MIN XIN HOLDINGS LIMITED
閩信集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 222)

ANNOUNCEMENT OF 2017 ANNUAL RESULTS AND PROPOSED CHANGE OF AUDITOR

FINANCIAL HIGHLIGHTS

- Profit attributable to shareholders amounted to HK$517 million, an increase of 94.6%
- Basic earnings per share increased by 67.7% to 96.3 HK cents
- Total assets increased by 14.2% to HK$7.24 billion
- Total equity attributable to shareholders increased by 36% to HK$6.51 billion
- Issuance of 137,828,596 new ordinary shares by way of rights issue on the basis of three rights shares for every ten existing ordinary shares at a subscription price of HK$6 per rights share
- Recommended a final dividend of 8 HK cents per ordinary share

The board (the "Board") of directors (the "Directors") of Min Xin Holdings Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Turnover	2	**921,510**	134,379
Total revenues	2	**960,046**	154,563
Other gains/(losses) – net	3	**25,803**	(64,948)
Total operating income		**985,849**	89,615
Costs of sales		**(819,733)**	–
Net insurance claims incurred and commission expenses incurred on insurance business	4	**(53,293)**	(48,026)
Write back of/(charge for) impairment loss on loans to customers and interest receivable		**3,393**	(154,777)
Selling and distribution costs		**(1,214)**	–
Administrative and other expenses		**(58,947)**	(51,425)
Total operating expenses		**(929,794)**	(254,228)
Operating profit/(loss)	5	**56,055**	(164,613)
Finance costs	6	**(37,056)**	(35,001)
Share of results of associates		**517,924**	471,701
Profit before taxation		**536,923**	272,087
Income tax expense	7	**(20,033)**	(6,475)
Profit for the year		**516,890**	265,612
Dividend			
– Final dividend		**47,781**	22,971
		HK CENTS	*HK CENTS* (Restated)
Earnings per share			
Basic and diluted	8	**96.30**	57.42
Dividend per share			
– Final dividend		**8**	5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**516,890**	265,612
Other comprehensive income		
Items that may be reclassified subsequently to income statement:		
Available-for-sale investment revaluation reserve		
Fair value changes charged to equity	**(29,946)**	(177,342)
Deferred income tax	**(41)**	29
Released on disposal	**(10,265)**	(207)
Released on dilution of interest in an associate	**–**	3,793
	(40,252)	(173,727)
Exchange translation reserve		
Exchange differences arising on translation of the financial statements of foreign subsidiaries and associates	**399,654**	(294,456)
Released on disposal of an associate	**–**	136
Released on disposal of an associate classified as held for sale	**–**	(1,804)
Released on dilution of interest in an associate	**–**	22,311
	399,654	(273,813)
Share of other comprehensive income of associates	**(139,080)**	(91,233)
Other comprehensive income for the year, net of tax	**220,322**	(538,773)
Total comprehensive income for the year	**737,212**	(273,161)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**16,878**	17,999
Intangible assets		**2,504**	–
Investment properties		**169,818**	170,536
Associates		**4,842,032**	4,082,002
Available-for-sale financial assets		**503,514**	551,158
Held-to-maturity financial assets		**3,119**	3,091
Loans to customers and interest receivable	*10*	**39**	436
Reinsurance assets		**213**	4,420
Prepayments		**180**	1,500
Deferred income tax assets		**10,150**	10,767
		5,548,447	4,841,909
Current assets			
Inventories		**89,946**	–
Available-for-sale financial assets		**–**	6,592
Investments in receivables		**132,105**	–
Deferred acquisition costs		**16,868**	16,670
Insurance receivable	*9*	**10,854**	14,120
Reinsurance assets		**6,099**	3,527
Loans to customers and interest receivable	*10*	**26,026**	41,144
Dividend receivable from an associate		**–**	118,123
Other debtors		**6,324**	4,266
Advance payment		**99,480**	8,216
Other prepayments and deposits		**1,437**	2,652
Repossessed assets		**3,940**	2,566
Financial assets at fair value through profit or loss		**304**	5,108
Cash and bank balances		**1,300,589**	1,274,409
		1,693,972	1,497,393
Current liabilities			
Insurance contracts		**49,991**	55,508
Insurance payable	*11*	**7,250**	10,904
Other creditors and accruals		**29,579**	25,028
Bank borrowings		**354,141**	800,645
Current income tax payable		**26,369**	36,464
		467,330	928,549
Net current assets		**1,226,642**	568,844
Total assets less current liabilities		**6,775,089**	5,410,753

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 31 December 2017

		2017	2016
	Note	***HK$'000***	*HK$'000*
Non-current liabilities			
Bank borrowings		**198,131**	552,774
Insurance contracts		**37,659**	38,268
Deferred income tax liabilities		**28,397**	32,614
		264,187	623,656
Net assets		**6,510,902**	4,787,097
Share capital		**1,715,377**	891,135
Other reserves		**1,628,236**	1,036,270
Retained profits			
Proposed dividend		**47,781**	22,971
Others		**3,119,508**	2,836,721
Total equity attributable to shareholders of the Company		**6,510,902**	4,787,097

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 and the requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements of the Listing Rules.

