# MIN XIN HOLDINGS LIMITED
# 閩信集團有限公司

*(Incorporated in Hong Kong with limited liability)*
(Stock Code: 222)

## ANNOUNCEMENT OF 2007 INTERIM RESULTS

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 2007 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30th June 2007*

| | | Unaudited Six months ended 30th June | |
|---|---|---|---|
| | | **2007** | 2006 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Turnover** | *2* | **68,050** | 48,315 |
| **Total revenues** | *2* | **59,850** | 46,912 |
| **Other gains – net** | *3* | **10,772** | 5,586 |
| Net insurance claims incurred and commission expenses incurred on insurance business | | **(17,922)** | (17,789) |
| Staff costs | | **(12,598)** | (11,636) |
| Depreciation and amortisation | | **(1,786)** | (1,266) |
| Impairment of loan receivable | | **–** | (8,373) |
| Other operating expenses | | **(8,261)** | (10,641) |
| Total operating expenses | | **(40,567)** | (49,705) |
| **Operating profit** | *4* | **30,055** | 2,793 |
| Finance costs | *5* | **(3,632)** | (4,461) |
| Share of results of jointly controlled entities | | **88,544** | 45,981 |
| Share of results of associates | | **2,705** | 2,040 |
| **Profit before taxation** | | **117,672** | 46,353 |
| Income tax expense | *6* | **(2,367)** | (550) |
| **Profit for the period** | | **115,305** | 45,803 |
| **Profit/(loss) for the period attributable to** | | | |
| Equity holders of the Company | | **115,305** | 46,950 |
| Minority interest | *3(a)* | **–** | (1,147) |
| **Profit for the period** | | **115,305** | 45,803 |
| | | ***HK CENTS*** | *HK CENTS* |
| **Earnings per share for profit attributable to the equity holders of the Company for the period – Basic and diluted** | *7* | **25.10** | 10.22 |

**CONDENSED CONSOLIDATED BALANCE SHEET**
*As at 30th June 2007*

| | Note | Unaudited 30th June 2007 HK$'000 | Audited 31st December 2006 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **7,796** | 7,299 |
| Investment properties | | **82,086** | 76,713 |
| Leasehold land and land use rights | | **18,186** | 18,335 |
| Jointly controlled entities | | **850,693** | 741,488 |
| Associates | | **67,516** | 63,270 |
| Available-for-sale financial assets | | **796,317** | 620,768 |
| Deferred income tax assets | | **501** | 526 |
| | | **1,823,095** | 1,528,399 |
| **Current assets** | | | |
| Available-for-sale financial assets | | **167,942** | – |
| Loan receivable | | **–** | – |
| Land use right | | **304,667** | – |
| Deferred acquisition costs | | **17,177** | 15,861 |
| Insurance receivables | *8* | **13,994** | 13,167 |
| Reinsurance assets | | **10,239** | 10,338 |
| Dividend receivable from an associate | | **2,760** | – |
| Other debtors | | **1,978** | 1,990 |
| Current income tax recoverable | | **–** | 22 |
| Prepayment and deposits | | **2,034** | 1,083 |
| Financial assets at fair value through profit or loss | | | |
| – listed equity securities held for trading | | **3,371** | 2,820 |
| Cash and bank balances | | **197,828** | 384,297 |
| | | **721,990** | 429,578 |
| **Current liabilities** | | | |
| Insurance contracts | | **85,617** | 88,298 |
| Insurance payables | *9* | **8,145** | 4,717 |
| Other creditors and accruals | | **12,093** | 32,199 |
| Deposits received | | **46,384** | 44,830 |
| Current portion of bank borrowings | | **17,390** | 15,945 |
| Current income tax payable | | **210** | 71 |
| Dividend payable | | **18,377** | – |
| | | **188,216** | 186,060 |
| **Net current assets** | | **533,774** | 243,518 |
| **Total assets less current liabilities** | | **2,356,869** | 1,771,917 |

| | Note | Unaudited 30th June 2007 HK$'000 | Audited 31st December 2006 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank borrowings | | **161,309** | 47,929 |
| Deferred income tax liabilities | | **52,218** | 29,316 |
| | | **213,527** | 77,245 |
| **Net assets** | | **2,143,342** | 1,694,672 |
| **Share capital** | | **459,429** | 459,429 |
| **Other reserves** | | **1,538,133** | 1,129,435 |
| **Retained profits** | | | |
| Proposed final dividend | | **–** | 18,377 |
| Others | | **145,780** | 87,431 |
| **Total equity attributable to equity holders of the Company** | | **2,143,342** | 1,694,672 |

