

Interim Dividend

The Directors have resolved that no interim dividend be declared for the half year ended 30th June 2001 (2000: Nil).

Business Review

The Group recorded a profit attributable to shareholders of HK\$69.71 million for the six months ended 30th June 2001, as compared with a loss attributable to shareholders of HK\$9.3 million for the same period in 2000. The earnings per share was 15.17 cents, compared with a loss of 2.02 cents per share for the previous period.

The Group's major investment, a 36.75% interest in Xiamen International Bank, achieved improved results for the period under review. According to the unaudited management accounts of Xiamen International Bank, a consolidated profit after tax of HK\$30.1 million was reported for the six months ended 30th June 2001, an increase of 36% from HK\$22.1 million for the same period last year. It is anticipated that with China's imminent accession to the World Trade Organization, the business environment in China will further be improved. Being a commercial bank with multinational shareholders background and sound management, Xiamen International Bank will be able to further develop its competitive edge and provide better return to the shareholders.

Following the prolonged underwriting losses in the past four years, the Hong Kong general insurance market has shown a clear trend of turnaround recently. Min Xin Insurance Company Limited, a wholly-owned subsidiary of the Group, has returned to profit well ahead of the market. A profit after tax of HK\$2.04 million was posted for the first half of 2001 as opposed to a breakeven result for the same period last year. Riding on top of the upturn cycle, the underwriting income of this company is expected to grow for the remaining part of the year.

Business Review (Continued)

The Group's toll road investments in Fenghua, Zhejiang Province and Maanshan, Anhui Province have been operated satisfactorily during the period under review. It is expected that the above toll road projects will continue to generate steady cash flow and satisfactory return to the Group in the second half of the year. As for the Group's investment through a 94%-owned subsidiary, Min Xin (Zhangzhou) Investments Limited ("Minxin Zhangzhou"), in the National Highway No. 319 Zhangzhou Section (the "Project"), there have been some changes in the local policies. The joint venture partner of the Project and a third party independent of the Group therefore proposed to acquire Minxin Zhangzhou's interest in the Project. In view of the difficulties in maintaining the original rate of return and in order to avoid the operational risks and maintain the vested interest of the Project, Minxin Zhangzhou has on 18th September 2001 entered into an agreement to transfer its entire interest in the Project for a consideration of US\$12.7 million. The total investments made by Minxin Zhangzhou in the Project from 1996 to 1997 amounted to US\$18 million. Immediately before the above transfer of its interest in the Project, Minxin Zhangzhou has already received a cash return of US\$17 million. Including the above consideration of US\$12.7 million, Minxin Zhangzhou has received a total amount of US\$29.7 million from the Project, generating an internal rate of return of 15%.

During the period under review, the Group's property project in Jinan, Shandong Province has attained satisfactory results with both the sales and profits registering a larger increase than those of the same period last year. We envisage that this project will continue to maintain steady growth and bring satisfactory return to the Group. With regard to the joint venture property project at Pik Sha Wan, a loss of HK\$14 million was recorded by the Group for the period under review, compared with a loss of HK\$33.3 million for the same period in 2000.

The Group disposed of a subsidiary which holds the land use right in a parcel of land in Mainland China during the period under review, generating a profit of about HK\$62 million to the Group.

Financial Position

The Group currently maintains a sound financial position. As at 30th June 2001, the Group's current ratio was 2.5 (At 31st December 2000: 2.1) with HK\$495 million (At 31st December 2000: HK\$394.9 million) of current assets against HK\$200.2 million (At 31st December 2000: HK\$190.9 million) of current liabilities. The Group is essentially debt free with a debt to equity ratio of 0.3% (At 31st December 2000: 3.9%). At 30th June 2001, bank deposits of the Group amounted to HK\$336 million (At 31st December 2000: HK\$263.8 million) which included deposits of RMB137.8 million (equivalent to HK\$129.9 million) placed with certain financial institutions in Mainland China (At 31st December 2000: RMB44.3 million, equivalent to HK\$41.7 million).

As at 30th June 2001, the Group had not recorded any material change in contingent liabilities since the financial year ended 31st December 2000.

Employees And Remuneration Policy

As at 30th June 2001, the Group had 95 employees. The remuneration of the employees are based on individual merits and experience. The Group also provides other benefits to the employees including retirement benefits, medical scheme and mortgage loan subsidies.

Prospects

In the second half of the year, the Group will continue to follow the established strategic goals in developing its businesses, including strengthening the financial services business and appropriately adjusting the investment portfolio. The directors believe that following China's entry to the World Trade Organization, the capital market of China will further be liberated. Taking this advantage, the Group will integrate the merits of the management structures and the operational mechanism of Mainland China and Hong Kong, grasping the fast growing opportunities arising from the two-way businesses in both regions with a view to enhance the overall shareholders' value of the Group.

Directors' Interests

At 30th June 2001, the interests of the directors in the shares of the Company as recorded in the register kept by the Company under section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:

Name of director	No. of ordinary shares held
Chen Zong Lin	847,200

Except for the personal interest of the director disclosed above, none of the directors and their associates had any other personal, family, corporate and other interests in the share capital of the Company and its associated corporations at 30th June 2001.

Substantial Shareholders

At 30th June 2001, according to the register of substantial shareholders kept by the Company under section 16(1) of the Securities (Disclosure of Interests) Ordinance, the following shareholders were directly or indirectly interested in 10 per cent or more of the issued share capital of the Company:

Name	Notes	Number of shares held
Samba Limited ("Samba")	1	144,885,000
XIFC (Nominees) Limited	1	164,560,200
Papilio Inc.	2	169,125,000
Vigour Fine Company Limited ("Vigour Fine")	1&2	199,404,600
Fujian International Trust & Investment Corporation ("FITIC")	3	199,404,600

Notes:

1. XIFC (Nominees) Limited was the registered holder of 139,785,000 shares holding on behalf of Samba and 24,775,200 shares holding on behalf of Vigour Fine.
2. Papilio Inc. and Vigour Fine which were both substantial shareholders of Samba were deemed to be interested in Samba's interest of 144,885,000 shares in the Company.
3. FITIC was deemed to be interested in Vigour Fine's interest of 199,404,600 shares in the Company by virtue of its controlling interest in Vigour Fine.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30th June 2001, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's listed securities.

Audit Committee

The Audit Committee 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 2001.

Corporate Governance

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not or was not for any part of the accounting period covered by this interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the Company's Articles of Association.

By Order of the Board
Wang Xi Chao
Chairman

Hong Kong, 27th September 2001