

RESULTS

Although the operating environment remained difficult in 2001, the Group was still able to achieve a turnaround for the year. The Group recorded a profit attributable to shareholders of HK\$67.27 million for the year ended 31st December 2001, as compared with the loss attributable to shareholders of HK\$39.18 million in 2000. The earnings per share amounted to 14.64 cents compared with a loss of 8.53 cents per share in 2000.

BUSINESS REVIEW

Banking Business

The Group's major investment, a 36.75% interest in Xiamen International Bank, attained substantial increase in its results during the year. According to the statutory accounts of Xiamen International Bank prepared in accordance with the accounting standards in the People's Republic of China, a consolidated profit after tax of HK\$69.77 million was achieved for the year ended 31st December 2001, as compared with the consolidated net profit after tax of HK\$0.5 million in 2000. Being a commercial bank with international shareholder background, sound management and extensive experience in Mainland China, Xiamen International Bank will continue its strategies of enhancing its efficiencies and exercising stringent risks control in order to maintain its competitive edge in facing the challenges and opportunities that lie ahead following China's entry to the World Trade Organization. Xiamen International Bank will pursue a stable and healthy long-term development.

Insurance Business

The Hong Kong general insurance market continued to suffer from underwriting loss in 2001, particularly motor and employees' compensation insurance. Despite the adverse market environment, Min Xin Insurance Company Limited ("MXIC"), the Group's wholly-owned subsidiary, has been able to achieve an improved operating profit as a result of its fine-tuned underwriting standard and reduced operating cost. A net profit after tax of HK\$2.69 million was recorded for the year ended 31st December 2001, an increase of 179.2% from HK\$0.96 million in 2000. Riding on top of the escalating premium trend, MXIC will stay focused on its core business, i.e. private car and personal insurance, in order to produce a further improved return to shareholders.

Toll Road Investments

The Group's toll road investments in Fenghua, Zhejiang Province and Maanshan, Anhui Province continued to generate satisfactory return to the Group in 2001. However, as the Group has disposed of its toll road investment in Zhangzhou, Fujian Province during the year (the details of which have been disclosed in the Company's 2001 Interim Report), the Group's toll road investments (including those through the Group's associates) recorded a total profit of HK\$14.9 million, a decrease of 56.3% from HK\$34.13 million in 2000. In view of the diversion effect of the toll road in Fenghua as a result of a parallel expressway completed at the end of last year, it is expected that the toll revenue will drop and hence the total return of the Group's toll road investments will decline in the coming year.

Property Investments

In 2001, the Group's property project in Jinan, Shandong Province continued to attain satisfactory results which showed a profit after tax of RMB5.74 million, an increase of 2.7 times from those in 2000. During the year, the project was among one of the first batch rated as "quality house" in Jinan. We envisage that this project will continue to maintain steady growth and bring satisfactory return to the Group.

As the property market in Hong Kong remained sluggish, the joint venture property project at Pik Sha Wan incurred a loss of HK\$46.75 million in 2001, as compared with the loss of HK\$127.62 million in 2000. During the year, 6 villas were sold. With the proceeds from the sale, the project has fully settled its outstanding bank loan, and then make payment of about HK\$23 million to the Group as partial repayment of the principal and interest of the loan due to the Group.

The Group disposed of a subsidiary which holds the land use right in a parcel of land in Hangzhou City during the year, generating a profit of HK\$62 million to the Group.

FINANCIAL POSITION

The Group currently maintains a sound financial position. As at 31st December 2001, the Group had current assets and current liabilities of HK\$563.7 million (2000: HK\$394.88 million) and HK\$189.76 million (2000: HK\$190.88 million) respectively with a current ratio of 3 (2000: 2.1).

As at 31st December 2001, the Group was debt free (the debt to equity ratio at 31st December 2000 was 3.9%).

At 31st December 2001, bank deposits of the Group amounted to HK\$410.62 million (2000: HK\$263.83 million) which included deposits of RMB142.34 million (equivalent to HK\$134.09 million) placed with certain banks in Mainland China (2000: RMB44.25 million, equivalent to HK\$41.69 million).

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 2001, the jointly controlled entity has repaid all the banking facilities. In addition, a subsidiary of the Group in Mainland China has given guarantees for mortgage loan facilities granted to certain buyers to the extent of HK\$6.94 million on the properties sold by this subsidiary.

EMPLOYEES AND REMUNERATION POLICY

As at 31st December 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

Along with the continued economic growth and the further improvement of the investment environment in Mainland China, the Group's overall return in its investments in Mainland China is expected to grow in 2002, especially the Group's major investment, Xiamen International Bank, which we anticipate will be able to produce satisfactory performance. The Directors believe that with the surplus cash and sound financial position, the Group will be able to capture market opportunities. While strengthening and further developing its core business of financial services, the Group will prudently seek quality investments in order to provide better investment return to the shareholders.

APPRECIATION

At the Board Meeting held on 24th April 2002, I tendered my resignation from all my positions in the Group with effect from that date after the approval of the Group's 2001 results. Mr Ding Shi Da succeeded me as Chairman of the Group. It has been my honour to serve on the Board and to enjoy the continued support and loyalty from my fellow directors, management and all employees. I wish to take this opportunity to express my heartfelt thanks to all of you and hope that you will extend the same support to Mr Ding Shi Da.

Finally, on behalf of the Board of Directors, I would like to express my appreciation and gratitude to our friends for their support, and to the management and all our staff for their dedicated services and contribution.

WANG XI CHAO

Chairman

Hong Kong, 24th April 2002