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 financial instruments) at fair value through profit or loss

– investment properties

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

The Group has adopted the following new standards and amendments to standards issued by the HKICPA which had insignificant or no effect on these consolidated financial statements.

– Amendments to HKAS 7	Disclosure Initiative
– Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

– Annual Improvements to HKFRSs 2014 – 2016 Cycle: Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Up to the date of issuance of this results announcement, the HKICPA has issued a number of new standards and amendments to standards which are not yet effective for the accounting year ended 31 December 2017 and which have not been early adopted in these consolidated financial statements as follows:

– HKFRS 9	Financial Instruments
– HKFRS 15	Revenue from Contracts with Customers
– HKFRS 16	Leases
– HKFRS 17	Insurance Contracts
– Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
– Amendments to HKAS 40	Transfers of Investment Property
– Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
– Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
– Amendments to HKFRS 9	Prepayment Features with Negative Compensation
– Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
– HK(IFRIC) – Interpretation 22	Foreign Currency Transactions and Advance Consideration
– HK(IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments

– Annual Improvements to HKFRSs 2014 – 2016 Cycle

  – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

  – Amendments to HKAS 28, Investments in Associates and Joint Ventures

– Annual Improvements to HKFRSs 2015 – 2017 Cycle

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 but it is impracticable to quantify the effect as at the date of issuance of this results announcement.

The financial information relating to the years ended 31 December 2017 and 2016 included in this annual results announcement does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622) and will deliver the consolidated financial statements for the year ended 31 December 2017 in due course.

The Company's auditor has reported on those consolidated financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Chapter 622).

2 TURNOVER AND SEGMENTAL INFORMATION

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

	2017	2016
	HK$'000	*HK$'000*
Turnover		
Sales of motor vehicles	**827,105**	–
Gross insurance premiums	**55,642**	61,328
Interest income from loans to customers (a)	**6,334**	25,481
Rental income from investment properties	**9,205**	9,245
Dividend income from available-for-sale financial assets	**23,224**	38,325
	921,510	134,379
Movement in unearned insurance premiums	**5,890**	2,592
Reinsurance premiums ceded and reinsurers' share of movement in unearned insurance premiums	**(5,122)**	(6,547)
Other revenues		
Management fee	**48**	48
Interest income from bank deposits	**35,046**	23,027
Interest income from held-to-maturity financial assets	**99**	89
Interest income from investments in receivables	**1,379**	–
Dividend income from listed equity securities held for trading	**171**	260
Government grants	**693**	–
Others	**332**	715
	37,768	24,139
Total revenues	**960,046**	154,563

(a) The interest income from loans to customers for the year comprised an interest income accrued for impaired loans to customers of HK$5,986,000 (2016: HK$20,611,000).

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 activity operated and investment 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:

– Financial services: this segment includes the provision of micro credit business in Mainland China and the engagement of banking business through the Group's major associates, Xiamen International Bank, Chiyu Banking Corporation Limited and Luso International Bank in Mainland China, Hong Kong and Macau respectively.

– Insurance: this segment includes the general insurance business in Hong Kong and Macau.

– Trading in motor vehicles: this segment includes the trading in motor vehicles business.

– Property development and investment: this segment includes the real estate development business and the leasing of high quality office space in Mainland China.

– Strategic investment: this segment represents the Huaneng A-Shares held by the Group.

– 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 respective segments and bank borrowings managed directly by the segments or directly related to those segments. An asset and a liability are grouped under same segment if the liability is collateralised by the asset. Dividend payable to shareholders of the Company is treated as unallocated liabilities in reporting segment assets and liabilities.

