is repayable on 31st December 2005.

## 22. RELATED PARTY TRANSACTIONS (Continued)

(g) Key management personnel

The senior executives' emolument for the six months ended 30th June 2005 and 2004 is detailed as follows:

| | Six months ended 30th June | |
|---|---|---|
| | **2005** | 2004 |
| | ***HK$*** | *HK$* |
| Fees | **365,000** | 290,000 |
| Salaries, housing and other allowances, and benefits in kind | **3,182,628** | 2,981,064 |
| Contributions to retirement benefit scheme | **36,000** | 24,000 |
| | **3,583,628** | 3,295,064 |

## 23. SUBSEQUENT EVENT

On 21st July 2005, the PRC government announced that the PRC currency, RMB, appreciated against several major currencies, including the United States Dollar and Hong Kong Dollar. The Group holds monetary assets and non-monetary assets denominated in RMB, which will be translated into the Group's reporting currency in Hong Kong Dollars and the differences arising from the revaluation will be recorded in the profit and loss account or reserve for the periods subsequent to the revaluation. As at 30th June 2005, the Group had bank balances, available-for-sale financial assets and short term advances denominated in RMB equivalent to approximately HK$120.4 million, HK$374 million and HK$23 million respectively.

## 24. 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$29.8 million (before share of losses of HK$13.5 million) and HK$54.7 million (before share of losses of HK$7.6 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 2005

| | Pro-forma combined balance sheet *HK$* | Group's attributable interest *HK$* |
|---|---|---|
| Property, plant and equipment | 575,898,926 | 212,228,497 |
| Property under development | 1,381,107 | 552,443 |
| Goodwill | 10,280,206 | 4,112,082 |
| Current assets | 62,942,714 | 23,928,635 |
| Current liabilities | (112,703,677) | (34,100,303) |
| Long term bank loans | (135,678,750) | (51,287,500) |
| | 402,120,526 | 155,433,854 |
| Share capital and reserves | (393,609,196) | (196,822,260) |
| Minority interests | 214,192,184 | 80,903,116 |
| Shareholder's loans and advances | 581,537,538 | 271,352,998 |
| | 402,120,526 | 155,433,854 |

## INTERIM DIVIDEND

The Directors have resolved that no interim dividend be declared for the half year ended 30th June 2005 (2004: Nil).

## OVERALL RESULTS

For the six months ended 30th June 2005, the Group recorded an unaudited consolidated profit attributable to shareholders of HK$36.47 million with earnings per share of 7.94 cents, an increase of 0.1% from the restated consolidated profit attributable to shareholders of HK$36.45 million and 7.93 cents per share respectively as compared with the same period in 2004.

With effect from 1st January 2005, the Group is required to prepare its accounts in accordance with the new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards. The comparative figures presented herein have been restated to reflect the resulting changes in accounting policies and presentation of profit and loss and balance sheet items to the extent as required under the relevant transitional treatments and therefore may not be comparable with the current period figures. Details of such changes and the financial impacts are set out in note 2 to the accounts.

## BUSINESS REVIEW

### Banking Business

The Group's major investment, a 36.75% interest in Xiamen International Bank, continued to maintain its growth momentum for the period under review due to the increase in net interest income resulting from the increasing Renminbi business. For the six months ended 30th June 2005, Xiamen International Bank's consolidated net profit attributable to the Group as adjusted for the Hong Kong Financial Reporting Standards purposes went up by 86.1% to HK$41.68 million from HK$22.4 million for the same period in 2004. With the opening of its Shanghai branch at Pudong Lujiazui Finance & Trade Zone in June this year, Xiamen International Bank has made an important advancement in setting up a national business network in Mainland China and expanding its service regions from the South-East coastal areas towards the sizeable markets in the Yangtze River Delta Region. In celebrating its 20th anniversary, Xiamen International Bank will continue to strengthen its core business and seek for expansion and new breakthrough.

## BUSINESS REVIEW (Continued)

### Insurance Business

Min Xin Insurance Company Limited ("MXIC"), the Group's wholly-owned subsidiary, achieved an after tax profit of HK$4.60 million for the first half of 2005, an increase of 6.5% from HK$4.32 million of the same period in 2004.

It is anticipated that competition among players in the market remains fierce. Despite such difficult market environment, management remains mindful to increase its share in the niche market segment in a profit-oriented manner.

### Property Development and Investment

The Group's property development subsidiary in Jinan, Shandong Province has sold all the properties developed in the previous project in 2004 and is still planning the use of the parcel of land bided by it in late 2004. As a result, for the first half of 2005 it recorded a loss after tax of RMB2.20 million as compared with the profit after tax of RMB5.27 million for the same period in 2004.

An investment property of the Group in Fuzhou has been leased to a local insurance company for three years, generating a rental income of RMB0.38 million in the first half of the year.

### Toll Road Investments

The Group's toll road investment through its 21% owned associated company in Maanshan, Anhui Province registered a revenue of RMB21.03 million, a decrease of 14.7% from RMB24.66 million for the same period last year. It is anticipated that the performance of this toll road will be improved in the second half of the year.

Owing to adverse changes in the traffic flow and toll revenue, the Group's toll road investment through its 26% owned associated company in Fenghua, Zhejiang Province recorded a revenue of RMB9.25 million, a decrease of 45.9% from RMB17.10 million for the same period last year.

