# MIN XIN HOLDINGS LIMITED
# 閩信集團有限公司

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

## ANNOUNCEMENT OF 2011 ANNUAL RESULTS

**FINANCIAL HIGHLIGHTS**

- Profit attributable to equity holders amounted to HK$300 million, an increase of 24.4%
- Basic earnings per share reached 65.37 HK cents, an increase of 24.4%
- Total assets and total equity attributable to equity holders increased by 11.9% and 12.7% to HK$3.39 billion and HK$3.01 billion respectively
- Recommended a final dividend of 4 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 2011 as follows:

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31st December 2011*

| | Note | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Turnover** | 2 | **301,605** | 80,075 |
| Total revenues | 2 | **311,302** | 80,024 |
| Other gains — net | 3 | **26,035** | 19,124 |
| **Total operating income** | | **337,337** | 99,148 |
| Net insurance claims incurred and commission expenses incurred on insurance business | 4 | **(34,061)** | (43,336) |
| Costs of properties sold | | **(192,541)** | — |
| Staff costs | | **(30,398)** | (28,065) |
| Depreciation | | **(1,324)** | (1,367) |
| Other operating expenses | | **(20,053)** | (19,867) |
| Total operating expenses | | **(278,377)** | (92,635) |
| **Operating profit** | 5 | **58,960** | 6,513 |
| Finance costs | 6 | **(7,221)** | (792) |
| Share of results of jointly controlled entities | | **268,565** | 233,616 |
| Share of results of associates | | **1,649** | 12,028 |
| **Profit before taxation** | | **321,953** | 251,365 |
| Income tax expense | 7 | **(21,637)** | (10,022) |
| **Profit for the year** | | **300,316** | 241,343 |
| **Dividend** | | | |
| Final dividend | | **18,377** | 13,783 |
| | | ***HK CENTS*** | *HK CENTS* |
| **Earnings per share** | | | |
| Basic and diluted | 8 | **65.37** | 52.53 |
| **Dividend per share** | | | |
| Final dividend | | **4** | 3 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31st December 2011*

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Profit for the year** | **300,316** | 241,343 |
| **Other comprehensive income** | | |
| **Available-for-sale financial assets** | | |
| Fair value changes charged to equity | **(11,199)** | (168,327) |
| Share of changes in equity of jointly controlled entities | | |
| Fair value changes (charged)/credited to equity | **(11,380)** | 24,030 |
| Disposal | **2,638** | 2,974 |
| Deferred income tax | **(1,875)** | (8,830) |
| | **(21,816)** | (150,153) |
| **Leasehold buildings revaluation reserve** | | |
| Unrealised surplus on revaluation of leasehold buildings transferred to investment property | **9** | — |
| | **9** | — |
| **Exchange translation reserve** | | |
| Exchange differences arising on translation of the financial statements of foreign subsidiaries, jointly controlled entities and associates | **76,020** | 48,155 |
| Share of changes in equity of jointly controlled entities and associates | | |
| Disposal | **(820)** | (6,396) |
| | **75,200** | 41,759 |
| **Other comprehensive income for the year, net of tax** | **53,393** | (108,394) |
| **Total comprehensive income for the year** | **353,709** | 132,949 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31st December 2011*