	Financial services		Insurance		Trading in motor vehicles		Property development and investment		Strategic investment		Others		Inter-segment elimination		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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*	***HK$'000***	*HK$'000*
Year ended 31 December																
Turnover																
External customers	**6,334**	25,481	**60,308**	65,351	**827,105**	–	**4,556**	5,238	**23,207**	38,309	**–**	–	**–**	–	**921,510**	134,379
Inter-segment	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**3,649**	3,807	**(3,649)**	(3,807)	**–**	–
	6,334	25,481	**60,308**	65,351	**827,105**	–	**4,556**	5,238	**23,207**	38,309	**3,649**	3,807	**(3,649)**	(3,807)	**921,510**	134,379
Movement in net unearned insurance premiums and reinsurance premiums ceded	**–**	–	**768**	(3,955)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**768**	(3,955)
Other revenues	**1,478**	1,352	**1,854**	1,844	**37**	–	**34**	323	**–**	–	**34,365**	20,620	**–**	–	**37,768**	24,139
Total revenues	**7,812**	26,833	**62,930**	63,240	**827,142**	–	**4,590**	5,561	**23,207**	38,309	**38,014**	24,427	**(3,649)**	(3,807)	**960,046**	154,563
Other gains/(losses) – net	**564**	(40,118)	**6,752**	7,680	**–**	–	**(5,674)**	(16,812)	**9,944**	–	**14,217**	(15,698)	**–**	–	**25,803**	(64,948)
Total operating income	**8,376**	(13,285)	**69,682**	70,920	**827,142**	–	**(1,084)**	(11,251)	**33,151**	38,309	**52,231**	8,729	**(3,649)**	(3,807)	**985,849**	89,615
Write back of/(charge for) impairment loss on loans to customers and interest receivable	**3,393**	(154,777)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**3,393**	(154,777)
Operating expenses	**(6,110)**	(5,795)	**(70,320)**	(65,676)	**(826,444)**	–	**(1,737)**	(2,123)	**–**	–	**(32,225)**	(29,664)	**3,649**	3,807	**(933,187)**	(99,451)
Operating profit/(loss)	**5,659**	(173,857)	**(638)**	5,244	**698**	–	**(2,821)**	(13,374)	**33,151**	38,309	**20,006**	(20,935)	**–**	–	**56,055**	(164,613)
Finance costs	**(17,781)**	(13,844)	**–**	–	**–**	–	**–**	–	**–**	–	**(19,275)**	(21,157)	**–**	–	**(37,056)**	(35,001)
Share of results of associates	**513,233**	470,922	**–**	–	**–**	–	**–**	–	**–**	–	**4,691**	779	**–**	–	**517,924**	471,701
Profit/(loss) before taxation	**501,111**	283,221	**(638)**	5,244	**698**	–	**(2,821)**	(13,374)	**33,151**	38,309	**5,422**	(41,313)	**–**	–	**536,923**	272,087
Income tax (expense)/ credit	**(14,212)**	(7,604)	**582**	(1,401)	**(637)**	–	**3,672**	10,342	**(2,321)**	(3,831)	**(7,117)**	(3,981)	**–**	–	**(20,033)**	(6,475)
Profit/(loss) for the year	**486,899**	275,617	**(56)**	3,843	**61**	–	**851**	(3,032)	**30,830**	34,478	**(1,695)**	(45,294)	**–**	–	**516,890**	265,612
Interest income	**7,742**	26,548	**1,463**	1,446	**–**	–	**–**	–	**–**	–	**33,653**	20,603	**–**	–	**42,858**	48,597
Depreciation and amortisation for the year	**323**	431	**536**	215	**9**	–	**–**	–	**–**	–	**772**	777	**–**	–	**1,640**	1,423

	Financial services		Insurance		Trading in motor vehicles		Property development and investment		Strategic investment		Others		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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*
At 31 December														
The Company and subsidiaries	**136,815**	241,864	**235,656**	228,904	**189,426**	111,635	**73,248**	78,649	**503,514**	550,540	**1,261,728**	1,045,708	**2,400,387**	2,257,300
Investments in associates	**4,797,639**	4,043,936	**–**	–	**–**	–	**–**	–	**–**	–	**44,393**	38,066	**4,842,032**	4,082,002
Total assets	**4,934,454**	4,285,800	**235,656**	228,904	**189,426**	111,635	**73,248**	78,649	**503,514**	550,540	**1,306,121**	1,083,774	**7,242,419**	6,339,302
The Company and subsidiaries	**224,461**	829,127	**103,842**	112,200	**3,650**	–	**27,753**	31,087	**–**	–	**371,811**	579,791	**731,517**	1,552,205
Total liabilities	**224,461**	829,127	**103,842**	112,200	**3,650**	–	**27,753**	31,087	**–**	–	**371,811**	579,791	**731,517**	1,552,205
Capital expenditure incurred during the year	**11**	2	**2,946**	390	**–**	–	**–**	–	**–**	–	**98**	38	**3,055**	430

(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, intangible assets, investment properties and investments in 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 intangible assets and investments in associates.

