MIN XIN HOLDINGS LIMITED
閩信集團有限公司

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

ANNOUNCEMENT OF 2010 ANNUAL RESULTS

FINANCIAL HIGHLIGHTS

- Profit attributable to equity holders amounted to HK$241 million, an increase of 39.6%
- Basic earnings per share reached 52.53 HK cents, an increase of 39.6%
- Total assets maintained at HK$3.03 billion
- Total equity attributable to equity holders increased by 4.7% to HK$2.67 billion
- Recommended a final dividend of 3 HK cents per ordinary share

The Board of Directors of Min Xin Holdings Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2010 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2010

	Note	2010 HK$'000	2009 HK$'000
Turnover	2	**80,195**	90,825
Total revenues	2	**80,024**	80,408
Other gains - net	3	**19,124**	12,049
Total operating income		**99,148**	92,457
Net insurance claims incurred and commission expenses incurred on insurance business	4	**(43,336)**	(55,770)
Staff costs		**(28,065)**	(29,559)
Depreciation		**(1,367)**	(1,878)
Impairment loss on available-for-sale financial assets		**—**	(28)
Other operating expenses		**(19,867)**	(17,441)
Total operating expenses		**(92,635)**	(104,676)
Operating profit/(loss)	5	**6,513**	(12,219)
Finance costs	6	**(792)**	(2,477)
Share of results of jointly controlled entities		**233,616**	185,873
Share of results of associates	7	**12,028**	5,657
Profit before taxation		**251,365**	176,834
Income tax expense	8	**(10,022)**	(3,946)
Profit for the year		**241,343**	172,888
Dividend			
— Final dividend		**13,783**	13,783
		HK CENTS	*HK CENTS*
Earnings per share			
— Basic and diluted	9	**52.53**	37.63
Dividend per share			
— Final dividend		**3**	3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2010

	2010	2009
	HK$'000	*HK$'000*
Profit for the year	**241,343**	172,888
Other comprehensive income		
Available-for-sale financial assets		
Fair value changes (charged)/credited to equity	**(168,327)**	90,838
Share of changes in equity of jointly controlled entities		
Fair value changes credited to equity	**24,030**	55,445
Disposal	**2,974**	601
Deferred tax	**(8,830)**	(11,187)
	(150,153)	135,697
Leasehold buildings revaluation reserve		
Unrealised surplus on revaluation of leasehold buildings transferred to investment property	**—**	51
Exchange differences arising on translation of the financial statements of foreign subsidiaries, associates and jointly controlled entities	**48,155**	4,749
Share of exchange translation reserve released on disposal of non-current assets held-for-sale by an associate	**(6,396)**	—
	41,759	4,749
Other comprehensive income for the year, net of tax	**(108,394)**	140,497
Total comprehensive income for the year	**132,949**	313,385

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31st December 2010

	Note	31st December 2010	31st December 2009 (Restated) (Note 1)	1st January 2009 (Restated) (Note 1)
		HK$'000	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment		**21,644**	22,892	24,407
Investment properties		**95,695**	98,281	86,713
Jointly controlled entities		**1,649,907**	1,367,863	1,143,062
Associates		**11,654**	44,735	36,841
Available-for-sale financial assets		**488,313**	656,640	576,576
Reinsurance assets		**1,665**	1,903	1,959
Deferred income tax assets		**475**	658	673
		2,269,353	2,192,972	1,870,231
Current assets				
Properties under development for sale		**595,439**	432,653	328,440
Deferred acquisition costs		**15,756**	18,346	15,781
Insurance receivable	*10*	**11,163**	14,207	15,858
Reinsurance assets		**1,063**	2,633	2,933
Other debtors		**875**	1,879	1,347
Prepaid taxes		**5,975**	—	—
Other prepayment and deposits		**4,975**	3,801	11,896
Financial assets at fair value through profit or loss		**5,947**	2,605	1,725
Cash and bank balances		**120,503**	365,340	261,309
		761,696	841,464	639,289
Current liabilities				
Insurance contracts		**48,895**	55,960	52,852
Insurance payable	*11*	**4,374**	7,562	9,772
Other creditors and accruals		**72,808**	45,217	30,036
Deposits received on sale of properties under development for sale		**72,194**	—	—
Deposits received on behalf of an associate		**—**	125,172	—
Bank borrowings		**132,444**	109,710	89,590
Current income tax payable		**139**	358	109
		330,854	343,979	182,359
Net current assets		**430,842**	497,485	456,930
Total assets less current liabilities		**2,700,195**	2,690,457	2,327,161

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31st December 2010

	Note	31st December 2010	31st December 2009 (Restated) (Note 1)	1st January 2009 (Restated) (Note 1)
		HK$'000	HK$'000	HK$'000
Non-current liabilities				
Bank borrowings		**—**	113,551	53,946
Insurance contracts		**15,262**	18,306	17,832
Deferred income tax liabilities		**18,211**	10,570	7,201
		33,473	142,427	78,979
Net assets		**2,666,722**	2,548,030	2,248,182
Share capital		**459,429**	459,429	459,429
Other reserves		**1,761,357**	1,728,894	1,562,840
Retained profits				
Proposed dividend		**13,783**	13,783	13,783
Others		**432,153**	345,924	212,130
Total equity attributable to equity holders of the Company		**2,666,722**	2,548,030	2,248,182

Notes

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collectively refer to all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and have been aligned with accounting principles generally accepted in Hong Kong.

