

## Notes to condensed interim accounts

### 1. Basis of Preparation

These unaudited condensed consolidated interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants. These condensed interim accounts should be read in conjunction with the 2000 annual accounts.

The accounting policies used in the preparation of these condensed interim accounts are consistent with those adopted in the annual audited accounts for the year ended 31st December 2000, except for the change in accounting treatment of proposed dividends in order to comply with the requirements of the revised SSAP 9 “Events after the balance sheet date”. Dividends proposed or declared after the balance sheet date are no longer recognised as liabilities of the Group at the balance sheet date, but are treated as part of the shareholders’ funds. Accordingly adjustments have been made to restate the retained earnings of the Group as at 1st January 2000 (*Note 7*) and to reclassify the dividend receivable from an associate as at 31st December 2000 as part of the Group’s share of net assets of associates.

## 2. Turnover and Segment Revenue Information

The Group's turnover represents interest income, rental income, profit commission income, management fees, gross insurance premiums less reinsurance, gross proceeds from properties sales and income from a co-operative venture.

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

	<b>Six months ended 30th June</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$</b>	<b>HK\$</b>
Interest income	<b>14,556,211</b>	18,225,564
Rental income	<b>1,704,123</b>	1,762,908
Gross insurance premiums	<b>37,815,282</b>	42,073,469
Gross proceeds from properties sales	<b>18,280,909</b>	9,703,827
Income from a co-operative venture	<b>1,716,575</b>	10,244,030
Management fee	<b>396,934</b>	1,057,965
Profit commission income	<b>200,335</b>	654,037
	<b>74,670,369</b>	83,721,800
Less: Reinsurance	<b>(6,255,341)</b>	(7,993,890)
	<b>68,415,028</b>	<b>75,727,910</b>

## 2. Turnover and Segment Revenue Information (Continued)

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

Six months ended 30th June 2001					
	Property investment and property sales HK\$	Insurance HK\$	Toll road investment HK\$	Investment holdings and others HK\$	Group HK\$
Turnover	20,051,069	33,365,619	1,718,024	13,280,316	68,415,028
Other revenues	–	124,247	–	63,508,124	63,632,371
Total revenues	<u>20,051,069</u>	<u>33,489,866</u>	<u>1,718,024</u>	<u>76,788,440</u>	<u>132,047,399</u>
Operating profit	<u>434,175</u>	<u>2,643,225</u>	<u>1,677,557</u>	<u>65,892,937</u>	<u>70,647,894</u>

Six months ended 30th June 2000					
	Property investment and property sales HK\$	Insurance HK\$	Toll road investment HK\$	Investment holdings and others HK\$	Group HK\$
Turnover	11,491,545	36,825,869	10,266,314	17,144,182	75,727,910
Other revenues	–	–	32,483	620,311	652,794
Total revenues	<u>11,491,545</u>	<u>36,825,869</u>	<u>10,298,797</u>	<u>17,764,493</u>	<u>76,380,704</u>
Operating profit/(loss)	<u>467,784</u>	<u>(235,573)</u>	<u>10,218,293</u>	<u>2,954,233</u>	<u>13,404,737</u>

## 2. Turnover and Segment Revenue Information (Continued)

An analysis of the Group's turnover and contribution to operating profit for the period by geographical locations is as follows:

	Turnover		Operating profit/(loss)	
	Six months ended		Six months ended	
	30th June		30th June	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Hong Kong	<b>41,086,619</b>	44,323,479	<b>(3,684,296)</b>	(3,324,386)
Other than Hong Kong				
Mainland China	<b>22,292,632</b>	25,951,320	<b>71,683,930</b>	15,947,010
Macau	<b>5,035,777</b>	5,453,111	<b>2,648,260</b>	782,113
	<b>27,328,409</b>	31,404,431	<b>74,332,190</b>	16,729,123
	<b>68,415,028</b>	75,727,910	<b>70,647,894</b>	13,404,737

During the period, the Group disposed of a subsidiary which holds the land use right of a parcel of land in Mainland China to an independent third party for a cash consideration equivalent to HK\$94 million which generated a profit of HK\$62 million.