	Hong Kong		Mainland China		Macau		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Year ended 31 December								
Revenues from external customers	**19,341**	28,653	**861,243**	69,067	**40,926**	36,659	**921,510**	134,379
At 31 December								
The Company and subsidiaries	**112,214**	107,138	**75,699**	81,314	**1,287**	83	**189,200**	188,535
Investments in associates	**–**	–	**4,842,032**	4,082,002	**–**	–	**4,842,032**	4,082,002
Specified non-current assets	**112,214**	107,138	**4,917,731**	4,163,316	**1,287**	83	**5,031,232**	4,270,537

3 OTHER GAINS/(LOSSES) – NET

	2017	2016
	HK$'000	*HK$'000*
Fair value gains on listed equity securities measured at fair value through profit or loss	**22**	317
Gains on disposal of listed equity securities measured at fair value through profit or loss	**613**	613
Fair value losses on revaluation of investment properties	**(718)**	(8,679)
Loss on dilution of interest in an associate	**–**	(40,424)
Gain on disposal of interest in an associate	**–**	438
Gain on disposal of an associate classified as held for sale	**–**	1,824
Net gains on disposal of available-for-sale financial assets	**9,802**	306
Gain on disposal of repossessed assets	**548**	–
Net exchange gains/(losses)	**15,536**	(19,343)
	25,803	(64,948)

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

	2017	2016
	HK$'000	*HK$'000*
Net insurance claims incurred on insurance business (a)	**23,140**	19,560
Net commission expenses incurred on insurance business (b)	**30,153**	28,466
	53,293	48,026

(a) Net insurance claims incurred on insurance business

	2017		
	Gross	**Reinsurance**	**Net**
	HK$'000	***HK$'000***	***HK$'000***
Current year claims and loss adjustment expenses	**17,501**	**(4,417)**	**13,084**
Additional cost/(run-off savings) for prior years' claims and loss adjustment expenses	**12,763**	**(2,314)**	**10,449**
Increase/(decrease) in claims incurred but not reported	**989**	**(604)**	**385**
Decrease in the expected cost of claims for unexpired risks	**(778)**	**–**	**(778)**
	30,475	**(7,335)**	**23,140**

	2016		
	Gross	Reinsurance	Net
	HK$'000	*HK$'000*	*HK$'000*
Current year claims and loss adjustment expenses	12,083	(129)	11,954
Additional cost/(run-off savings) for prior years' claims and loss adjustment expenses	2,984	(3,705)	(721)
Increase in claims incurred but not reported	6,491	619	7,110
Increase in the expected cost of claims for unexpired risks	1,217	–	1,217
	22,775	(3,215)	19,560

(b) Net commission expenses incurred on insurance business

	2017	2016
	HK$'000	*HK$'000*
Gross commissions paid and payable	**30,669**	28,933
Less: Commissions received and receivable from reinsurers	**(516)**	(467)
Net commission expenses	**30,153**	28,466

5 OPERATING PROFIT/(LOSS)

	2017	2016
	HK$'000	*HK$'000*
Operating profit/(loss) is stated after crediting and charging the following:		
Crediting		
Net exchange gains	**15,536**	–
Rentals received and receivable from investment properties less direct outgoings	**8,159**	7,960
Charging		
Staff costs, including directors' emoluments	**34,947**	33,897
– Salaries, allowances and bonus	***33,837***	*32,825*
– Retirement benefit costs	***1,110***	*1,072*
Auditor's remuneration	**2,748**	2,573
– provision for current year	***2,388***	*2,388*
– over provision in prior year	**–**	*(175)*
– interim attestation work	***360***	*360*
Costs of sales	**819,733**	–
– Cost of inventories	***818,825***	–
– Others	***908***	–
Depreciation and amortisation	**1,640**	1,423
Management fee	**1,880**	1,880
Loss on disposal of property, plant and equipment	**38**	20
Net exchange losses	**–**	19,343
Operating lease rentals in respect of land and buildings	**658**	638

6 FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest expenses on bank loans	**37,056**	35,001

7 INCOME TAX EXPENSE

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

	2017	2016
	HK$'000	*HK$'000*
Current tax		
Hong Kong profits tax	**465**	466
Mainland China corporate income tax	**7,249**	3,474
Mainland China withholding tax	**15,217**	16,160
Macau taxation	**–**	370
	22,931	20,470
Under provision in prior year		
Macau taxation	**4**	6
Deferred tax		
Relating to the origination and reversal of temporary differences	**(2,902)**	(14,001)
Income tax expense	**20,033**	6,475

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year.