| | Note | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **20,454** | 21,644 |
| Investment properties | | **122,456** | 95,695 |
| Jointly controlled entities | | **1,963,657** | 1,649,907 |
| Associates | | **13,879** | 11,654 |
| Available-for-sale financial assets | | **477,114** | 488,313 |
| Reinsurance assets | | **3,268** | 1,665 |
| Deferred income tax assets | | **428** | 475 |
| | | **2,601,256** | 2,269,353 |
| **Current assets** | | | |
| Properties under development for sale | | **—** | 595,439 |
| Completed properties held for sale | | **544,509** | — |
| Deferred acquisition costs | | **12,637** | 15,756 |
| Insurance receivable | *9* | **11,085** | 11,163 |
| Reinsurance assets | | **1,668** | 1,063 |
| Other debtors | | **2,758** | 875 |
| Prepaid taxes | | **6,559** | 5,975 |
| Other prepayment and deposits | | **3,078** | 4,975 |
| Financial assets at fair value through profit or loss | | **1,942** | 5,947 |
| Cash and bank balances | | **207,204** | 120,503 |
| | | **791,440** | 761,696 |
| **Current liabilities** | | | |
| Insurance contracts | | **41,466** | 48,895 |
| Insurance payable | *10* | **5,703** | 4,374 |
| Other creditors and accruals | | **100,449** | 72,808 |
| Customer deposits from sale of properties | | **29,064** | 72,194 |
| Bank borrowings | | **50,000** | 132,444 |
| Loan and advance from a substantial shareholder | | **111,060** | — |
| Current income tax payable | | **126** | 139 |
| | | **337,868** | 330,854 |
| **Net current assets** | | **453,572** | 430,842 |
| **Total assets less current liabilities** | | **3,054,828** | 2,700,195 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*
*As at 31st December 2011*

| | Note | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Insurance contracts | | **14,069** | 15,262 |
| Deferred income tax liabilities | | **34,111** | 18,211 |
| | | **48,180** | 33,473 |
| **Net assets** | | **3,006,648** | 2,666,722 |
| **Share capital** | | **459,429** | 459,429 |
| **Other reserves** | | **1,930,407** | 1,761,357 |
| **Retained profits** | | | |
| Proposed dividend | | **18,377** | 13,783 |
| Others | | **598,435** | 432,153 |
| **Total equity attributable to equity holders of the Company** | | **3,006,648** | 2,666,722 |

*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 2011 have been adopted.

| | | |
|---|---|---|
| — | HKAS 24 (Revised) | Related Party Disclosures |

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

The adoption of these new standards and amendments to standards has no material impact on the Group's results of operations and financial position for the current or prior periods.

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 2011 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 1 | Presentation of Items of Other Comprehensive Income |
| — | Amendments to HKAS 12 | Income Taxes — Deferred Tax: Recovery of Underlying Assets |
| — | HKAS 27 (2011) | Separate Financial Statements |
| — | HKAS 28 (2011) | Investments in Associates and Joint Ventures |
| — | HKFRS 9 | Financial Instruments |
| — | HKFRS 10 | Consolidated Financial Statements |

— HKFRS 11 Joint Arrangements

— HKFRS 12 Disclosure of Interests in Other Entities

— HKFRS 13 Fair Value Measurement

The Group is in the process of making an assessment of what the impact of these new standards and amendments to standards 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:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Turnover** | | |
| Gross insurance premiums | **48,081** | 55,844 |
| Insurance brokerage commission | **—** | 319 |
| Proceeds from sale of properties | **229,151** | — |
| Rental income from investment properties | **7,143** | 6,596 |
| Dividend income from available-for-sale financial assets | **17,230** | 17,316 |
| | **301,605** | 80,075 |
| **Movement in unearned insurance premiums** | **6,211** | 5,743 |
| **Reinsurance premiums ceded and reinsurers' share of movement in unearned insurance premiums** | **(8,597)** | (7,270) |
| **Other revenues** | | |
| Management fees | **120** | 120 |
| Interest income from bank deposits | **2,635** | 943 |
| Dividend income from listed equity securities held for trading | **62** | 51 |
| Recovery of bad debts written off | **8,852** | — |
| Others | **414** | 362 |
| | **12,083** | 1,476 |
| **Total revenues** | **311,302** | 80,024 |

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.

— 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..