**Notes**

**1 Basis of preparation and accounting policies**

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These unaudited condensed consolidated interim financial statements should be read in conjunction with the 2006 annual report.

The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the 2006 annual report, except that the Group has applied, for the first time, the following new standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January 2007.

| | |
|---|---|
| – Amendment to HKAS 1 | Presentation of Financial Statements – Capital Disclosures |
| – HKFRS 7 | Financial Instruments: Disclosures |
| – HK(IFRIC) – Int 8 | Scope of HKFRS 2 |
| – HK(IFRIC) – Int 9 | Reassessment of Embedded Derivatives |
| – HK(IFRIC) – Int 10 | Interim Financial Reporting and Impairment |

The Group has assessed the impact of the adoption of these new HKFRSs and considered that there was no material impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies, but will have certain presentation implications on the 2007 annual financial statements. These changes are summarised as below:

– Amendment to HKAS 1 "Presentation of Financial Statements – Capital Disclosures" affects the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

– HKFRS 7 "Financial Instruments: Disclosures" requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporate many of the disclosure requirements of HKAS 32 "Financial Instruments: Disclosure and Presentation".

– HK(IFRIC) – Int 8 "Scope of HKFRS 2" requires HKFRS 2 "Share-based Payment" to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value.

– HK(IFRIC) – Int 9 "Reassessment of Embedded Derivatives" requires the Group to assess the existence of an embedded derivative at the date the Group first becomes party to the contract, with reassessment performed only if there is a change to the contract that significantly modifies the cash flows.

– HK(IFRIC) – Int 10 "Interim Financial Reporting and Impairment" prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date.

**2 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 businesses.

The Group's turnover represents gross insurance premiums, insurance brokerage commission, dividend income from available-for-sale financial assets, bank interest income, rental income and management fee income.

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

| | Six months ended 30th June | |
|---|---|---|
| | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* |
| **Turnover** | | |
| Gross insurance premiums | **30,588** | 25,529 |
| Insurance brokerage commission | **576** | 723 |
| Dividend income from available-for-sale financial assets | **30,996** | 14,806 |
| Interest income from bank deposits | **2,963** | 4,491 |
| Rental income from investment properties | **2,867** | 2,706 |
| Management fees | **60** | 60 |
| | **68,050** | 48,315 |
| Movement in unearned insurance premiums | **(2,293)** | 2,084 |
| Reinsurance premiums ceded and reinsurers' share of movement in unearned insurance premiums | **(5,959)** | (3,713) |
| Other revenue | | |
| Dividend income from listed equity securities held for trading | **27** | 57 |
| Interest income from unlisted held-to-maturity debt securities | **–** | 117 |
| Others | **25** | 52 |
| | **52** | 226 |
| **Total revenues** | **59,850** | 46,912 |

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is presented as the primary reporting format pursuant to the Group's internal financial reporting system.

## Business segments

The Group's activities comprise the following major business segments:

| | | |
|---|---|---|
| Financial services | – | underwriting of general insurance, insurance brokerage, investing in banking business and trading in securities for short term profit |
| Property development and investment | – | development and sale of residential properties, leasing of investment properties for rentals and investing in properties to gain from the long term appreciation in their values |
| Toll road investment | – | investing in toll road projects in Mainland China |
| Industrial instrument manufacturing | – | investing in manufacturers and distributors of digital instruments |
| Investment holding and others | – | investing in strategic investments and other assets for income and capital appreciation purposes |