Mainland China corporate income tax has been calculated at the rate of 25% (2016: 25%) on the estimated taxable profits for the year.

Mainland China withholding tax is levied at 10% on dividend income received from investees incorporated in Mainland China when these investees declared dividend out of profits earned after 1 January 2008.

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

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company for the year ended 31 December 2017 of HK$516,890,000 (2016: HK$265,612,000) and the weighted average of 536,725,670 (2016: 462,537,572 as restated) shares in issue during the year. The weighted average number of shares used in the calculation of earnings per share had been adjusted for the bonus element of the rights issue following the completion of the rights issue on 14 June 2017 and the prior year comparative had also been restated for such effect.

The Group has no dilutive potential 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 31 December 2017, the ageing analysis of insurance receivable by invoice date was summarised as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**3,575**	5,023
31-60 days	**3,511**	3,724
61-90 days	**2,498**	2,737
Over 90 days	**1,270**	2,636
	10,854	14,120

10 LOANS TO CUSTOMERS AND INTEREST RECEIVABLE

	2017	2016
	HK$'000	*HK$'000*
Micro credit business		
– guaranteed loans	**175,307**	167,906
– secured loans	**111,763**	123,543
– pledged and guaranteed loans	**11,529**	10,717
– secured, pledged and guaranteed loans	**5,025**	6,200
Loans to customers	**303,624**	308,366
Interest receivable	**12,386**	12,014
	316,010	320,380
Impairment allowances		
– individually assessed	**(289,944)**	(278,650)
– collectively assessed	**(1)**	(150)
	(289,945)	(278,800)
	26,065	41,580
Analysed for reporting purposes		
– Non-current assets	**39**	436
– Current assets	**26,026**	41,144
	26,065	41,580

At 31 December 2017, the credit quality of the loans to customers was summarised as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**40**	850
Past due but not impaired	**48**	4,383
Individually impaired	**303,536**	303,133
	303,624	308,366

At 31 December 2017, the ageing analysis of the past due but not impaired loans to customers was summarised as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**–**	211
Over 90 days	**48**	4,172
	48	4,383

At 31 December 2017, the ageing analysis of individually impaired loans to customers was summarised as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**–**	1,958
91-180 days	**–**	1,898
181-365 days	**3,711**	29,845
Over 365 days	**299,825**	269,432
	303,536	303,133

At 31 December 2017, the ageing analysis of overdue interest receivable arising from the loans to customers by due date was summarised as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**–**	86
61-90 days	**–**	8
Over 90 days	**12,386**	11,920
	12,386	12,014

At 31 December 2017, the ageing analysis of the past due but not impaired interest receivable arising from the loans to customers was summarised as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**–**	67

11 INSURANCE PAYABLE

At 31 December 2017, the ageing analysis of the insurance payable by invoice date was summarised as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**2,277**	3,330
31-60 days	**2,249**	1,752
61-90 days	**1,591**	1,522
Over 90 days	**1,133**	4,300
	7,250	10,904

DIVIDEND

The Board of the Company has resolved to recommend at the forthcoming Annual General Meeting of the Company to be held on Wednesday, 13 June 2018 ("2018 AGM") the payment of a final dividend of 8 HK cents per share totalling HK$47,780,580.16 for the year ended 31 December 2017 (2016: final dividend of 5 HK cents per share totalling HK$22,971,432.80). The proposed dividend, if approved, will be paid on or before 3 July 2018.

CLOSURE OF REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the 2018 AGM

For the purpose of determining the entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Friday, 8 June 2018 to Wednesday, 13 June 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2018 AGM, all completed transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 7 June 2018.

(b) For determining the entitlement to the proposed final dividend

The proposed final dividend for year ended 31 December 2017 is subject to the approval by the shareholders of the Company at the 2018 AGM. For the purpose of determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 21 June 2018 to Friday, 22 June 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 20 June 2018.

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to report that the Group has achieved a satisfactory growth in 2017 and the financial results exceeded those of 2016.

The international economy experienced reasonable growth in 2017 benefitting from the positive investment environment and abundant liquidity. The economy in Mainland China achieved a steady growth in the 'new normal' era of development, but the ongoing economic deleveraging on the domestic market has seen a slowdown in the long-term growth of investment.

We achieved satisfactory results in 2017. Profit attributable to shareholders grew by 94.6% to HK$516.89 million and basic earnings per share increased by 67.7% to 96.3 HK cents.

The Directors have resolved to recommend a final dividend of 8 HK cents per share for 2017, an increase of 60% as compared with 5 HK cents per share in 2016.