— Others: this segment includes results of operations not directly identified under other reportable segments 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| | *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 | — | — | 51,177 | 59,264 | 233,198 | 3,495 | 17,230 | 17,316 | — | — | — | — | 301,605 | 80,075 |
| Inter-segments | — | — | — | — | — | — | — | — | 3,191 | 2,952 | (3,191) | (2,952) | — | — |
| | — | — | 51,177 | 59,264 | 233,198 | 3,495 | 17,230 | 17,316 | 3,191 | 2,952 | (3,191) | (2,952) | 301,605 | 80,075 |
| Movement in net unearned insurance premiums and reinsurance premiums ceded | — | — | (2,386) | (1,527) | — | — | — | — | — | — | — | — | (2,386) | (1,527) |
| Other revenues | — | — | 1,395 | 719 | 332 | 279 | — | — | 18,318 | 7,868 | (7,962) | (7,390) | 12,083 | 1,476 |
| **Total revenues** | — | — | 50,186 | 58,456 | 233,530 | 3,774 | 17,230 | 17,316 | 21,509 | 10,820 | (11,153) | (10,342) | 311,302 | 80,024 |
| **Other gains — net** | — | — | 5,414 | 5,499 | 23,246 | 13,221 | 47 | 105 | (2,672) | 299 | — | — | 26,035 | 19,124 |
| **Total operating income** | — | — | 55,600 | 63,955 | 256,776 | 16,995 | 17,277 | 17,421 | 18,837 | 11,119 | (11,153) | (10,342) | 337,337 | 99,148 |
| Total operating expenses | — | — | (47,880) | (56,672) | (199,260) | (10,423) | — | — | (34,428) | (28,492) | 3,191 | 2,952 | (278,377) | (92,635) |
| **Operating profit/(loss)** | — | — | 7,720 | 7,283 | 57,516 | 6,572 | 17,277 | 17,421 | (15,591) | (17,373) | (7,962) | (7,390) | 58,960 | 6,513 |
| Finance costs | — | — | — | — | (14,013) | (7,636) | — | — | (1,170) | (546) | 7,962 | 7,390 | (7,221) | (792) |
| Share of results of jointly controlled entities | 264,082 | 228,508 | — | — | — | — | — | — | 4,483 | 5,108 | — | — | 268,565 | 233,616 |
| Share of results of associates | — | — | — | — | — | — | — | — | 1,649 | 12,028 | — | — | 1,649 | 12,028 |
| **Profit/(loss) before taxation** | 264,082 | 228,508 | 7,720 | 7,283 | 43,503 | (1,064) | 17,277 | 17,421 | (10,629) | (783) | — | — | 321,953 | 251,365 |
| Income tax expense | — | — | (323) | (384) | (19,215) | (7,480) | (1,723) | (1,731) | (376) | (427) | — | — | (21,637) | (10,022) |
| **Profit/(loss) for the year** | 264,082 | 228,508 | 7,397 | 6,899 | 24,288 | (8,544) | 15,554 | 15,690 | (11,005) | (1,210) | — | — | 300,316 | 241,343 |
| Interest income from bank deposits | — | — | 808 | 314 | 332 | 279 | — | — | 1,495 | 350 | — | — | 2,635 | 943 |
| Depreciation for the year | — | — | 197 | 221 | 291 | 269 | — | — | 845 | 879 | — | — | 1,333 | 1,369 |

| | Banking investment | | Insurance | | Property development and investment | | Strategic investment | | Others | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| | *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 | — | — | 146,167 | 151,392 | 654,551 | 671,226 | 477,114 | 488,313 | 137,328 | 58,557 | 1,415,160 | 1,369,488 |
| Investments in jointly controlled entities | 1,895,333 | 1,574,218 | — | — | — | — | — | — | 68,324 | 75,689 | 1,963,657 | 1,649,907 |
| Investments in associates | — | — | — | — | — | — | — | — | 13,879 | 11,654 | 13,879 | 11,654 |
| **Total assets** | 1,895,333 | 1,574,218 | 146,167 | 151,392 | 654,551 | 671,226 | 477,114 | 488,313 | 219,531 | 145,900 | 3,392,696 | 3,031,049 |
| The Company and subsidiaries | — | — | 65,047 | 72,719 | 258,958 | 268,282 | — | — | 62,043 | 23,326 | 386,048 | 364,327 |
| **Total liabilities** | — | — | 65,047 | 72,719 | 258,958 | 268,282 | — | — | 62,043 | 23,326 | 386,048 | 364,327 |
| Capital expenditure incurred during the year | — | — | 119 | 7 | 73 | 21 | — | — | 91 | 47 | 283 | 75 |

