

Chairman's Statement



Mr Ding Shi Da
Chairman

OVERALL RESULTS

The Group recorded a profit attributable to shareholders of HK\$58.35 million for the year ended 31st December 2004 with earnings per share of 12.70 cents, a decrease of 9.7% from the adjusted profit attributable to shareholders of HK\$64.64 million (before adjustment is HK\$56.79 million as detailed in Note 1 to the accounts) and 14.07 cents per share as compared with 2003.

BUSINESS REVIEW

Banking Business

The Group's major investment, a 36.75% interest in Xiamen International Bank, maintained steady growth in its profits during the year. Despite the decline in net interest income, it was offset by the growth in non-interest income. For the year ended 31st December 2004, Xiamen International Bank's consolidated net profit as adjusted for the Group's financial reporting purposes went up by 7.8% to HK\$125.45 million from HK\$116.35 million in 2003. Following the attainment of the approval to carry out financial derivatives business and to set up a branch in Shanghai, Xiamen International Bank will maintain its efforts to develop diversified businesses. It will also strive to set up new branches and sub-branches with a view to pursuing stable and healthy long-term development and build up an advanced modern commercial bank in order to continue to enhance shareholders' value.

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Insurance Business

Min Xin Insurance Company Limited ("MXIC"), the Group's wholly-owned subsidiary, achieved a net profit after tax of HK\$5.87 million for the year ended 31st December 2004, an increase of 21.8% from HK\$4.82 million in 2003. Apart from maintaining its core business in the private car insurance, MXIC has successfully exploited the opportunity arising from the commercial vehicle and domestic helpers' insurance sectors in 2004. MXIC will continue to focus its effort in developing the abovementioned product lines in a profitable manner.

Toll Road Investments

The Group's toll road investment, through its associated company in Maanshan, Anhui Province, continued to operate satisfactorily in 2004. This toll road registered a revenue of RMB50.29 million, an increase of 2.0% from RMB49.31 million in 2003. As for the Group's toll road investment through its associated company in Fenghua, Zhejiang Province, the Group recorded a share of loss and an impairment loss totalling HK\$10.68 million in 2004 due to the adverse changes in the traffic flow and the toll collected.

Property Development and Investment

In 2004, the Group's property project in Jinan, Shandong Province disposed of all the units of the fifth phase of this project with an increase in turnover by 28.2% as compared with that of last year. As a result, there is a prominent growth of 31.7% in its profit after tax amounting to RMB10.72 million, as compared with RMB8.14 million in 2003. During the year, this project company successfully bid for a piece of land of about 35 acres at a consideration of RMB70 million for property development purposes.

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

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

High-Tech Investments

Benefiting from the sustained economic growth in Mainland China, Min Faith Investments Limited ("Min Faith"), of which the Group holds a 40% interest, has performed satisfactorily during the year. Engaged in the manufacturing of industrial digital instrumentation in Mainland China, Min Faith registered a profit after tax of HK\$8.72 million in 2004, an increase of 26.6% from HK\$6.88 million in last year. Min faith will stick to its principle of "Maintaining credibility and offering product quality while striving to achieve breakthroughs and taking challenges ahead" and will commit to develop new technology and products with the aim of providing quality products and services to its clients.

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FINANCIAL REVIEW

The Group has been maintaining a sound financial position during the year. Based on the issued share capital of 459,428,656 shares (2003: 459,428,656 shares), the net asset value per share and cash per share were HK\$2.75 (2003: HK\$2.64) and HK\$1.10 (2003: HK\$1.04) respectively. As at 31st December 2004, the current assets and current liabilities were HK\$625.73 million (2003: HK\$559.97 million) and HK\$145.45 million (2003: HK\$152.81 million) respectively with a current ratio of 4.3 (2003: 3.7).

As at 31st December 2004, the Group had no bank or other borrowings other than short term advances amounted to HK\$21.14 million (2003: Nil). The gearing ratio of the Group (total borrowings divided by total net assets) as at 31 December 2004 was 1.7% (2003: Nil).

As at 31st December 2004, bank deposits of the Group amounted to HK\$504.18 million (2003: HK\$478.47 million) which included deposits of RMB128.64 million (equivalent to HK\$120.78 million) placed with certain banks in Mainland China (2003: RMB143.05 million, equivalent to HK\$134.71 million).

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

As at 31st December 2004, a non wholly-owned subsidiary of the Group in Mainland China has issued guarantees amounting to RMB40.25 million (equivalent to HK\$37.79 million) (2003: RMB28.73 million, equivalent to HK\$27.06 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.

VERY SUBSTANTIAL ACQUISITION

Further to the disclosure in the Company's 2004 Interim Report regarding the execution by the Company of an agreement (the "Agreement") on 19th July 2004 with the liquidation team of Fujian International Trust & Investment Corporation ("FITIC") (the "Vendor"), where FITIC is a controlling shareholder of the Company, to acquire 108,000,000 Huaneng Power International, Inc. ("Huaneng") unlisted domestic shares (the "Asset") from the Vendor at a cash consideration of RMB358.56 million (equivalent to approximately HK\$338.94 million) (the "Acquisition Consideration"), the Agreement was approved by the independent shareholders on 17th September 2004. However, as the State-owned Assets Supervision and Administration Commission considered the Acquisition Consideration to be relatively low, the Company and the Vendor entered into a Supplemental Agreement (the "Supplemental Agreement") on 2nd March 2005 to adjust the Acquisition Consideration to RMB373.90 million (equivalent to approximately HK\$353.43 million) (the "Revised Acquisition Consideration") which is approximately 4.3% higher than the Acquisition Consideration. The Supplemental Agreement was approved by the independent shareholders on 18th April 2005.

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Pursuant to the Agreement, the Company will pay the Vendor a pro-rata entitlement in terms of the appreciation in the net asset value of the Asset during the period from 1st January 2004 until the date of actual payment of the Revised Acquisition Consideration with reference to the audited accounts issued by Huaneng for the year ended 31st December 2004 and thereafter (if applicable) under PRC Accounting Standards (the "NAV Appreciation"). Pursuant to the audited accounts of Huaneng for 2004, the Company has to pay the NAV Appreciation of approximately RMB21 million (equivalent to approximately HK\$19.90 million) and further payments may be required subject to, inter alia, the prospective financial results of Huaneng in 2005 and thereafter (if applicable). The Company intends to fund the Revised Acquisition Consideration and the NAV Appreciation from its internal resources and bank borrowings of HK\$120 million.

EMPLOYEES AND REMUNERATION POLICY

As at 31st December 2004, the Group had 80 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 believed that notwithstanding Mainland China will continue to implement macroeconomic adjustment policies, the general environment of economic development will maintain its momentum in 2005. Under the World Trade Organization agreement, Mainland China will further open its market to overseas investors. With the sound financial position, the Group will stick to its overall goal of steady development and continue to develop its core business and look for suitable business alliances and joint venture partners, and will also dedicate efforts to explore investments and operations in order to keep on enhancing the economic efficiencies of the Group. The Board of Directors believes that with the strength and resources possessed by the Group, the Group is confident of seizing the opportunities arising from the rapid economic growth in Mainland China with a view to facilitating the steady long term growth and better returns to the shareholders.

APPRECIATION

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.

Ding Shi Da

Chairman

Hong Kong, 26th April 2005