The Company has issued 137,828,596 new ordinary shares on 14 June 2017 by way of a rights issue on the basis of three rights shares for every ten existing ordinary shares at a subscription price of HK$6 per rights share. We have raised net proceeds of about HK$824.24 million to strengthen our capital base benefitted from the full support given by our controlling shareholder, Vigour Fine Company Limited ("Vigour Fine"). Vigour Fine has acted as the underwriter to the rights issue and acquired totalling 66,944,303 untaken rights shares in addition to 66,601,980 rights shares provisionally allotted to it. Vigour Fine held 59.53% interest in the Company after the completion of the rights issue.

Xiamen International Bank ("XIB"), the most significant investment of the Group, has contributed about 93.4% of the results of the Group in 2017. The Group's share of results of XIB was HK$513.23 million in 2017, an increase of 9% as compared to HK$470.92 million in 2016, despite the dilution of our shareholding interest in XIB from 10.6289% to 9.7635% at the end of 2016. XIB has achieved solid growth in its balance sheet partly by rapid organic growth and partly because of the acquisition of the majority shareholding interest in Chiyu Banking Corporation Limited ("CYB"). However, profitability was affected by narrowed interest margin due to the rise in the cost of Renminbi funding.

XIB has gradually achieved its strategic development plan to provide personalised and convenient services to customers in the Greater China region through its extensive network in Mainland China, Hong Kong and Macau. XIB will continue to respond swiftly to business opportunities in fast-moving market environment and deliver long-term value for shareholders.

We have made every effort to recover non-performing loans of our micro credit business in Mainland China. We have recovered overdue loans principal of RMB23.41 million from our customers in 2017 and impairment allowances related to those loans of RMB11.39 million was written back during the year. The allowances to total loans to customers and interest receivable ratio was 91.8% at 31 December 2017, an increase of 4.8 percentage points as compared to 87% at the end of 2016.

Our insurance business experienced a difficult time in 2017. We have recorded an underwriting loss after charging management expenses for underwriting business of HK$5.74 million in 2017, which was mainly due to the deteriorated claims experience of Macau insurance business affected by Typhoon Hato during the year.

We have started our business of trading in motor vehicles in 2016 and achieved a rapid growth in 2017. We have acquired motor vehicles from independent third parties in the aggregate of RMB1,341.75 million in 2017. Our contract sales for trading in motor vehicles were RMB875.75 million in 2017, in which we have recorded revenue from trading in motor vehicles of RMB705.03 million for the year ended 31 December 2017. We will continue to develop our motor vehicles trading business prudently and expand our business into different locations steadily.

Our capital base has been strengthened and the asset quality of the Group remains satisfactory. Total assets stood at HK$7.24 billion, representing an increase of 14.2% as compared to HK$6.34 billion at the end of 2016. As an investment-based Company, total assets of our banking business accounted for 66.2% of the Group's total assets at 31 December 2017 and results contributed by banking business represented 93.4% of the Group's profit attributable to shareholders in 2017. The Company is one of the minority shareholder controllers of CYB pursuant to the approval from Hong Kong Monetary Authority during the year.

Looking at the year ahead, we will continue to enhance asset quality and align our business initiatives with the economic policies set out by Central Government. We will make ongoing efforts to develop profitable trading business with reasonable yields and take a proactive approach to seize new opportunities for business and market development in order to deliver stable and long-term value for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The economic conditions continued to improve in Mainland China with the better-than-expected growth of 6.9% achieved in 2017, which was picked up by 0.2 percentage points as compared to 6.7% in 2016.

Operating Results

The Group achieved profit attributable to shareholders of HK$516.89 million, representing an increase of HK$251.28 million or 94.6%, as compared to HK$265.61 million in 2016. Basic earnings per share for the year was 96.3 HK cents, an increase of 38.88 HK cents or 67.7%, as compared to 57.42 HK cents in 2016.

The satisfactory performance achieved by the Group in 2017 reflected the cumulative effect of (i) the increase in share of results of XIB of HK$42.31 million as compared to that of 2016; (ii) the significant decrease in charge for impairment loss on loans to customers and interest receivable of HK$158.17 million as compared to that of 2016; and (iii) the lack of the one-off loss of HK$40.42 million for the dilution of the Company's shareholding in XIB from 10.6289% to 9.7635% in December 2016.

Financial Services

The financial services business of the Group includes the provision of micro credit business in Mainland China and the engagement of banking business through its major associates, XIB, CYB and Luso International Bank ("LIB") (collectively "XIB Group") in Mainland China, Hong Kong and Macau respectively.