| | Financial services | | Property development and investment | | Toll road investment | | Industrial instrument manufacturing | | Investment holding and others | | Unallocated items | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Six months ended 30th June** | | | | | | | | | | | | | | |
| **Turnover** | **34,365** | 29,256 | **1,141** | 1,131 | **–** | – | **–** | – | **32,544** | 17,928 | **–** | – | **68,050** | 48,315 |
| Movement in net unearned insurance premiums and reinsurance premiums ceded | **(8,252)** | (1,629) | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **(8,252)** | (1,629) |
| Other revenue | **52** | 226 | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **52** | 226 |
| **Total revenues** | **26,165** | 27,853 | **1,141** | 1,131 | **–** | – | **–** | – | **32,544** | 17,928 | **–** | – | **59,850** | 46,912 |
| **Segment results** | **4,491** | (3,050) | **3,364** | 1,927 | **–** | – | **–** | – | **35,762** | 18,317 | **–** | – | **43,617** | 17,194 |
| Corporate overheads | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **(13,562)** | (14,401) | **(13,562)** | (14,401) |
| **Operating profit/(loss)** | **4,491** | (3,050) | **3,364** | 1,927 | **–** | – | **–** | – | **35,762** | 18,317 | **(13,562)** | (14,401) | **30,055** | 2,793 |
| Finance costs | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **(3,632)** | (4,461) | **(3,632)** | (4,461) |
| Share of results of jointly controlled entities | **86,504** | 44,092 | **–** | – | **–** | – | **2,040** | 1,889 | **–** | – | **–** | – | **88,544** | 45,981 |
| Share of results of associates | **–** | – | **–** | – | **2,710** | 2,082 | **–** | – | **(5)** | (42) | **–** | – | **2,705** | 2,040 |
| **Profit/(loss) before taxation** | **90,995** | 41,042 | **3,364** | 1,927 | **2,710** | 2,082 | **2,040** | 1,889 | **35,757** | 18,275 | **(17,194)** | (18,862) | **117,672** | 46,353 |
| Income tax expense | | | | | | | | | | | | | **(2,367)** | (550) |
| **Profit for the period** | | | | | | | | | | | | | **115,305** | 45,803 |
| Depreciation and amortisation for the period | **123** | 112 | **1,097** | 550 | **–** | – | **–** | – | **264** | 301 | **302** | 303 | **1,786** | 1,266 |
| Impairment of loan receivable | **–** | 8,373 | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **–** | 8,373 |
| **At 30th June 2007 and 31st December 2006** | | | | | | | | | | | | | | |
| Segment assets | **170,969** | 168,306 | **339,366** | 28,368 | **–** | – | **–** | – | **1,092,600** | 934,959 | **–** | – | **1,602,935** | 1,131,633 |
| Corporate assets | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **21,181** | 21,586 | **21,181** | 21,586 |
| Investments in jointly controlled entities | **815,148** | 708,855 | **–** | – | **–** | – | **35,545** | 32,633 | **–** | – | **–** | – | **850,693** | 741,488 |
| Investments in associates | **–** | – | **–** | – | **59,177** | 52,539 | **–** | – | **11,099** | 10,731 | **–** | – | **70,276** | 63,270 |
| **Total assets** | **986,117** | 877,161 | **339,366** | 28,368 | **59,177** | 52,539 | **35,545** | 32,633 | **1,103,699** | 945,690 | **21,181** | 21,586 | **2,545,085** | 1,957,977 |
| Segment liabilities | **99,341** | 98,871 | **645** | 587 | **–** | – | **–** | – | **1,221** | 20,130 | **–** | – | **101,207** | 119,588 |
| Unallocated liabilities | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **300,536** | 143,717 | **300,536** | 143,717 |
| **Total liabilities** | **99,341** | 98,871 | **645** | 587 | **–** | – | **–** | – | **1,221** | 20,130 | **300,536** | 143,717 | **401,743** | 263,305 |
| Capital expenditure incurred during the period | **8** | 889 | **306,778** | 49 | **–** | – | **–** | – | **16** | 66 | **2** | – | **306,804** | 1,004 |

**Geographical segments**

The Group operates in three principal economic environments, namely Hong Kong, Mainland China and Macau. The Group's insurance and investment activities are mainly conducted in Hong Kong whilst the Group's property development activities and the major investees are located in Mainland China. The Group also carries out certain insurance underwriting activities in Macau.