### (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** | |
|---|---|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Year ended 31st December** | | | | | | | | |
| Revenues from external customers | **35,100** | 47,519 | **250,428** | 20,816 | **16,077** | 11,740 | **301,605** | 80,075 |
| **At 31st December** | | | | | | | | |
| The Company and subsidiaries | **59,950** | 56,216 | **82,888** | 61,036 | **72** | 87 | **142,910** | 117,339 |
| Investments in jointly controlled entities | **—** | — | **1,963,657** | 1,649,907 | **—** | — | **1,963,657** | 1,649,907 |
| Investments in associates | **—** | — | **13,879** | 11,654 | **—** | — | **13,879** | 11,654 |
| **Specified non-current assets** | **59,950** | 56,216 | **2,060,424** | 1,722,597 | **72** | 87 | **2,120,446** | 1,778,900 |

## 3 OTHER GAINS — NET

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Fair value (losses)/gains on listed equity securities measured at fair value through profit or loss | **(141)** | 413 |
| Fair value gains on revaluation of investment properties | **27,840** | 16,864 |
| Gain on disposal of investment properties | **157** | 1,482 |
| Net exchange (losses)/gains | **(1,821)** | 365 |
| | **26,035** | 19,124 |

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Net insurance claims incurred on insurance business (a) | **11,978** | 16,890 |
| Commission expenses incurred on insurance business (b) | **22,083** | 26,446 |
| | **34,061** | 43,336 |

### (a) Net insurance claims incurred on insurance business

| | | **2011** | |
|---|---|---|---|
| | **Gross** | **Reinsurance** | **Net** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Current year claims and loss adjustment expenses | **11,426** | **(183)** | **11,243** |
| Additional cost for prior years' claims and loss adjustment expenses | **366** | **46** | **412** |
| Increase/(decrease) in claims incurred but not reported | **3,378** | **(2,611)** | **767** |
| Decrease in the expected cost of claims for unexpired risks | **(444)** | **—** | **(444)** |
| | **14,726** | **(2,748)** | **11,978** |

| | | 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 |

### (b) Commission expenses incurred on insurance business

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Gross commissions paid and payable | **22,760** | 26,995 |
| Less: Commissions received and receivable from reinsurers | **(677)** | (549) |
| Net commission expenses | **22,083** | 26,446 |

## 5 OPERATING PROFIT

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Operating profit is stated after crediting and charging the following: | | |
| **Crediting** | | |
| Net exchange gains | **—** | 365 |
| Rentals received and receivable from investment properties less direct outgoings | **6,132** | 5,634 |
| **Charging** | | |
| Cost of completed properties sold | **165,323** | — |
| Net exchange losses | **1,821** | — |
| Depreciation | **1,333** | 1,369 |
| Loss on disposal of property, plant and equipment | **14** | 110 |
| Operating lease rentals in respect of land and buildings | **815** | 907 |
| Auditor's remuneration | **2,507** | 2,722 |
| *— provision for current year* | ***2,300*** | *2,373* |
| *— under/(over) provision for prior years* | ***57*** | *(11)* |
| *— interim attestation work* | ***150*** | *360* |
| Management fee | **1,880** | 1,880 |
| Retirement benefit costs | **787** | 816 |

## 6 FINANCE COSTS

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans and overdraft | **4,754** | 12,131 |
| Interest on short term loan and advance from a substantial shareholder | **6,190** | 81 |
| Interest income (a) | **—** | (635) |
| | **10,944** | 11,577 |
| Less: Amounts capitalised in properties under development for sale | **(3,723)** | (10,785) |
| | **7,221** | 792 |