The consolidated financial statements have been prepared under the historical cost convention except that the following assets and liabilities are stated at their fair value:

— available-for-sale financial assets

— financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss

— investment properties

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The following new standards and amendments to standards issued by the HKICPA which are relevant to the operations of the Group and are mandatory for the first time for the financial year beginning on 1st January 2010 have been adopted.

— HKAS 27 (Revised) "Consolidated and Separate Financial Statements" requires changes in the ownership interest of a subsidiary that do not result in changes of control to be accounted for within equity, with no goodwill or gain/loss recognised. The revised standard also specifies that when control is lost, any remaining interest in that subsidiary is re-measured to fair value, and a gain or loss is recognised in the income statement. The revised standard has also resulted in the renaming of "minority interests" as "non-controlling interests". This revised standard has been applied prospectively to transactions in current or future periods and therefore previous periods have not been restated. The adoption of this revised standard did not have any financial impact on the Group.

— Amendments to HKAS 28 "Investments in Associates" and amendments to HKAS 31 "Interests in Joint Ventures" require that if significant influence or joint control in an investee is obtained, the interests held immediately prior to obtaining such significant influence or joint control will be treated as if disposed of and reacquired at fair value on the date of obtaining significant influence or joint control and a gain or loss is recognised in the income statement. These amendments also require that if significant influence or joint control is lost, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired and a gain or loss is recognised in the income statement. These amendments have been applied prospectively to transactions in current or future periods and therefore previous periods have not been restated. The adoption of these amendments did not have any financial impact on the Group.

— HKFRS 3 (Revised) “Business Combinations” has introduced a number of changes to the accounting for business combinations, including the requirement that where a business combination is achieved in stages, the interests in the investee held immediately prior to obtaining control will be treated as if disposed of and reacquired at fair value on the date of obtaining control, with any resulting gain or loss recognised in the income statement. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent consideration classified as liabilities subsequently re-measured through the income statement if those subsequent changes are unrelated to facts and circumstances that existed at the acquisition date (rather than by adjusting goodwill). The subsequent recognition of deferred tax assets in respect of the accumulated tax losses and other temporary deductible differences of the investee that failed to meet the recognition criteria at the date of acquisition will be recognised in the income statement (rather than by adjusting goodwill). All acquisition-related transaction costs will no longer be capitalised as part of the costs of the acquisition but will be expensed as incurred. The revised standard also introduces an option to measure non-controlling interests at fair value. This revised standard has been applied prospectively to transactions in current or future periods and therefore previous periods have not been restated. The adoption of this revised standard did not have any financial impact on the Group.

— The improvements to HKFRSs 2009 consist of further amendments to existing standards, including an amendment to HKAS 17 “Leases”. The amendment to HKAS 17 requires the land element of a property lease to be classified as a finance lease rather than an operating lease if it transfers substantially all risks and rewards of ownership. Before the amendment, HKAS 17 stated that the land element of a property lease would normally be classified as an operating lease unless title to the land was expected to pass to the lessee at the end of the lease term. On adoption of the amendment, the Group has assessed its leases in Hong Kong and Mainland China. Where the present value of the minimum lease payments (the transaction price) of the land element held by the Group amounted to substantially all of the fair value of the land element as if it was freehold, the Group has reclassified the land use rights held for own use from operating leases to finance leases and stated at cost less accumulated depreciation. Land use right in Mainland China which is held for development and subsequent sale meets the definition of both inventories under HKAS 2 “Inventories” and leasehold land under HKAS 17 “Leases”. During the year, the Group changed its accounting policy from lease model to inventory model for land use right which is held for development and subsequent sale, which is measured at the lower of cost and net realisable value. The revised treatment reflects management’s intention regarding the use of land use right and results in a presentation consistent with the industry practices. The change of accounting policy has been applied retrospectively to unexpired leases at the date of adoption of the changed accounting policy on the basis of information existing at the inception of the leases. The change of accounting policy does not apply to the leasehold land and land use right disposed of by the Group in prior years. The effect of the adoption of the aforementioned amendment and change of accounting policy on these consolidated financial statements is detailed as below:

	31st December 2010 Increase/ (decrease)	31st December 2009 Increase/ (decrease)	1st January 2009 Increase/ (decrease)
	HK$’000	*HK$’000*	*HK$’000*
Non-current assets			
Property, plant and equipment	**17,020**	17,345	17,748
Leasehold land and land use rights	**(17,020)**	(17,345)	(17,748)
Current assets			
Land use rights	**(331,140)**	(324,882)	(328,440)
Properties under development for sale	**331,140**	324,882	328,440

— The Group also adopted a number of insignificant amendments to standards and interpretations. These amendments have had no material impact on these consolidated financial statements.