The Group's financial services business reported a profit after tax of HK$486.9 million in 2017, an increase of 76.7% as compared to HK$275.62 million in 2016. The satisfactory performance reflected the cumulative effect of (i) the increase in share of results of XIB of HK$42.31 million as compared to that of 2016; (ii) the significant decrease in charge for impairment loss on loans to customers and interest receivable of HK$158.17 million as compared to that of 2016; and (iii) the lack of the one-off loss of HK$40.42 million for the dilution of the Company's shareholding in XIB from 10.6289% to 9.7635% in December 2016.

Banking Business

Benefitted from the positive macro conditions, coupled with the well-established branch network and technological infrastructures, XIB has created more opportunities to offer convenient and easy to use financial services in the Greater China market.

XIB reported a profit after tax prepared in accordance with the PRC Accounting Standards of RMB4.54 billion, an increase of RMB0.72 billion or 18.7%, as compared to RMB3.82 billion in 2016. Such increase was partly derived from the results contributed by CYB acquired during the year. Net interest income was affected by the narrowed interest margin due to the rise in the cost of Renminbi funding and grew by 1.7% in 2017. Net fee and commission income grew by 79.2% as compared to that of 2016.

At 31 December 2017, the total assets grew by 26.4% to RMB712.41 billion as compared to RMB563.53 billion at the end of 2016. Gross loans to customers were RMB285 billion, an increase of 33.1% as compared to RMB214.08 billion at the end of 2016. XIB substantially grew its loans portfolio while continuing to uphold good asset quality with non-performing loan ratio less than 1%. Total deposits from customers were up 16.4% to RMB470.66 billion from RMB404.27 billion at the end of 2016.

The acquisition of the majority shareholding interest in CYB during the year not only provides robust balance sheet growth but also boosts operating performance and results. XIB will further consolidate the operations of CYB by re-establishing the strategic priorities in line with those of XIB Group.

XIB becomes one of the Chinese banks that offer comprehensive financial services in Mainland China, Hong Kong and Macau. Supported by the extensive branches and sub-branches network set up in the more prosperous cities in the Greater China region, XIB is ready to enhance cross-border banking services and enrich customer services experience. This facilitates the acquisition of new customers and development of new business and in the long-term delivers value for shareholders.

Micro Credit Business

Sanming Sanyuan District Minxin Micro Credit Company Limited ("Minxin Micro Credit"), a wholly-owned subsidiary of the Company, is engaged in the provision of micro loans to small and medium-sized enterprises and individuals in Sanming City, Fujian Province.

The operating environment of Minxin Micro Credit remained challenging in 2017. Shortage of operating funds coupled with limited re-financing capacity faced by the small and medium size enterprises in Sanming City led to difficult operating conditions. Minxin Micro Credit made every effort to recover the deteriorated loans portfolio during the year. The non-performing loan ratio of Minxin Micro Credit was almost 100% at 31 December 2017.

At 31 December 2017, loans to customers were RMB252.82 million (equivalent to HK$303.62 million), a decrease of 8.5% from RMB276.23 million (equivalent to HK$308.37 million) at the end of 2016. These loans mainly comprised secured, pledged and guaranteed loans. Minxin Micro Credit had made impairment allowances on loans to customers and interest receivable totalling RMB241.43 million (equivalent to HK$289.95 million) in view of the default in interest payment and principal repayment and based on the credit quality of the respective overdue loans to customers and the value of the collaterals pledged at the end of 2017. Minxin Micro Credit made every effort to recover the deteriorated loans portfolio and overdue loans principal of RMB23.41 million (equivalent to HK$28.11 million) was recovered in 2017 and the impairment allowances related to those loans of RMB11.39 million (equivalent to HK$13.68 million) were written back during the year. The allowances to total loans to customers and interest receivable ratio was 91.8% at 31 December 2017, was up 4.8 percentage points as compared with 87% at the end of 2016.

Excluding the interest income accrued on impaired loans, Minxin Micro Credit reported interest income from loans to customers of RMB0.3 million (equivalent to HK$0.35 million) during the year, a decrease of 92.7% as compared to RMB4.13 million (equivalent to HK$4.87 million) in 2016, mainly due to the default in interest payment of non-performing loans. Minxin Micro Credit has written back net impairment allowances of RMB8.15 million (equivalent to HK$9.38 million) in 2017, as compared to a provision of RMB113.87 million (equivalent to HK$134.17 million) in 2016. Benefitted from the write back of impairment allowances, Minxin Micro Credit recorded a profit after tax of RMB3.77 million (equivalent to HK$4.34 million) in 2017, as compared to a loss after tax of RMB109.24 million (equivalent to HK$128.71 million) in 2016.