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

## 7 INCOME TAX EXPENSE

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Current tax** | | |
| Hong Kong profits tax | **328** | 328 |
| Mainland China corporate income tax | **448** | — |
| Mainland China land appreciation tax | **3,078** | — |
| Mainland China withholding tax | **1,723** | 1,731 |
| Macao taxation | **126** | 139 |
| | **5,703** | 2,198 |
| **Over provision in prior years** | | |
| Macao taxation | **(1)** | (2) |
| **Deferred tax** | | |
| Relating to the origination and reversal of temporary differences | **15,935** | 7,826 |
| **Income tax expense** | **21,637** | 10,022 |

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year.

Mainland China corporate income tax has been calculated at the rate of 25% (2010: 25%) on the estimated taxable profits for the year.

Mainland China land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including costs of land use rights, development and construction expenditures.

Mainland China withholding tax is levied at 10% on dividend income received from an investee classified as available-for-sale financial assets by the Group when the investee declared dividend out of profits earned after 1st January 2008.

Taxation on Macao profits has been calculated on the estimated taxable profits for the year at the rates of taxation prevailing in Macao.

## 8 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 2011 of HK$300,316,000 (2010: HK$241,343,000) and the weighted average of 459,428,656 (2010: 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.

## 9 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 2011, the ageing analysis of insurance receivable by invoice date was as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **3,516** | 3,415 |
| 31-60 days | **2,609** | 2,146 |
| 61-90 days | **2,354** | 2,435 |
| Over 90 days | **2,606** | 3,167 |
| | **11,085** | 11,163 |

## 10 INSURANCE PAYABLE

At 31st December 2011, the ageing analysis of the insurance payable by invoice date was as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **1,874** | 1,659 |
| 31-60 days | **1,047** | 801 |
| 61-90 days | **1,010** | 826 |
| Over 90 days | **1,772** | 1,088 |
| | **5,703** | 4,374 |

## DIVIDEND

The Directors have resolved to recommend at the forthcoming Annual General Meeting of the Company to be held on 12th June 2012 the payment of a final dividend of 4 HK cents per ordinary share totaling HK$18,377,146 for the year ended 31st December 2011 (2010: final dividend of 3 HK cents per ordinary share totaling HK$13,782,860). The proposed dividend, if approved, will be paid on or before 6th September 2012.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18th June 2012 to 20th June 2012, 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 15th June 2012.

## BUSINESS REVIEW

With the deepening sovereign debt crisis in the eurozone, the continuing fragility of the US economic recovery, and the effects of the natural disasters in Japan, the global economic recovery in 2011 was weak. Despite the economic growth in China moderated due to persistent monetary tightening by the Central Government and weaker external demand, China still maintained a relatively high level of growth.

### Operating Results

In 2011, the Group reported an audited consolidated profit attributable to equity holders of HK$300.32 million, an increase of 24.4% from HK$241.34 million in 2010. Basic earnings per share amounted to 65.37 HK cents.

The increase in the consolidated profit attributable to equity holders of HK$58.97 million as compared to that of 2010 was mainly contributed by the increase of HK$35.57 million in the share of results of Xiamen International Bank.

### Banking Business

The Group, through its 36.75% interest in Xiamen International Bank, conducts banking business in Mainland China and Macao. For the year 2011, the Group's banking business reported a net profit after tax of HK$264.08 million, an increase of 15.6% over that of 2010.

For the year under review, China headed towards a soft landing as economic growth moderated due to persistent monetary tightening by the Central Government. Economic growth in Mainland China is expected to slow further, despite its economy remains among the fastest growing in the world. Amid this difficult operating environment, Xiamen International Bank strived to overcome the macro challenges and capture market opportunities. It has successfully developed new business markets through the appropriate expansion of its deposit and loan business and product innovation, thereby attaining good results with total assets crossing the RMB100 billion mark.