Up to the date of issue of this results announcement, the HKICPA has issued a number of new standards and amendments which are not yet effective for the accounting year ended 31st December 2010 and which have not been early adopted by the Group.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

— Amendments to HKAS 12	Income Taxes
— HKAS 24 (Revised)	Related Party Disclosures
— HKFRS 9	Financial Instruments

— HKICPA's improvements to HKFRSs 2010 published in May 2010

The Group is in the process of making an assessment of what the impact of these new HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

2 TURNOVER AND SEGMENTAL INFORMATION

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

	2010	2009
	HK$'000	*HK$'000*
Turnover		
Gross insurance premiums	**55,844**	75,208
Insurance brokerage commission	**319**	517
Rental income from investment properties	**6,596**	6,806
Dividend income from available-for-sale financial assets	**17,316**	8,174
Management fees	**120**	120
	80,195	90,825
Movement in unearned insurance premiums	**5,743**	(2,803)
Reinsurance premiums ceded and reinsurers' share of movement in unearned insurance premiums	**(7,270)**	(9,587)
Other revenues		
Interest income from bank deposits	**943**	1,533
Dividend income from listed equity securities held for trading	**51**	103
Others	**362**	337
	1,356	1,973
Total revenues	**80,024**	80,408

The Group identifies its operating segments based on the reports reviewed internally by the chief operating decision-makers which include the Executive Board Committee and General Manager that are used to make strategic decisions, allocate resources and assess performance.

The reports to the chief operating decision-makers are analysed on the basis of business entities, investments held and investees. For business entities and investments held, operating performance evaluation and resources allocation are based on individual business activities operated and investments held by the Group. For investees, operating performance evaluation is based on individual investee of the Group.

The Group has the following reportable operating segments:

— Banking Investment: this segment includes the Group's 36.75% interest in the Xiamen International Bank Group which conducts banking business in Mainland China and Macao.

— Insurance: this segment includes the Group's general insurance business in Hong Kong and Macao and insurance brokerage business in Hong Kong.

— Property Development and Investment: this segment includes the development and sale of residential properties and leasing of high quality office space in Mainland China.

— Strategic Investment: this segment represents the Group's investment in 72 million A-Share in Huaneng Power International, Inc. ("Huaneng").

— Others: this segment includes results of operations not directly identified under other reportable segments (mainly industrial instrument manufacturing and toll road investment in Mainland China) and head office activities. Head office is also considered to be a segment as discrete financial information is available for the head office activities.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision-makers monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenues derived from customers, products and services directly identifiable with individual segment are reported directly under respective segments. All direct costs incurred by different segments are grouped under respective segments. Indirect costs and support functions' costs related to head office activities that cannot be reasonably allocated to other segments, products and services are grouped under head office. Transactions between segments are priced based on similar terms offered to or transacted with external parties. Inter-segment income and expenses are eliminated on consolidation. The measure used for reporting segment profit is "profit for the year", i.e. profit after taxation of the business entities, net income generated from investments held and share of results of investees.

Segment assets include all tangible, intangible and current assets held by the business entities, net book value of investments held and share of net assets of and loans to investees. Segment liabilities include insurance liabilities, creditors and accruals, income tax payable and deferred tax liabilities attributable to individual segments and bank borrowings managed directly by the segments or directly related to those segments. Dividend payable to equity holders of the Company is treated as unallocated liabilities in reporting segment assets and liabilities.