## 3. Other Revenues

	Six months ended 30th June	
	2001	2000
	HK\$	HK\$
Dividend income from listed investments	<b>202,851</b>	69,421
Gain on disposal of a subsidiary ( <i>Note 2</i> )	<b>62,017,992</b>	–
Forfeiture of rental deposits received	<b>1,411,528</b>	–
Others	–	583,373
	<b>63,632,371</b>	652,794

#### 4. Other Provisions and Losses

	Six months ended 30th June	
	2001	2000
	HK\$	HK\$
Net realised and unrealised losses		
in trading securities	2,634,349	1,174,513
Loss on disposal of investment property	853,763	–
Deficit on revaluation of investment properties	3,332,027	1,337,212
Impairment of properties* (Note 9)	3,696,284	–
Others	85,646	–
	<b>10,602,069</b>	<b>2,511,725</b>

\* The Company has adopted the new SSAP 31, "Impairment of Assets" in determining the recoverable amounts of properties, plant and equipment. Where the carrying value of individual asset exceeds its recoverable amount, the impairment loss is charged to the profit and loss account except in the case of other properties which have been revalued. Any impairment loss of a revalued property is applied to the revaluation reserve to the extent of the amount held in the revaluation reserve in respect of that same property and is thereafter debited to the profit and loss account.

#### 5. Other Operating Expenses

Other operating expenses is net of an amount of HK\$3,831,179 (2000: Nil) which represents the write back of provisions for renovation cost and other expenses of a subsidiary in Beijing which has ceased operation.

## 6. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	<b>Six months ended 30th June</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$</b>	<b>HK\$</b>
Company and subsidiaries:		
Hong Kong profits tax	<b>54,171</b>	29,293
Overseas taxation	<b>1,333,851</b>	240,000
	<b>1,388,022</b>	269,293
Jointly controlled entities:		
Hong Kong profits tax	–	127,636
Overseas taxation	<b>3,047,200</b>	3,077,303
	<b>3,047,200</b>	3,204,939
	<b>4,435,222</b>	3,474,232

## 7. Dividend

	<b>Six months ended 30th June</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$</b>	<b>HK\$</b>
1999 final dividend, proposed, of 4 cents per share	–	18,377,146

The previously recorded final dividend proposed and declared after the balance sheet date but accrued in the accounts for the year ended 31st December 1999 was HK\$18,377,146. Under the Group's new accounting policy as described in Note 1, this has been written back against opening reserves as at 1st January 2000 (Note 17) and is now charged in the period in which it was declared.

## 8. Earnings/(Loss) Per Share

The calculation of earnings/(loss) per share is based on the Group's profit attributable to shareholders of HK\$69,704,558 (2000: loss of HK\$9,299,818) and the weighted average number of 459,428,656 (2000: 459,367,460) shares in issue during the period.

## 9. Fixed Assets

	Investment properties HK\$	Property, plant and equipment HK\$	Total HK\$
<b>Six months ended 30th June 2001</b>			
Opening net book amount	101,299,427	67,063,275	168,362,702
Additions	–	225,650	225,650
Disposals	(2,449,669)	(605,663)	(3,055,332)
Depreciation	–	(1,345,049)	(1,345,049)
Revaluation	(3,332,027)	–	(3,332,027)
Impairment of properties	–	(6,194,095)	(6,194,095)
Closing net book amount	<u>95,517,731</u>	<u>59,144,118</u>	<u>154,661,849</u>

Impairment loss of HK\$2,497,811 (*Note 17*) has been debited to other properties revaluation reserve and the balance of HK\$3,696,284 (*Note 4*) charged to the profit and loss account.

## 10. Jointly Controlled Entities

Investment in jointly controlled entities mainly represents the Group's investments of 36.75% in Xiamen International Bank ("XIB Group") and 50% in Westly Limited ("Westly Group"), a Hong Kong property development company. The Group's share of net assets of the jointly controlled entities are set out below:

	<b>XIB Group</b>	<b>Westly Group</b>	<b>Others</b>	<b>Total</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1st January 2001	399,397,927	39,818,724	1,103,725	440,320,376
Share of profit/(loss) for the period	11,063,750	(14,028,488)	(674,781)	(3,639,519)
Increase in investment revaluation reserve	587,812	–	–	587,812
Increase/(decrease) in amounts due from jointly controlled entities	–	7,894,363	(31,500)	7,862,863
At 30th June 2001	<u>411,049,489</u>	<u>33,684,599</u>	<u>397,444</u>	<u>445,131,532</u>

## 11. Other Investments

	<b>30th June</b>	<b>31st December</b>
	<b>2001</b>	<b>2000</b>
	<b><i>HK\$</i></b>	<b><i>HK\$</i></b>
Co-operative venture (a)	<b>99,126,970</b>	111,527,257
Land use right (b)	–	29,324,544
	<u><b>99,126,970</b></u>	<u><b>140,851,801</b></u>