Xiamen International Bank registered an audited consolidated net profit prepared in accordance with the PRC Accounting Standards of RMB590.33 million in 2011, 9.6% higher than that of RMB538.5 million reported in 2010.

As at the end of 2011, the total assets of Xiamen International Bank stood at RMB105.1 billion, an increase of about 48.2% over that at the end of 2010. Gross loans to customers rose by about 20.1% to RMB53.1 billion and total deposits from customers up about 30.3% to RMB72.08 billion, as compared to the respective balances at the end of 2010. Due to the strong growth of loan portfolio in Mainland China, the net interest income of Xiamen International Bank increased by about 52.7% to RMB1.49 billion in 2011. Net fee and commission income also grew by about 70.5% to RMB0.25 billion due to the product innovation.

Looking ahead into 2012, with the monetary policy of the People's Bank of China easing at the end of last year to stimulate domestic demand, consumption growth is expected to remain resilient while inflation will steadily decline. In the banking sector, Xiamen International Bank is expected to face more intense competition in deposit and lending business, as well as the ever-changing regulatory requirements. Nevertheless, Xiamen International Bank will grasp the opportunities arising from its restructuring by further expanding its market penetration and continuing its efforts to create sustainable value for its shareholders.

**Insurance Business**

Min Xin Insurance Company Limited ("MXIC"), the Group's wholly-owned subsidiary, registered a net profit after tax of HK$7.1 million in 2011, an increase of 3.6% from HK$6.85 million in 2010. The management team of MXIC will continue to strengthen its insurance business performance and maintain its prudent investment strategy with an aim to produce stable return to the shareholders.

**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 2011, the property development and investment business reported a profit after taxation of HK$24.29 million, as compared with a loss after taxation of HK$8.54 million in 2010.

The real estate development in Suzhou, Mainland China (the "Suzhou Project") undertaken by Minxin (Suzhou) Property Development Co., Ltd. ("Minxin Suzhou"), a wholly-owned subsidiary of the Group, has satisfied the conditions for presale in the second half of 2011. For the year ended 31st December 2011, the Group recorded contracted sales of about RMB130.96 million with contracted construction area of about 13,138 square meters and the contracted average selling price of about RMB9,975 per square meter. For last year, the contracted sales were about RMB90.37 million with contracted construction area of about 9,051 square meters and the contracted average selling price of about RMB9,985 per square meter.

With the initial recognition of revenue of approximately RMB187.89 million of its Suzhou Project in the second half of 2011, Minxin Suzhou recorded a profit after taxation of RMB11.16 million in 2011 as compared to the loss after taxation of RMB13.84 million in 2010. In the first half of 2011, Minxin Suzhou has obtained a new loan to finance the full repayment of the outstanding principal balance of its construction loan of RMB100 million. The interest expenses of the construction loan amounting to RMB2.66 million have been capitalised as properties under development for sale in the first half of 2011. The capitalised interest expenses for 2010 were RMB8.53 million. The mortgage of the land use right of a parcel of land of Minxin Suzhou was released in the second half of 2011.

In 2011, the overall property market experienced rather significant changes as a result of the escalated control measures and tightening monetary policies implemented by the Central Government to ensure the steady development of the property market. In such severe market conditions, especially under the impact of the policy to restrict purchases, the sales of the Suzhou Project also faced many difficulties. Minxin Suzhou will follow the market and adjust its marketing strategy, launch promotional programs to attract target customers, and boost sales.

The control policies implemented by the Central Government over the property market have shown signs of impact and are likely to continue. For the market participants, the difficult period is not over yet. The Group believes that China's economy will maintain sustainable growth in the long term, with continuously strong inelastic demand and enormous development potential. The Group will focus on the opportunities of land development in the second and third tier cities with a view to explore new projects beneficial to the long-term development of the Group.