	Banking investment		Insurance		Property development and investment		Strategic investment		Others		Inter-segment elimination		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	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*
Year ended 31st December														
Turnover														
External customers	**—**	—	**59,384**	79,295	**3,495**	3,356	**17,316**	8,174	**—**	—	**—**	—	**80,195**	90,825
Inter-segments	**—**	—	**—**	—	**—**	—	**—**	—	**2,952**	2,936	**(2,952)**	(2,936)	**—**	—
	—	—	**59,384**	79,295	**3,495**	3,356	**17,316**	8,174	**2,952**	2,936	**(2,952)**	(2,936)	**80,195**	90,825
Movement in net unearned insurance premiums and reinsurance premiums ceded	**—**	—	**(1,527)**	(12,390)	**—**	—	**—**	—	**—**	—	**—**	—	**(1,527)**	(12,390)
Other revenues	**—**	—	**599**	985	**279**	60	**—**	—	**559**	928	**(81)**	—	**1,356**	1,973
Total revenues	**—**	—	**58,456**	67,890	**3,774**	3,416	**17,316**	8,174	**3,511**	3,864	**(3,033)**	(2,936)	**80,024**	80,408
Other gains — net	**—**	—	**5,499**	5,898	**13,221**	6,237	**105**	—	**299**	(86)	**—**	—	**19,124**	12,049
Total operating income	**—**	—	**63,955**	73,788	**16,995**	9,653	**17,421**	8,174	**3,810**	3,778	**(3,033)**	(2,936)	**99,148**	92,457
Total operating expenses	**—**	—	**(56,672)**	(70,176)	**(10,423)**	(6,438)	**—**	—	**(28,492)**	(30,998)	**2,952**	2,936	**(92,635)**	(104,676)
Operating profit/(loss)	**—**	—	**7,283**	3,612	**6,572**	3,215	**17,421**	8,174	**(24,682)**	(27,220)	**(81)**	—	**6,513**	(12,219)
Finance costs	**—**	—	**—**	—	**(327)**	(2,427)	**—**	—	**(546)**	(50)	**81**	—	**(792)**	(2,477)
Share of results of jointly controlled entities	**228,508**	178,099	**—**	—	**—**	—	**—**	—	**5,108**	7,774	**—**	—	**233,616**	185,873
Share of results of associates	**—**	—	**—**	—	**—**	—	**—**	—	**12,028**	5,657	**—**	—	**12,028**	5,657
Profit/(loss) before taxation	**228,508**	178,099	**7,283**	3,612	**6,245**	788	**17,421**	8,174	**(8,092)**	(13,839)	**—**	—	**251,365**	176,834
Income tax expense	**—**	—	**(384)**	(495)	**(7,480)**	(3,222)	**(1,731)**	—	**(427)**	(229)	**—**	—	**(10,022)**	(3,946)
Profit/(loss) for the year	**228,508**	178,099	**6,899**	3,117	**(1,235)**	(2,434)	**15,690**	8,174	**(8,519)**	(14,068)	**—**	—	**241,343**	172,888
Interest income from bank deposits	**—**	—	**314**	784	**279**	60	**—**	—	**350**	689	**—**	—	**943**	1,533
Depreciation for the year	**—**	—	**221**	276	**269**	682	**—**	—	**879**	920	**—**	—	**1,369**	1,878
Impairment loss on available-for-sale financial assets	**—**	—	**—**	—	**—**	—	**—**	—	**—**	28	**—**	—	**—**	28

	Banking investment		Insurance		Property development and investment		Strategic investment		Others		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 31st December												
The Company and subsidiaries	**—**	—	**151,392**	157,668	**671,226**	598,621	**488,313**	656,640	**58,557**	208,909	**1,369,488**	1,621,838
Investments in jointly controlled entities	**1,574,218**	1,320,848	**—**	—	**—**	—	**—**	—	**75,689**	47,015	**1,649,907**	1,367,863
Investments in associates	**—**	—	**—**	—	**—**	—	**—**	—	**11,654**	44,735	**11,654**	44,735
Total assets	**1,574,218**	1,320,848	**151,392**	157,668	**671,226**	598,621	**488,313**	656,640	**145,900**	300,659	**3,031,049**	3,034,436
The Company and subsidiaries	**—**	—	**72,719**	85,894	**268,282**	266,657	**—**	—	**23,326**	133,855	**364,327**	486,406
Total liabilities	**—**	—	**72,719**	85,894	**268,282**	266,657	**—**	—	**23,326**	133,855	**364,327**	486,406
Capital expenditure incurred during the year	**—**	—	**7**	156	**21**	10	**—**	—	**47**	156	**75**	322

(b) Geographical information

The following table sets out the information about the geographical location of (i) the Group's revenues from external customers and (ii) the Group's property, plant and equipment, investment properties and investments in jointly controlled entities and associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment and investment properties and the location of operations, in the case of investments in jointly controlled entities and associates.

	Hong Kong		Mainland China		Macao		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Year ended 31st December								
Revenues from external customers	**47,639**	67,530	**20,816**	11,549	**11,740**	11,746	**80,195**	90,825
At 31st December								
The Company and subsidiaries	**56,216**	73,292	**61,036**	47,769	**87**	112	**117,339**	121,173
Investments in jointly controlled entities	**—**	—	**1,649,907**	1,367,863	**—**	—	**1,649,907**	1,367,863
Investments in associates	**—**	—	**11,654**	44,735	**—**	—	**11,654**	44,735
Specified non-current assets	**56,216**	73,292	**1,722,597**	1,460,367	**87**	112	**1,778,900**	1,533,771

3 OTHER GAINS — NET

	2010	2009
	HK$'000	*HK$'000*
Fair value gains on listed equity securities measured at fair value through profit or loss	**413**	768
Fair value gains on revaluation of investment properties	**16,864**	11,253
Gain on disposal of investment properties	**1,482**	—
Net exchange gains	**365**	28
	19,124	12,049

4 NET INSURANCE CLAIMS INCURRED AND COMMISSION EXPENSES INCURRED ON INSURANCE BUSINESS

	2010	2009
	HK$'000	*HK$'000*
Net insurance claims incurred on insurance business (a)	**16,890**	26,244
Commission expenses incurred on insurance business (b)	**26,446**	29,526
	43,336	55,770

(a) Net insurance claims incurred on insurance business

		2010	
	Gross	**Reinsurance**	**Net**
	HK$'000	***HK$'000***	***HK$'000***
Current year claims and loss adjustment expenses	**15,534**	**(209)**	**15,325**
Additional cost for prior years' claims and loss adjustment expenses	**966**	**283**	**1,249**
(Decrease)/increase in claims incurred but not reported	**(1,727)**	**1,382**	**(345)**
Increase in the expected cost of claims for unexpired risks	**661**	**—**	**661**
	15,434	**1,456**	**16,890**