In presenting geographical segmental information, segment revenue is presented based on the geographical location of customers or the investee. Segment assets and capital expenditure are presented based on the geographical location of the assets.

| | Hong Kong | | Mainland China | | Macau | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Six months ended 30th June** | | | | | | | | |
| **Turnover** | **30,478** | 27,572 | **32,790** | 17,337 | **4,782** | 3,406 | **68,050** | 48,315 |
| Movement in net unearned insurance premiums and reinsurance premiums ceded | **(5,908)** | (485) | **–** | – | **(2,344)** | (1,144) | **(8,252)** | (1,629) |
| Other revenue | **48** | 199 | **–** | – | **4** | 27 | **52** | 226 |
| **Total revenues** | **24,618** | 27,286 | **32,790** | 17,337 | **2,442** | 2,289 | **59,850** | 46,912 |
| **Operating profit/(loss)** | **(12,845)** | (7,808) | **41,770** | 9,501 | **1,130** | 1,100 | **30,055** | 2,793 |
| Finance costs | **(3,632)** | (3,669) | **–** | (792) | **–** | – | **(3,632)** | (4,461) |
| Share of results of jointly controlled entities | **–** | – | **88,544** | 45,981 | **–** | – | **88,544** | 45,981 |
| Share of results of associates | **–** | – | **2,705** | 2,040 | **–** | – | **2,705** | 2,040 |
| **Profit/(loss) before taxation** | **(16,477)** | (11,477) | **133,019** | 56,730 | **1,130** | 1,100 | **117,672** | 46,353 |
| Income tax expense | **(743)** | (550) | **(1,525)** | – | **(99)** | – | **(2,367)** | (550) |
| **Profit/(loss) for the period** | **(17,220)** | (12,027) | **131,494** | 56,730 | **1,031** | 1,100 | **115,305** | 45,803 |
| **At 30th June 2007 and 31st December 2006** | | | | | | | | |
| Segment assets | **195,028** | 186,118 | **1,394,763** | 910,968 | **13,144** | 34,547 | **1,602,935** | 1,131,633 |
| Corporate assets | **20,445** | 20,808 | **736** | 778 | **–** | – | **21,181** | 21,586 |
| Investments in jointly controlled entities | **–** | – | **850,693** | 741,488 | **–** | – | **850,693** | 741,488 |
| Investments in associates | **–** | – | **70,276** | 63,270 | **–** | – | **70,276** | 63,270 |
| **Total assets** | **215,473** | 206,926 | **2,316,468** | 1,716,504 | **13,144** | 34,547 | **2,545,085** | 1,957,977 |
| Capital expenditure incurred during the period | **24** | 889 | **306,778** | 51 | **2** | 64 | **306,804** | 1,004 |

## 3 Other gains – net

| | Six months ended 30th June | |
|---|---|---|
| | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* |
| Fair value gains on listed equity securities measured at fair value through profit or loss | **550** | 751 |
| Fair value gains on revaluation of investment properties | **5,373** | 1,402 |
| Gain on disposal of a subsidiary (a) | **–** | 1,979 |
| Net exchange gains | **4,849** | 1,454 |
| | **10,772** | 5,586 |

(a) On 16th February 2006, the Group entered into an agreement to dispose of its entire 51% equity interest in Jinan Pacific Real Estate Development Co., Ltd. ("Jinan Pacific") to an independent third party for a cash consideration of RMB10.1 million (equivalent to approximately HK$9.7 million). A gain of HK$1.98 million was recognised by the Group upon the completion of the disposal for the six months ended 30th June 2006.