- (a) In August 1996, a subsidiary company, Min Xin (Zhangzhou) Investments Limited ("Min Xin Zhangzhou") entered into a venture agreement with an independent third party ("PRC Partner") for the setting up of a Sino-foreign co-operative venture ("Zhangzhou venture") in Zhangzhou City, Fujian Province, The People's Republic of China. The principal activity of Zhangzhou venture is the operation of a toll road. Zhangzhou venture is valid for a period of fifteen



## 11. Other Investments (Continued)

years from the date of issue of the business licence. Under the venture agreement, Min Xin Zhangzhou is entitled to nominate directors representing a majority of the board. Pursuant to a management contract entered into between the PRC Partner, Min Xin Zhangzhou and Zhangzhou venture, the PRC Partner has been appointed to manage the business operation of Zhangzhou venture.

Both the total investment and registered capital of Zhangzhou venture are US\$29.88 million (approximately HK\$233 million). In accordance with the venture agreement, the group contributed US\$12 million (approximately HK\$94 million) to the capital of Zhangzhou venture and is entitled to receive cash distributions totalling US\$21.57 million (approximately HK\$168 million) during the six years period from the date of the capital contribution made by Min Xin Zhangzhou, but will not be entitled to the profit or net assets of the Zhangzhou venture. In April 1997, Min Xin Zhangzhou entered into a supplemental venture agreement with the PRC Partner to acquire from the PRC Partner an additional interest in the capital of Zhangzhou venture for US\$6 million (approximately HK\$47 million), and as a result Min Xin Zhangzhou is entitled to receive additional cash distributions totalling US\$12.96 million (approximately HK\$101 million) during the eight years period from the date of the additional investment made by Min Xin Zhangzhou.

Under the venture agreement, Min Xin Zhangzhou's interest in Zhangzhou venture will be transferred to the PRC Partner at a consideration of US\$1 once it has received all the cash distributions.

On 18th September 2001, an agreement was entered into between Min Xin Zhangzhou, the PRC Partner and an independent third party whereby Min Xin Zhangzhou agreed to transfer its entire interest in the Zhangzhou venture for a consideration of US\$12.7 million (approximately HK\$99 million).

- (b) The land use right has been disposed during the period (*Note 2*).

## 12. Insurance Debtors

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

The ageing analysis of the insurance debtors was as follows:

	<b>30th June 2001 HK\$</b>	<b>31st December 2000 HK\$</b>
Current	<b>6,833,896</b>	4,984,498
30-60 days	<b>7,082,975</b>	5,656,298
60-90 days	<b>4,650,280</b>	5,193,475
Over 90 days	<b>6,018,660</b>	7,300,836
	<b><u>24,585,811</u></b>	<b><u>23,135,107</u></b>

## 13. Cash and Bank Balances

Included in cash and bank balances are deposits of RMB137,842,693 (equivalent to HK\$129,890,548) placed with certain financial institutions in Mainland China (At 31st December 2000: RMB44,251,790, equivalent to HK\$41,689,169).

## 14. Insurance Liabilities

The ageing analysis of the insurance liabilities was as follows:

	<b>30th June 2001 HK\$</b>	<b>31st December 2000 HK\$</b>
Current	<b>4,897,714</b>	3,712,034
30-60 days	<b>3,917,544</b>	2,119,674
60-90 days	<b>1,914,706</b>	2,083,845
Over 90 days	<b>2,886,344</b>	2,529,661
	<b><u>13,616,308</u></b>	<b><u>10,445,214</u></b>

**15. Long Term Liabilities**

	<b>30th June 2001 HK\$</b>	<b>31st December 2000 HK\$</b>
Bank loan - secured	–	34,626,228
Other loan - unsecured	<b>3,587,770</b>	7,174,804
	<b>3,587,770</b>	41,801,032
Less: Amounts due within one year included under current liabilities	<b>(3,587,770)</b>	(18,404,932)
	<b>–</b>	<b>23,396,100</b>

The bank loan was fully repaid during the period and the other loan is repayable within one year and bears interest at London Interbank Offered Rate plus 1.5% per annum.