		2009	
	Gross	Reinsurance	Net
	HK$'000	*HK$'000*	*HK$'000*
Current year claims and loss adjustment expenses	21,827	(502)	21,325
Additional cost/(run-off savings) for prior years' claims and loss adjustment expenses	3,189	(576)	2,613
Increase in claims incurred but not reported	1,641	186	1,827
Increase in the expected cost of claims for unexpired risks	479	—	479
	27,136	(892)	26,244

(b) Commission expenses incurred on insurance business

	2010	2009
	HK$'000	*HK$'000*
Gross commissions paid and payable	**26,995**	30,582
Less: Commissions received and receivable from reinsurers	**(549)**	(1,056)
Net commission expenses	**26,446**	29,526

5 OPERATING PROFIT/(LOSS)

	2010	2009
	HK$'000	*HK$'000*
Operating profit/(loss) is stated after crediting and charging the following:		
Crediting		
Net exchange gains	**365**	28
Rentals received and receivable from investment properties less direct outgoings	**5,634**	5,832
Charging		
Depreciation	**1,369**	1,878
Loss on disposal of property, plant and equipment	**110**	76
Impairment loss on available-for-sale financial assets	**—**	28
Operating lease rentals in respect of land and buildings	**2,322**	1,144
Auditor's remuneration	**2,722**	2,564
— provision for current year	***2,373***	*2,228*
— over provision for prior years	***(11)***	*—*
— interim attestation work	***360***	*336*
Management fee	**1,880**	1,880
Retirement benefit costs	**816**	705

6 FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on bank loans	**12,131**	8,033
Interest on short term advance from a substantial shareholder	**81**	—
Interest income (a)	**(635)**	(1,225)
	11,577	6,808
Less: Amounts capitalised in properties under development for sale	**(10,785)**	(4,331)
	792	2,477

(a) The amount represented interest income from short-term bank deposits placed for unutilised specific borrowings.

7 SHARE OF RESULTS OF ASSOCIATES

The share of results of associates for the year included the share of gain of approximately HK$10.69 million for the disposal of the entire 70% equity interest in the Maanshan Huan Tong Highway Development Limited by Hong Kong Vigorous Limited.

8 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Taxation on Mainland China and Macao profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in Mainland China and Macao.

The amount of taxation charged to the consolidated income statement represents:

	2010	2009
	HK$'000	*HK$'000*
Current tax		
Hong Kong profits tax	**328**	344
Mainland China taxation	**1,731**	—
Macao taxation	**139**	226
	2,198	570
Over provision in prior years		
Macao taxation	**(2)**	(8)
Deferred tax		
Relating to the origination and reversal of temporary differences	**7,826**	3,384
Income tax expense	**10,022**	3,946

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the year ended 31st December 2010 of HK$241,343,000 (2009: HK$172,888,000) and the weighted average of 459,428,656 (2009: 459,428,656) ordinary shares in issue during the year.

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

10 INSURANCE RECEIVABLE

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

At 31st December 2010, the ageing analysis of insurance receivable by invoice date was as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**3,415**	3,355
31-60 days	**2,146**	3,666
61-90 days	**2,435**	3,311
Over 90 days	**3,167**	3,875
	11,163	14,207

11 INSURANCE PAYABLE

At 31st December 2010, the ageing analysis of the insurance payable by invoice date was as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**1,659**	3,533
31-60 days	**801**	1,404
61-90 days	**826**	1,019
Over 90 days	**1,088**	1,606
	4,374	7,562

DIVIDEND

The Directors have resolved to recommend at the forthcoming Annual General Meeting of the Company to be held on 17th June 2011 the payment of a final dividend of 3 HK cents per ordinary share totaling HK$13,782,860 for the year ended 31st December 2010 (2009: final dividend of 3 HK cents per ordinary share totaling HK$13,782,860). The proposed dividend, if approved, will be paid on 2nd September 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15th June 2011 to 17th June 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the above proposed dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on 14th June 2011.

BUSINESS REVIEW

Large-scale fiscal and monetary stimulus initiatives launched in the wake of the international financial crisis led to a rebound in the global economy in 2010. However, while the emerging economies enjoyed rapid growth, advanced countries reported slower progress. On the other hand, the economy of Mainland China sustained a relatively steady development.

Operating Results

In 2010, the Group recorded an audited consolidated profit attributable to equity holders of HK$241.34 million, an increase of 39.6% over that of 2009. Basic earnings per share amounted to 52.53 HK cents.

Benefiting from the increase of HK$50.41 million in the share of profit after tax of Xiamen International Bank, and the share of gain of HK$10.69 million of an indirectly-owned associated company from the disposal of its equity interest in the project company with toll road investment in Mainland China, the Group reported an increase in the consolidated profit attributable to equity holders by HK$68.46 million as compared to that of 2009.