## 4 Operating profit

| | Six months ended 30th June | |
|---|---|---|
| | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* |
| Operating profit is stated after crediting and charging the following: | | |
| **Crediting** | | |
| Net exchange gains | **4,849** | 1,454 |
| Rentals received and receivable from investment properties less direct outgoings | **2,227** | 2,391 |
| **Charging** | | |
| Depreciation and amortisation | **1,786** | 1,266 |
| Loss on disposal of property, plant and equipment | **6** | 16 |
| Operating lease rentals in respect of land and buildings | **251** | 388 |
| Management fee | **940** | 940 |
| Retirement benefit costs | **320** | 298 |

## 5 Finance costs

| | Six months ended 30th June | |
|---|---|---|
| | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* |
| Interest on long term bank loans wholly repayable within five years | **3,632** | 3,454 |
| Interest on substantial shareholder's loan wholly repayable within five years | **–** | 215 |
| Interest on short term advances wholly repayable within five years (a) | **–** | 792 |
| | **3,632** | 4,461 |

(a) The interest was incurred for unsecured demand loans borrowed by a former non-wholly owned subsidiary of the Group, Jinan Pacific (Note 3(a)).

## 6 Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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 condensed consolidated income statement represents:

| | Six months ended 30th June | |
|---|---|---|
| | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* |
| Current tax | | |
| Hong Kong profits tax | **104** | 40 |
| Macau taxation | **99** | – |
| | **203** | 40 |
| Deferred tax | | |
| Relating to the origination and reversal of temporary differences | **2,164** | 510 |
| Income tax expense | **2,367** | 550 |

## 7 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the six months ended 30th June 2007 of HK$115,305,000 (2006: HK$46,950,000) and the weighted average of 459,428,656 (2006: 459,428,656) ordinary shares in issue during the period.

The Group has no dilutive potential ordinary shares in issue during the current and prior periods and therefore diluted earnings per share is the same as basic earnings per share for the periods presented.

## 8 Insurance receivables

The credit period for the majority of the insurance receivables ranges from 90 to 120 days. The credit terms of insurance receivables, including whether guarantees from third parties are required, are determined by senior management.

At 30th June 2007, the ageing analysis of insurance receivables by invoice date was as follows:

| | **30th June 2007** | 31st December 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **2,261** | 2,624 |
| 31-60 days | **4,027** | 3,422 |
| 61-90 days | **3,451** | 2,879 |
| Over 90 days | **4,255** | 4,242 |
| | **13,994** | 13,167 |

## 9 Insurance payables

At 30th June 2007, the ageing analysis of insurance payables by invoice date was as follows:

| | **30th June 2007** | 31st December 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **2,951** | 942 |
| 31-60 days | **1,380** | 1,294 |
| 61-90 days | **1,471** | 952 |
| Over 90 days | **2,343** | 1,529 |
| | **8,145** | 4,717 |

## INTERIM DIVIDEND

The Directors have resolved that no interim dividend be declared for the half year ended 30th June 2007 (2006: Nil).

## OVERALL RESULTS

The Group recorded an unaudited consolidated profit attributable to equity holders of HK$115.31 million with earnings per share of 25.10 cents for the six months ended 30th June 2007, an increase of 145.6% from HK$46.95 million with earnings per share of 10.22 cents for the same period in 2006. The rise is mainly attributable to the increase in the recognition of dividend income by HK$16.19 million from the Group's investment in the shares of Huaneng Power International, Inc. as compared to the same period last year, the increase in the share of profit after taxation of Xiamen International Bank by HK$42.41 million, and the reduction in the impairment loss of loan receivable by HK$8.37 million.

## BUSINESS REVIEW

### Banking Business

During the first half of 2007, despite the ever-changing and highly competitive market conditions, all lines of business of the Group's major investment, a 36.75% interest in Xiamen International Bank, continued to grow in a steady and fast pace, and recorded remarkable operating results. For the six months ended 30th June 2007, Xiamen International Bank's consolidated net profit as adjusted under the requirements of the Hong Kong Financial Reporting Standards went up by 87.1% to RMB232.25 million from RMB124.16 million for the same period in 2006. During the period under review, according to the unaudited management accounts of Xiamen International Bank, its total assets was 10% higher than that at the end of last year, with gross loans and advances to customers rose by 18%. With the continuous improvement of the risk management structure and the operational mechanism, the percentage of the non-performing loan ratio dropped to about 0.9%. The annualized return on average equity reached about 18% while net interest income grew by 52% as compared to the same period last year, with growth in both fees and investment income.