The maturity profile of the bank loan and other loan was as follows:

	<b>30th June 2001 HK\$</b>	<b>31st December 2000 HK\$</b>
– within one year	<b>3,587,770</b>	18,404,932
– in the second year	–	14,973,504
– in the third to fifth years inclusive	–	8,422,596
	<b>3,587,770</b>	<b>41,801,032</b>

**16. Share Capital**

	<b>Authorised Ordinary shares of HK\$1 each</b>	
	<b>No. of shares</b>	<b>HK\$</b>
At 1st January 2000, 1st January and 30th June 2001	<u>800,000,000</u>	<u>800,000,000</u>
	<b>Issued and fully paid Ordinary shares of HK\$1 each</b>	
	<b>No. of shares</b>	<b>HK\$</b>
At 1st January 2000	459,308,567	459,308,567
Exercise of warrants during the six months period ended 30th June 2000	<u>120,089</u>	<u>120,089</u>
At 30th June 2000, 1st January and 30th June 2001	<u>459,428,656</u>	<u>459,428,656</u>

## 17. Reserves

### Group

	Share premium HK\$	Capital redemption reserve HK\$	Statutory reserve HK\$	Reserve fund HK\$	General reserve HK\$	Investment revaluation reserve HK\$	Other properties revaluation reserve HK\$	Exchange translation reserve HK\$	Retained profit/ Capital (accumulated loss) HK\$	Total HK\$
At 1st January 2000										
- as originally stated	384,202,922	47,086,000	29,553,924	34,220,367	105,107,740	5,982,610	29,637,416	3,038,986	27,685,473	645,751,656
- prior period adjustment on proposed dividend (Note 7)	-	-	-	-	-	-	-	-	18,377,146	18,377,146
At 1st January 2000 as restated	384,202,922	47,086,000	29,553,924	34,220,367	105,107,740	5,982,610	29,637,416	3,038,986	(2,386,636)	664,128,802
Premium on issue of new shares	417,492	-	-	-	-	-	-	-	-	417,492
Change in fair value of non-trading securities	-	-	-	-	-	616,395	-	-	-	616,395
Exchange translation differences	-	-	-	-	1,511	-	-	(313,279)	-	(311,768)
Loss attributable to shareholders	-	-	-	-	-	-	-	-	(39,179,930)	(39,179,930)
Transfers	-	-	-	-	(9,187,501)	-	-	-	9,187,501	-
1999 final dividend declared during the period (Note 7)	-	-	-	-	-	-	-	-	(18,377,146)	(18,377,146)
At 31st December 2000 and 1st January 2001	384,620,414	47,086,000	29,553,924	34,220,367	95,921,750	6,599,005	29,637,416	2,725,707	27,685,473	607,293,845
Change in fair value of non-trading securities	-	-	-	-	-	587,812	-	-	-	587,812
Impairment of properties (Note 9)	-	-	-	-	-	-	(2,497,811)	-	-	(2,497,811)
Amounts released to profit and loss account on disposal of a subsidiary	-	-	-	-	-	-	-	(1,460,667)	-	(1,460,667)
Reserve released on disposal of a subsidiary	-	-	-	-	(405,752)	-	-	-	405,752	-
Exchange translation differences	-	-	-	-	30	-	-	(14,221)	-	(14,191)
Profit attributable to shareholders	-	-	-	-	-	-	-	-	69,704,558	69,704,558
Transfers	-	-	843,109	-	7,683,266	-	-	-	(8,536,375)	-
At 30th June 2001	<u>384,620,414</u>	<u>47,086,000</u>	<u>30,397,033</u>	<u>34,220,367</u>	<u>103,209,294</u>	<u>7,186,817</u>	<u>27,139,605</u>	<u>1,250,819</u>	<u>27,685,473</u>	<u>673,613,546</u>

## 17. Reserves (Continued)

The statutory reserve is attributable to the jointly controlled entities and is set aside in accordance with the relevant statutory requirements. The reserve fund is attributable to the jointly controlled entities and is set aside for paying up the unpaid registered capital and is not available for distribution. The general reserve is transferred from retained earnings, and is available for general use. The capital reserve represents reserve arising from consolidation of subsidiaries, associates and jointly controlled entities acquired.

## 18. Contingent Liabilities

	30th June 2001 HK\$	31st December 2000 HK\$
Banking facilities guarantees (a)	57,300,000	57,300,000
Other guarantees (b)	7,117,842	4,618,238
	<b>64,417,842</b>	<b>61,918,238</b>

- (a) The Company has given guarantees for general banking facilities granted to a jointly controlled entity to the extent of HK\$57.3 million (At 31st December 2000: HK\$57.3 million). The actual amount of banking facilities utilised by the jointly controlled entity was HK\$14,141,382 (At 31st December 2000: HK\$35,381,382).
- (b) The Group has given guarantees for mortgage loan facilities granted to certain buyers on the properties sold in Mainland China.