Banking Business

The Group, through its 36.75% interest in the Xiamen International Bank Group, conducts banking business in Mainland China and Macao. During the year, the banking business of the Group recorded a profit after tax of HK$228.51 million, an increase of 28.3% over that of 2009.

For the year under review, Xiamen International Bank seriously implemented its annual strategic principles. Under the intensely competitive environment, it sought to capitalise on improved investment sentiment and the upturn in economic activity to moderately expand the scale of its deposit and loan business. While maintaining its traditional bank services, it also strengthened the development of new areas of business with satisfactory growth in the customer bases, revenue and profits.

Xiamen International Bank's audited consolidated net profit prepared in accordance with Accounting Standards for Business Enterprises went up by 30.4% to RMB538.5 million from RMB412.97 million in 2009.

As at the end of 2010, the total assets of Xiamen International Bank Group grew by about 51.2% to RMB70.9 billion. Loans to customers and customers' deposits were RMB44.2 billion and RMB55.1 billion respectively, an increase of 54.5% and 31.3% respectively, as compared to those at the end of 2009. Driven by the strong growth of lending business in Mainland China during the year, the net interest income boosted by 39%, and the net fee and commission income also rose by 43% as compared to those of 2009.

Looking ahead into 2011, notwithstanding many stimulus packages now being phased out, challenges still remain. With the second round of quantitative easing launched by the United States, and the austerity measures and sovereign credit crisis of various European countries, the global economy still face uncertain market conditions. Despite recent measures by the Central Government to curb rising inflation and property prices, steady income growth and private consumption have sustained strong domestic demand. Xiamen International Bank Group will exploit the opportunities arising from its restructuring by strengthening the development of new business markets and widen the customer base with a view to creating a new future.

Insurance Business

Min Xin Insurance Company Limited ("MXIC"), the Group's wholly-owned subsidiary, registered a profit after tax of HK$6.85 million for the year ended 31st December 2010, an increase of 108.2% from HK$3.29 million in 2009. This was due to the continual improvement of the underwriting result, especially in motor business, as well as the strong real estate market in Hong Kong. The management team of MXIC will continue its effort in improving the insurance business performance.

Property Development and Investment

The property development and investment business of the Group comprises the real estate development business and the leasing of certain investment properties in Mainland China. In 2010, the property development and investment business reported a loss after taxation of HK$1.24 million, which was HK$1.2 million lower than that of 2009.

Minxin (Suzhou) Property Development Co., Ltd. ("Minxin Suzhou"), a wholly-owned subsidiary of the Group, which undertakes the real estate development business in Suzhou, Mainland China (the "Suzhou Project"), has obtained pre-sale permits in the first half of 2010. As at the end of 2010, the presale construction area was about 9,051 square meters with contracted sales of about RMB90.37 million.

Given the increase in the advertising expenditure of RMB3.76 million during the year, Minxin Suzhou recorded a loss of RMB7.5 million for 2010, an increase of RMB3.23 million as compared to the loss of RMB4.27 million in 2009. Minxin Suzhou pledged its land use right of a parcel of land to obtain a construction loan of RMB150 million in July 2009, of which RMB50 million has been repaid before the end of the year. During the year, the interest expenses of the loan amounted to RMB8.53 million have been capitalised as properties under development for sale. The capitalised interest expenses for 2009 were RMB4.35 million.

During the year, the Group has fully repaid the outstanding balance of the banking facility of HK$54 million for setting up Minxin Suzhou. Owing to the smaller amount of loan principal which lasted for only three months, the interest expenses for the year declined by HK$2.18 million to HK$0.25 million as compared to the interest expenses of HK$2.43 million for 2009.

Since 2010, the Chinese Government has implemented a series of tightening policies aiming to curb the overheating and speculation in the residential property market, including increasing the threshold for loans for the second house and restricting loans for the third house, and certain cities were designated as the pilot cities for collection of property tax. Moreover, policies to restrict purchase and set price ceilings in residential property market have effectively reduced the demand for residential properties in major cities. To curb liquidity and ease inflation, the central bank raised the deposit reserve ratio eight times and increased the deposit and loan interest rate three times.

As one of the participants in the real estate development market in Mainland China, the Group is also facing difficult time. The Group believes that the urbanisation of China will be the greatest impetus to the growth of its real estate industry in the coming future. The Group will therefore persist in adopting its prudent strategy for land acquisition, and will take part in suitable land auctions in second-tier cities to explore promising new projects.

Apart from generating a steady rental income to the Group, the Group's investment properties and car parks in Fuzhou, Fujian Province (the "Fuzhou Property") represent growing capital value in the long term and can also act as quality securities for acquiring longer term finance. The Fuzhou Property recorded an increase of 2.6% in rental income to RMB3.14 million in 2010 as compared to RMB3.06 million in 2009. As at 31st December 2010, the Fuzhou Property reported a rise of 24.8% in its fair value to RMB49.19 million as compared to RMB39.43 million as at 31st December 2009. During the year, the Group recognised a fair value gain of HK$13.22 million and a fair value gain after deferred tax of HK$5.74 million, as compared to a fair value gain of HK$6.24 million and a fair value gain after deferred tax of HK$3.02 million in 2009.