With the official opening of its branch in Beijing on 19 July, Xiamen International Bank will position this branch as its management operating centre in the north to fully exploit its resources advantages in information technology, manpower and markets.

With the frequent reforms in the financial market of Mainland China, the business development of Xiamen International Bank will have to face more acute competition. Accordingly, Xiamen International Bank persists in sticking to the market as its guide to continuously explore market demand and strengthen efforts to develop loan business to small and medium-sized enterprises. At the same time, Xiamen International Bank has implemented a centralized, professional and efficient credit and investment approval process, and has promoted a new generation IT system construction, leading it towards a modern IT-driven bank.

### Insurance Business

Min Xin Insurance Company Limited ("MXIC"), the Group's wholly-owned subsidiary, achieved a net profit after tax of HK$5.3 million for the first half of 2007, a rise by 11.8% when compares to the same period of last year.

During the period under review, the Hong Kong general insurance market remained highly competitive. The management of MXIC, however, will dedicate more resources to improve its operational efficiency as we are confident that our selected business sectors will continue to offer MXIC a profitable growth opportunity.

**Property Development and Investment**

During the period under review, the Group successfully bid for a piece of land use right in Suzhou City, Jiangsu Province, PRC through public auction for a consideration of RMB285 million (equivalent to approximately HK$293.76 million). The Group has already obtained the title to the above land use right and has set up a wholly-owned foreign investment enterprise, Minxin (Suzhou) Property Development Co., Ltd. ("Minxin Suzhou"), with a registered capital of HK$200 million, to undertake the relevant development project. Minxin Suzhou is now carrying out the initial stages of the development project.

Two floors of the investment properties of the Group in Fuzhou have been leased out, generating a steady rental income for the Group. For the six months ended 30th June 2007, the Group recorded a rental income of RMB1.17 million, as compared to RMB1.21 million for the same period last year.

**Toll Road Investments**

The Group's 21% indirectly held toll road investment in Maanshan, Anhui Province, registered a revenue of RMB26.14 million during the period under review, an increase of 3.0% from RMB25.39 million for the same period last year.

The Group's 40% owned associated company has received the total consideration of RMB70 million from the disposal of its equity interest in the toll roads in Fenghua, Zhejiang Province to its joint venture partner of its subsidiary company by the end of August this year.

**High-Tech Investments**

Min Faith Investments Limited ("Min Faith"), an investment of the Group engaging in the manufacturing of industrial digital instruments in Mainland China, has maintained a steady growth during the period under review. For the six months ended 30th June 2007, it recorded a profit after tax of HK$5.10 million, an increase of 8.0% from the profit after tax of HK$4.72 million for the same period in 2006. Min Faith will further broaden its product base to supply the embedded control systems with low costs and multi-functions to oil, metallurgical and power industries.

**Investment in Huaneng Power International Inc. ("Huaneng Shares")**

On 4th April 2007, the Group entered into a share transfer agreement (the "Agreement") with Fujian Investment & Enterprise Holdings Corporation ("FIEC") to transfer 36 million Huaneng Shares (the "Asset"). Under the Agreement, the Group will transfer the Asset to FIEC at a cash consideration of RMB147.24 million (equivalent to approximately HK$151.77 million), which is to be adjusted by an amount equal to the appreciation in the net asset value (as defined in the Agreement) of the Asset from 1st March 2006 to 12th July 2007 (the completion date of the Agreement). This transfer constitutes a major and connected transaction of the Company, and was approved by the independent shareholders of the Company at the extraordinary general meeting held on 31st May 2007. It is expected that the Group will record a gain on disposal of approximately HK$48 million in the second half of 2007.

As at 30th June 2007, the Group estimated the fair value of Huaneng Shares with reference to the closing bid price of Huaneng's A-Share and the consideration for the above share transfer between the Group and FIEC. The Group's investment in Huaneng Shares was revalued to RMB935.49 million (equivalent to approximately HK$964.26 million) as at 30th June 2007 and a fair value gain (before tax) of HK$343.49 million (2006: HK$261.42 million) was recognized in the investment revaluation reserve for the six months ended 30th June 2007. During the period under review, the Group recorded a dividend income of HK$31 million from Huaneng (for the six months ended 30th June 2006: HK$14.81 million). On 15th August 2007, Huaneng announced its results under the PRC Accounting Standards for the six months ended 30th June 2007, with earnings per share of RMB0.24, which represents an increase of 41.2% as compared with the same period last year.