## 19. Capital Commitments

	30th June 2001 HK\$	31st December 2000 HK\$
Authorised but not contracted for	5,798,930	2,750,000
Contracted but not provided for	5,245,567	515,292
	<b>11,044,497</b>	<b>3,265,292</b>

## 19. Capital Commitments (Continued)

The Group's share of capital commitments of the jointly controlled entities are as follows:

Authorised but not contracted for	<b>10,999</b>	10,999
Contracted but not provided for	<b>2,124,150</b>	2,702,595
	<b><u>2,135,149</u></b>	<b><u>2,713,594</u></b>

## 20. Lease Commitments

The Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>30th June 2001 HK\$</b>	<b>31st December 2000 HK\$</b>
Land and buildings		
Within one year	<b>920,874</b>	1,255,316
In the second to fifth years inclusive	<b>75,385</b>	518,998
	<b><u>996,259</u></b>	<b><u>1,774,314</u></b>

## 21. 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 2001, the Group has deposits with jointly controlled financial institutions totalling HK\$235,647,673 (At 31st December 2000: HK\$147,168,348). The deposits carry interest at normal commercial rates and generated interest income of HK\$3,404,067 (2000: HK\$4,043,479) to the Group for the period.
- (b) Insurance premium generates from jointly controlled entities totalling HK\$3,183,640 (2000: HK\$3,259,852) for the period were conducted in the normal course of business at prices and terms no less than those charged to and contracted with other third party customers of the Group.

## 21. Related Party Transactions (Continued)

- (c) As of 30th June 2001, a loan of HK\$135,398,864 (At 31st December 2000: HK\$135,398,864) has been granted to a jointly controlled entity for the purpose of financing a property project. The loan has no fixed terms for repayment and an amount of HK\$11,103,000 (At 31st December 2000: HK\$11,103,000) of which bears interest at Hong Kong dollar prime rate plus 3.5% while the remaining balance bears interest at 12% per annum. During the period, interest income of HK\$8,032,063 (2000: HK\$7,448,426) was generated from the loan to this jointly controlled entity.

Except for the above, amounts due from jointly controlled entities amounted to HK\$60,286,964 (At 31st December 2000: HK\$52,424,101) are interest free and have no fixed terms for repayments.

- (d) As of 30th June 2001, the loans to and amounts due from associates amounted to HK\$78,251,571 (At 31st December 2000: HK\$82,327,106) are interest free and have no fixed terms for repayments.
- (e) An amount of HK\$940,000 (2000: 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.
- (f) During the period, office rental expenses of HK\$362,400 (2000: HK\$362,400) was paid to Golden Rewards Limited, a wholly owned subsidiary of a substantial shareholder of the Company.
- (g) Subsequent to the period end, a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement (the “Agreement”) with Golden Rewards Limited (“Golden Rewards”) for the acquisition of the whole floor of a commercial building in Hong Kong for a total consideration of HK\$40,850,000 (the “Acquisition”).

Golden Rewards is a wholly owned subsidiary of a substantial shareholder of the Company. Accordingly, the Acquisition is a connected transaction for the Company under the Listing Rules.



## 21. Related Party Transactions (Continued)

The Acquisition is conditional upon the passing of a resolution by the independent shareholders of the Company to approve the Acquisition and the terms of the Agreement. The completion is expected to be on or before 31st October 2001.

## 22. Disclosure Under Practice Note 19

The Group had amounts due from jointly controlled entities and associates in a total sum of HK\$195.7 million (At 31st December 2000: HK\$187.8 million) and HK\$78.3 million (At 31st December 2000: HK\$82.3 million) respectively. A pro-forma combined balance sheet of these companies and the Group's attributable interest in these companies at 30th June 2001 are presented below:

	<b>Pro-forma combined balance sheet HK\$</b>	<b>Group's attributable interest HK\$</b>
Fixed assets	748,904,749	276,755,764
Property under development	78,526,091	15,705,218
Current assets	186,563,059	74,059,298
Current liabilities	(213,188,750)	(70,353,760)
Long term bank loans	(246,180,000)	(93,809,500)
Amounts due to shareholders	(606,844,241)	(254,982,349)
Minority interests	(257,585,803)	(96,143,014)
Net liabilities	<u>(309,804,895)</u>	<u>(148,768,343)</u>
Share capital and reserves at 30th June 2001	<u>(309,804,895)</u>	<u>(148,768,343)</u>
Share capital and reserves at 31st December 2000	<u>(296,624,259)</u>	<u>(140,457,443)</u>

*Note:* The above pro-forma financial information is prepared based on the unaudited management accounts of the relevant jointly controlled entities and associates as at 30th June 2001.