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

In 2010, despite the economy of Mainland China maintained a steady and faster development, its share market was relatively volatile. As at the end of December 2010, the Shanghai Composite Index slipped by more than 400 points as compared to that at the end of 2009. The closing bid price of Huaneng's A-share also fell to RMB5.75 per share as at 31st December 2010 from RMB8 per share as at 31st December 2009. The fair value of the Group's investment in 72 million Huaneng Shares measured with reference to the closing bid price of Huaneng's A-share decreased by approximately RMB162 million (equivalent to approximately HK$168.33 million) to approximately RMB414 million (equivalent to approximately HK$488.31 million) as compared to that at the end of 2009. The loss of approximately HK$168.33 million arising from the change in its fair value (2009: fair value gain of approximately HK$90.84 million) was recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve.

Being classified as a long term available-for-sale financial asset of the Group, Huaneng Shares generate a steady dividend income to the Group. The Group will fully exploit this quality asset in its future development.

During the year, Huaneng distributed a final dividend for 2009 of RMB0.21 per share. The Group recorded a dividend income of HK$17.32 million, as compared to the final dividend for 2008 of RMB0.1 per share totaling HK$8.17 million received by the Group in 2009.

Huaneng announced that in 2010, its total power generation within China on consolidated basis amounted to 257 billion kWh, representing an increase of 26.3% over the same period last year. Accumulated electricity sold amounted to 241.8 billion kWh. The accumulated power generation of Tuas Power Limited in Singapore of 2010 accounted for a market share of 24.7% in Singapore, representing an increase of 0.4 % as compared to 24.3% of the same period last year. However, it is anticipated that the operations will still face various uncertain factors due to the rising cost of electricity as a result of the increasing fuel cost and tense supply.

High-Tech Investments

Min Faith Investments Limited ("Min Faith"), an investment of the Group engaging in the manufacturing of industrial digital instrumentations and smart electric meters through its subsidiaries in Mainland China, has achieved in 2010 a 14% increase in sales quantity of digital instrumentations over the previous year thanks to the efforts of closely following market trend, strengthening R&D on new products, and constantly upgrading traditional products. However, due to the substantial drop in the sales quantity of electric meters etc., as a result of the adjustment of the tendering system and lack of gain and written back on sales of a subsidiary, Min Faith recorded a profit after tax of HK$12.77 million in 2010, a decrease of 34.3% as compared to the record profit in 2009. Min Faith will continue to strengthen its R&D, production and marketing of industrial digital instrumentations. Meanwhile, it will actively explore any opportunity that will bring profit growth in order to generate greater interests for the shareholders in the new year.

FINANCIAL REVIEW

Net Asset Value per Share

The Group persists in investing prudently as usual and strives to maintain a healthy financial position. Based on 459,428,656 shares in issue (2009: 459,428,656 shares), the net asset value per share was HK$5.8 (2009: HK$5.55) at 31st December 2010.

Total Liabilities to Equity Ratio and Current Ratio

As at 31st December 2010, the total liabilities of the Group were HK$364.33 million (2009: HK$486.41 million) and the ratio of total liabilities to total equity attributable to equity holders of the Company was 0.14 (2009: 0.19). As at 31st December 2010, the current assets and current liabilities of the Group were HK$761.7 million (2009: HK$841.46 million) and HK$330.85 million (2009: HK$343.98 million) respectively with a current ratio of 2.3 (2009: 2.4).

Borrowings and Charged Assets

As at 31st December 2010, the Group had outstanding bank loans principal of HK$132.95 million to be repaid within one year. In terms of currency denomination, the outstanding bank loans principal can be divided into HK$117.95 million (88.7%) in Renminbi and HK$15 million (11.3%) in Hong Kong Dollars. The outstanding bank loans of the Group are subject to floating interest rates. In addition, the Group had undrawn revolving loan facility and overdraft facility totaling HK$45 million as at 31st December 2010. Subsequent to the reporting date, the revolving loan facility of HK$35 million was drew down by the Group.

As at 31st December 2010, the above bank loans were secured by the Group's certain properties and land use right (recognised as costs of properties under development for sale) with a book value of approximately HK$352.86 million.

Save for the above, the other assets of the Group have not been pledged as at 31st December 2010.

Gearing Ratio

As at 31st December 2010, the gearing ratio of the Group (total borrowings and advances divided by total net assets) still maintained at a relatively low level and was only 5% (2009: 8.8%).

Cash Position

The Group's bank deposits are interest bearing at prevailing market rates. As at 31st December 2010, the total bank deposits of the Group amounted to HK$120.49 million (2009: HK$365.33 million) of which 78.5% were denominated in Hong Kong Dollars, 16.9% in Renminbi and 4.6% in other currencies (2009: 28.7% in Hong Kong Dollars, 69.8% in Renminbi and 1.5% in other currencies).