## FINANCIAL REVIEW

The Group maintained a healthy financial position during the period under review. Based on 459,428,656 shares in issue (31st December 2006: 459,428,656 shares), the net asset value per share was HK$4.67 (31st December 2006: HK$3.69) at 30th June 2007. As at 30th June 2007, the total liabilities of the Group were HK$401.74 million (31st December 2006: HK$263.31 million) and the ratio of total liabilities to total equity attributable to equity holders of the Company was 0.19 (2006: 0.16). As at 30th June 2007, the current assets and current liabilities of the Group were HK$721.99 million (31st December 2006: HK$429.58 million) and HK$188.22 million (31st December 2006: HK$186.06 million) respectively with a current ratio of 3.8 (31st December 2006: 2.3).

The Group's five-year floating rate bank loan with an outstanding balance of HK$64 million as at 31st December 2006 had been fully repaid during the period under review. The bank loan was secured by a property (including the leasehold land component) of the Group with a net book value of HK$13.97 million. In March 2007, the Group has drawn down three-year floating rate loans totalling HK$180 million from another bank for financing the newly acquired property project of the Group in Suzhou, Mainland China. As at 30th June 2007, the bank loans with outstanding balances of HK$180 million are secured by the Group's bank deposit of HK$35.40 million, certain properties (including the leasehold land component) with a book value of HK$52.17 million as at 30th June 2007, and share mortgages of the Company's subsidiaries, namely Min Xin Properties Limited and Minxin Suzhou. The gearing ratio of the Group (total borrowings divided by total net assets) as at 30th June 2007 was 8.3% (31st December 2006: 3.8%).

As at 30th June 2007, bank deposits of the Group amounted to HK$197.83 million (31st December 2006: HK$384.30 million) which included deposits of RMB82.60 million (equivalent to approximately HK$85.13 million) placed with certain banks in Mainland China (31st December 2006: RMB237.16 million, equivalent to approximately HK$236.27 million).

The Group's assets, liabilities and receipts and payments are primarily denominated in Hong Kong Dollars, Renminbi and United States Dollars. Since the commencement of the reform of Renminbi exchange rate adjustment mechanism in 2005, the exchange rate of Renminbi against various major currencies (including United States Dollars and Hong Kong Dollars) has increased steadily. The Group's net monetary assets denominated in Renminbi has resulted in foreign currency translation gain of approximately HK$4.85 million recorded by the Group for the six months ended 30th June 2007 (for the six months ended 30th June 2006: HK$1.45 million). Apart from the change in Renminbi exchange rate, the Group anticipates that it will not face material risks arising from foreign exchange rates fluctuation.

## EMPLOYEES AND REMUNERATION POLICY

As at 30th June 2007, the Group had 64 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

Looking ahead into the second half of the year, the trend of Mainland China's economic growth turning to over heated will be more obvious. It is anticipated that macroeconomic adjustment policies will further be fine-tuned and implemented, and measures will also be strengthened to adjust the structure of individual economic sectors. In light of this, the Group will closely monitor and keep track of policy changes and market movements, especially the opportunities and potential risks arising from the full opening of the financial market in Mainland China. Nevertheless, the Board is confident of the business development of the Group and will work diligently to achieve the goal of enhancing both the value of the Group and the return of the shareholders.

## 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 2007.

## 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 2007 except that the non-executive directors of the Company are not appointed for any specific terms 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.

## 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, 24th September 2007

*As at the date of this announcement, the executive directors of the Company are Messrs Ding Shi Da (Chairman), Chen Gui Zong (Vice Chairman), Zhu Xue Lun and Weng Jian Yu; the non-executive directors are Messrs Wang Hui Jin and Chen Le; and the independent non-executive directors are Messrs Ip Kai Ming, Robert Tsai To Sze and So Hop Shing.*