A steady and recurrent rental income as well as capital appreciation were generated by the Group's investment properties and car parks in Fuzhou, Fujian Province (the "Fuzhou Property"). The Fuzhou Property recorded a rental income of RMB3.34 million in 2011, up 6.4% as compared with RMB3.14 million reported in 2010. At 31st December 2011, the fair value of Fuzhou Property was RMB66.01 million, 34.2% higher than the fair value of RMB49.19 million at the end of 2010. The Group recognised a fair value gain of HK$23.28 million and a fair value gain after deferred tax of HK$8.32 million in 2011, as compared to a fair value gain of HK$13.22 million and a fair value gain after deferred tax of HK$5.74 million in 2010.

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

In 2011, despite a relatively high level of economic growth was maintained in Mainland China, the share market there was relatively volatile. The Shanghai Composite Index slipped by more than 600 points as compared to that at the end of 2010. The closing bid price of Huaneng's A-share also fell to RMB5.37 per share at 31st December 2011 from RMB5.75 per share at 31st December 2010. 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 reduced by approximately HK$11.2 million to approximately HK$477.11 million (equivalent to approximately RMB386.64 million) as compared to that at the end of 2010. The loss of approximately HK$11.2 million arising from the change in its fair value (2010: approximately HK$168.33 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. During the year, Huaneng paid a final dividend for 2010 of RMB0.2 per share. The Group recorded a dividend income of HK$17.23 million, as compared to the final dividend payment for 2009 of RMB0.21 per share totaling HK$17.32 million received by the Group in 2010.

Huaneng recently announced its 2011 annual results under the PRC Accounting Standards. Its operating revenue has increased by 27.9% year-on-year, while its operating expenses have increased by 31.2% due to the increase in fuel prices and interest rate of its Renminbi borrowings. Its net profit attributable to equity holders have dropped by 64.2% to RMB1.27 billion with earnings per share of RMB0.09 in 2011 as compared to RMB0.29 per share in 2010, a decrease of RMB0.2 per share.

## 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 (2010: 459,428,656 shares), the net asset value per share was HK$6.54 (2010: HK$5.8) at 31st December 2011.

**Total Liabilities to Equity Ratio and Current Ratio**

At 31st December 2011, the total liabilities of the Group were HK$386.05 million (2010: HK$364.33 million) and the ratio of total liabilities to total equity attributable to equity holders of the Company was 0.13 (2010: 0.14). At 31st December 2011, the current assets and current liabilities of the Group were HK$791.44 million (2010: HK$761.7 million) and HK$337.87 million (2010: HK$330.85 million) respectively with a current ratio of 2.3 (2010: 2.3).

**Borrowings and Charged Assets**

At 31st December 2011, the Group had outstanding bank loans principal of HK$50 million (2010: HK$132.95 million) to be repaid within one year. In terms of currency denomination, the outstanding bank loans principal of HK$50 million (100%) (2010: HK$15 million, or 11.3%) was denominated in Hong Kong Dollars. The outstanding bank loan principal of approximately HK$117.95 million (88.7%) denominated in Renminbi at 31st December 2010 had been fully repaid during the year. The outstanding bank loans of the Group are subject to floating interest rates. The Group had undrawn overdraft facility of HK$10 million at 31st December 2011.

At 31st December 2011, the above bank loans were secured by the Group's property with a book value of approximately HK$11.68 million (2010: certain properties and land use right with a book value of approximately HK$352.86 million). During the year, the mortgage of the land use right of a parcel of land with a book value of approximately HK$347.66 million was released after full repayment of the outstanding bank loan principal of approximately HK$117.95 million denominated in Renminbi.

At 31st December 2011, the Group had entrusted loan principal from Fujian Investment and Development Holdings Corporation, a substantial shareholder of the Company, of RMB90 million (equivalent to approximately HK$111.06 million). The entrusted loan was unsecured with a term to be expired on 24th June 2012 and was bearing interest at 10% per annum (2010: Nil).