## BUSINESS REVIEW (Continued)

### High-Tech Investments

Min Faith Investments Limited ("Min Faith"), which engages in the manufacturing of industrial digital instruments in Mainland China and of which the Group holds a 40% interest, experienced a drop in its turnover and an increase in operating costs owing to the impact from the macroeconomic adjustment policies in Mainland China, the relocation to the new factory buildings and the increase in the investment and development of new products. In the first half of 2005, its profit after tax attributable to the Group went down by 35.1% to HK$1.37 million, from HK$2.11 million for the same period in 2004.

## INVESTMENT IN HUANENG POWER INTERNATIONAL, INC.

The transfer procedures of the Group's acquisition of 108,000,000 non-tradable legal person shares of Huaneng Power International, Inc. ("Huaneng") from its substantial shareholder, Fujian International Trust & Investment Corporation, were completed on 15th June 2005. The Group has recorded a revaluation gain of HK$20.66 million as at 30th June 2005 for its investment in Huaneng. It is expected that following the approval by the State Council of Mainland China of the "coal-electricity price linkage mechanism" for power producers on 1st May 2005, the profit margin of Huaneng will be improved in the second half of the year and we anticipate that the Group's investment in Huaneng will bring satisfactory and stable cash flow to the Group.

## FINANCIAL REVIEW

The Group has been maintaining a healthy financial position during the period. Based on the issued share capital of 459,428,656 shares (At 31st December 2004: 459,428,656 shares), the net asset value per share was HK$2.82 (At 31st December 2004: HK$2.64). As at 30th June 2005, the current assets and current liabilities were HK$359.29 million (At 31st December 2004: HK$625.73 million) and HK$168.21 million (At 31st December 2004: HK$145.45 million) respectively with a current ratio of 2.1 (At 31st December 2004: 4.3).

## FINANCIAL REVIEW (Continued)

During the period, the Group obtained a 5-year floating rate facility of HK$120 million from a bank in Hong Kong in financing the acquisition of 108,000,000 Huaneng non-tradable legal person shares. The bank loan is secured by one of the property (including the leasehold land component) of the Group with a net book value of HK$14.6 million as at 30th June 2005. As at 30th June 2005, the Group has drawn down HK$80 million under the facility. Besides, the Group had fixed rate short term advances amounting to HK$23.01 million (At 31st December 2004: HK$21.14 million). The gearing ratio of the Group (total borrowings divided by total net assets) as at 30th June 2005 was 7.9% (At 31st December 2004: 1.8%)

As at 30th June 2005, bank deposits of the Group amounted to HK$234.70 million (At 31st December 2004: HK$504.18 million) which included deposits of RMB128.30 million (equivalent to HK$120.43 million) placed with certain banks in Mainland China (At 31st December 2004: RMB128.64 million, equivalent to HK$120.78 million).

The Group's assets, liabilities and receipts and payments 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 rates.

On 21st July 2005, the PRC Government announced that the PRC currency, RMB, appreciated against several major currencies, including the United States Dollar and Hong Kong Dollar. Such appreciation had no impact on the Group's shareholders' equity as at 30th June 2005. Given the Group has net RMB exposures (in the form of net monetary/non-monetary assets held and net investments in PRC entities) the impact of RMB appreciation will be fully reflected in the annual accounts.

## CONTINGENT LIABILITIES

As at 30th June 2005, a non wholly-owned subsidiary of the Group in Mainland China has issued guarantees amounting to RMB15.64 million (equivalent to HK$14.68 million) (At 31st December 2004: RMB 40.25 million, equivalent to HK$37.79 million) for mortgage loan facilities obtained by certain buyers for acquiring properties from it. Such guarantees will be released upon receipt of the title deeds of the properties by the relevant banks.

## EMPLOYEES AND REMUNERATION POLICY

As at 30th June 2005, the Group had 79 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

It is expected that the Group's investments in Mainland China will benefit from the continuing stable economic development in the second half of 2005. The liquidation of the Group's substantial shareholder, Fujian International Trust & Investment Corporation, was completed in August 2005. Now the Group becomes the overseas listed flagship company of the new substantial shareholder, Fujian Investment Enterprise Group Corporation ("FIEGC") and will be in an advantageous position to further strengthen the co-operation with other enterprises of the FIEGC Group. The Group will continue to look for new achievements and make every endeavour to develop business in Mainland China and exploit the vast potential business opportunities arising from the further opening of Mainland China's market.

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

As at 30th June 2005, 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 2005, 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 2005, the following corporations had interests (as defined in the SFO) in the Company:

| **Name of Corporation** | *Notes* | **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 both were the substantial shareholders of Samba and were deemed to be interested in Samba's shareholding in the Company of 144,885,000 shares.

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.
   Following the completion of the liquidation and deregistration of FITIC, the above interest of FITIC was transferred to Fujian Investment Enterprise Group Corporation on 25th August 2005. The details of the transfer have been set out in the announcement of the Company dated 25th August 2005.

All the interests stated above represent long positions in the ordinary shares of the Company. As at 30th June 2005, 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 2005.

## CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules for the six months ended 30th June 2005 except that:

1. the Independent Non-executive Directors have not been appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Articles of Association.

2. the Directors have not been required by the Company's Articles of Association to retire by rotation at least every three years. However, in accordance with the Company's Articles of Association, one-third of the Directors for the time being, or if their number is not a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office by rotation at every annual general meeting.

The Board will ensure the retirement of each Director by rotation at least once every three years in order to comply with the code provisions set out in the Listing Rules.

## 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. Specific enquiry has been made to all the directors of the Company who confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

By Order of the Board
**Ding Shi Da**
*Chairman*

Hong Kong, 27th September 2005