Pursuant to the requirements from the Office of the Commissioner of Insurance in Hong Kong, a subsidiary maintains at all times a portion of its funds, being not less than HK$16 million, in bank deposits. That subsidiary has also maintained a bank deposit of approximately MOP4.93 million (equivalent to approximately HK$4.79 million) for fulfilling certain requirements under the Macao Insurance Ordinance.

According to the guarantees provided by a subsidiary of the Group in respect of mortgage facilities granted by certain banks to certain purchasers of that subsidiary's properties in Mainland China, a sum of approximately RMB0.73 million (equivalent to approximately HK$0.86 million) held by that subsidiary was placed at a designated bank account as deposits for potential default in payment of mortgage loans advanced to those property purchasers. Such deposits will only be released when those property purchasers obtain the "property title certificate" which is then pledged to the banks.

Risk of Exchange Rate Fluctuation

The Group's assets, liabilities and receipts and payments are primarily denominated in Hong Kong Dollars and Renminbi. As the exchange rate of Renminbi against Hong Kong Dollars has increased as compared to that at the end of 2009, the Group's net monetary assets denominated in Renminbi has resulted in translation gain of approximately HK$0.37 million recorded by the Group in 2010 (2009: approximately HK$0.03 million). Save for the above, the Group anticipates that it will not face material risks arising from foreign exchange rates fluctuation.

Commitments

As at 31st December 2010, the commitments of the Group for its real estate development business amounted to RMB25.05 million, equivalent to approximately HK$29.55 million (2009: RMB89.91 million, equivalent to approximately HK$102.5 million), and the capital commitments relating to property, plant and equipment amounted to approximately HK$0.2 million (2009: approximately HK$0.2 million).

A wholly owned subsidiary of the Group incorporated in Mainland China has obtained approval for change to an investment holding company during the year, the Group therefore committed to inject the balance of registered capital of HK$297 million into that subsidiary within two years pursuant to relevant approval documents. As at 31st December 2010, the Group's commitment in respect of the additional capital injection was HK$297 million (2009: Nil).

Contingent Liabilities

As at 31st December 2010, a subsidiary of the Group provided guarantees in respect of mortgage facilities granted by certain banks to certain purchasers of that subsidiary's properties in Mainland China. The maximum guarantees given to those banks amounted to RMB24.26 million (equivalent to approximately HK$28.61 million) as at 31st December 2010 (2009: Nil).

Pursuant to the terms of the guarantees, upon default in mortgage payments by those purchasers, that subsidiary is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by those defaulted purchasers to the banks and that subsidiary is entitled to take over the legal title and possession of the related properties. The guarantee period starts from the date of grant of the relevant mortgage loans and ends when the property purchaser obtains the "property title certificate" which is then pledged to the relevant banks. The Group considers that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty in case of default in payments and therefore no provision has been made for those guarantees.

EMPLOYEES AND REMUNERATION POLICY

As at 31st December 2010, the Group had 67 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 into the year of 2011, the top priority of the central government's economic policy will be to curb inflation. With the continuous increase of deposit reserve ratio and the deposit and lending rates, plus the announcement of property tax by local governments, the residential property market in Mainland China will have to face an ordeal and may then lead to a consolidation of the real estate industry. As credit tightens, the Board foresees that the Group will have to undergo a more difficult and complicated operating environment. Hence, the Group will, under the premise of ensuring the safety of its cash flow, capitalise on the macro-economic policy and opportunities to prudently acquire quality land at reasonable cost.

As for the banking investment, the Company made an announcement on 1st March 2011 to provide an update relating to certain recent development regarding the restructuring of Xiamen International Bank. At the request of the China Banking Regulatory Commission, the Company has undertaken that subject to compliance with all applicable laws and regulations, the Company will in appropriate circumstances arrange for its shareholding in Xiamen International Bank to be gradually reduced in the future, with a view that the Company will eventually completely exit its shareholding in Xiamen International Bank. However, the timing, manner and terms of any such reduction have not yet been determined.

Having investments as its foundation, the Company will closely monitor the impact of the restructuring on the Group. In grasping the opportunities arising from the macro economic policies, the Group will give priority to the factor of investment value. It will actively seek attractive investment opportunities while avoiding unnecessary risks so as to lay down a solid foundation for the Group's long term development and will strive for reasonable return to the shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

AUDIT COMMITTEE

The Company has an Audit Committee comprising three independent non-executive directors, namely Messrs Sze Robert Tsai To, Ip Kai Ming and So Hop Shing, with written terms of reference. The primary duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

The Audit Committee of the Company has reviewed the audited financial results of the Group for the year ended 31st December 2010.

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 year ended 31st December 2010 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.

On behalf of the Board
Weng Ruo Tong
Chairman

HONG KONG, 29th March 2011

As at the date of this announcement, the Executive Directors of the Company are Messrs Weng Ruo Tong (Chairman), Wang Hui Jin (Vice Chairman), Zhu Xue Lun and Li Jin Hua; and the Independent Non-Executive Directors are Messrs Ip Kai Ming, Sze Robert Tsai To and So Hop Shing.