Save for the above, the other assets of the Group were not pledged at 31st December 2010 and 2011.

**Gearing Ratio**

At 31st December 2011, 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 5.4% (2010: 5%).

**Cash Position**

The Group's bank deposits are interest bearing at prevailing market rates. At 31st December 2011, the total bank deposits of the Group amounted to HK$207.19 million (2010: HK$120.49 million) of which 72.5% were denominated in Hong Kong Dollars, 24.4% in Renminbi and 3.1% in other currencies (2010: 78.5% in Hong Kong Dollars, 16.9% in Renminbi and 4.6% 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 (2010: HK$16 million), in bank deposits. That subsidiary has also maintained a bank deposit of approximately MOP6.04 million (equivalent to approximately HK$5.86 million) (2010: approximately MOP4.93 million, equivalent to approximately HK$4.79 million) for fulfilling certain requirements under the Macao Insurance Ordinance.

At 31st December 2011, 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 RMB3.06 million (equivalent to approximately HK$3.78 million) (2010: approximately RMB0.73 million, equivalent to approximately HK$0.86 million) held by that subsidiary was placed at designated bank accounts 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 relevant 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 2010, the bank balance denominated in Hong Kong Dollars for registered capital of a wholly-owned subsidiary of the Group incorporated in Mainland China has resulted in a translation loss recorded by that subsidiary due to the prevailing foreign exchange control policies. Hence, the Group recorded a translation loss of approximately HK$1.82 million in 2011 (2010: translation gain of approximately HK$0.37 million). Save for the above, the Group anticipates that it will not face material risks arising from foreign exchange rates fluctuation.

**Commitments**

At 31st December 2011, the Group did not have any commitment for its real estate development business (2010: RMB25.05 million, equivalent to approximately HK$29.55 million), and the capital commitments relating to property, plant and equipment amounted to approximately HK$0.63 million (2010: 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 in December 2010. The Group therefore committed to increase the paid-in registered capital of that subsidiary to HK$300 million within two years pursuant to relevant approval documents. At 31st December 2011, the Group's commitment in respect of the additional capital injection was HK$237 million (2010: HK$297 million).

**Contingent Liabilities**

As at 31st December 2011, a subsidiary of the Group provided guarantees in respect of mortgage facilities granted by certain banks and financial institutions to certain purchasers of that subsidiary's properties in Mainland China. The maximum guarantees given to those banks and financial institutions amounted to RMB102.49 million (equivalent to approximately HK$126.47 million) at 31st December 2011 (2010: RMB24.26 million, equivalent to approximately HK$28.61 million).

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 relevant banks and financial institutions, 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 and financial institutions. 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 2011, the Group had 68 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, the international financial and economic conditions are expected to remain challenging in 2012, and China's economic growth is expected to slow further. However, China's central bank has lowered the deposit requirement ratio twice in a sign to ease its monetary policy to stimulate domestic demand, and hence consumption growth is expected to remain resilient while inflation is likely to decline steadily. Consequently, the Group's banking business will benefit from this. Xiamen International Bank is committed to leverage its unique advantages through product innovation and quality customer service, with a view to generate value for its shareholders and customers.

The tightening policies introduced by the Central Government over the property market have inevitably affected the Group's real estate business. Although the control policies have shown signs of impact, they are likely to continue. The Group will adopt a more rational attitude towards market changes by enhancing its cash-flow management and strengthening its ability to prevent risks.

Having investments as its foundation, the Group has been paying close attention to the progress and impact of the restructuring of Xiamen International Bank. Amid the continued severe external environment, the Group will actively seek investment opportunities by adhering to the principle of having investment value as the chief factor for consideration while maintaining sustainable growth in order to generate sustainable value for our 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 2011.

## 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 2011 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, 28th March 2012

*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; the Non-Executive Director is Zhang Rong Hui; and the Independent Non-Executive Directors are Messrs Ip Kai Ming, Sze Robert Tsai To and So Hop Shing.*