Minxin Micro Credit will remain proactive in managing asset quality and non-performing loans recovery. Minxin Micro Credit will further examine the available legal actions against delinquent borrowers in order to take possession of the pledged assets.

Insurance Business

Min Xin Insurance Company Limited ("Min Xin Insurance"), a wholly-owned subsidiary of the Company, underwrites general insurance businesses in Hong Kong and Macau.

Min Xin Insurance recorded gross insurance premium of HK$55.64 million in 2017, declined by 9.3% as compared to HK$61.33 million in 2016, mainly due to the significant decrease in gross insurance premium in Hong Kong market. The Macau insurance business performed well and achieved 11.6% growth in gross insurance premium in 2017. The operating results of Hong Kong insurance business was relatively weak and the gross insurance premium decreased by 40.3% in 2017.

Underwriting profit before deducting management expenses for underwriting business decreased by 66.7% to HK$3.12 million as compared to HK$9.35 million in 2016, mainly due to the deteriorated claims experience of Macau insurance business affected by Typhoon Hato during the year. Min Xin Insurance recorded an underwriting loss of HK$5.74 million in 2017, increased by 262.3% as compared to HK$1.59 million in 2016, after charging management expenses for underwriting business.

Min Xin Insurance recorded a loss after tax of HK$0.06 million in 2017, as compared to a profit after tax of HK$3.84 million in 2016, mainly due to the significant decrease in underwriting profit and gain on revaluation of investment properties.

Min Xin Insurance will continue to allocate sufficient resources to expand its Macau bancassurance business and seize new business opportunities in Hong Kong insurance market prudently.

Trading in Motor Vehicles

Fujian Minxin Investments Co., Ltd. ("Fujian Minxin"), a wholly-owned subsidiary of the Company, among others, engages in the trading in motor vehicles business.

Fujian Minxin has started trading in motor vehicles business in 2016 and achieved a rapid growth in 2017. Fujian Minxin has acquired motor vehicles from independent third parties in the aggregate of RMB1,341.75 million (equivalent to HK$1,611.37 million) in 2017, of which some purchases in the aggregate of RMB437.52 million (equivalent to HK$525.44 million) were scheduled to deliver after the reporting date. Contract sales for trading in motor vehicles were RMB875.75 million (equivalent to HK$1,051.73 million) for the year ended 31 December 2017.

The revenue from the sale of motor vehicles and cost of motor vehicles sold were RMB705.03 million (equivalent to HK$827.11 million) and RMB697.97 million (equivalent to HK$818.82 million) respectively for the year ended 31 December 2017. Gross profit amounted to RMB6.28 million (equivalent to HK$7.37 million) after taking into account direct costs attributable to trading in motor vehicles business. The profit after tax generated from trading in motor vehicles business was RMB3.96 million (equivalent to HK$4.65 million) for the year ended 31 December 2017. Fujian Minxin will continue to develop its motor vehicles trading business prudently and expand its business into different locations steadily.

Property Development and Investment

The property development and investment business of the Group mainly comprises the real estate development business and the leasing of certain investment properties in Mainland China. In 2017, the property development and investment business reported a profit after tax of HK$0.85 million as compared to a loss after tax of HK$3.03 million in 2016, mainly due to decrease in the revaluation loss of investment properties.

The market rental of grade-A offices in Fuzhou, Fujian Province has generally declined due to supply of new office towers in recent years. The occupancy rate and monthly rental of the commercial properties and parking spaces in Fuzhou (the "Fuzhou Property") of the Group were affected. The Group recorded a rental income of RMB3.79 million in 2017, was down 22.3% as compared to RMB4.88 million in 2016. At 31 December 2017, the fair value of the Fuzhou Property was RMB60.8 million, a decrease of 13.7% as compared to the fair value of RMB70.44 million at the end of 2016. The Group recorded a fair value loss of HK$5.62 million and a fair value loss after deferred tax of HK$1.95 million in 2017, both were decreased significantly as compared to a fair value loss of HK$16.88 million and a fair value loss after deferred tax of HK$6.54 million in 2016.

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

At 31 December 2017, the Shanghai Composite Index increased by about 6.6% as compared to that at the end of 2016. However, the closing bid price per A-Share of Huaneng Power International, Inc. ("Huaneng") as quoted on the Shanghai Stock Exchange declined from RMB7.05 per share at 31 December 2016 to RMB6.17 per share at 31 December 2017. The fair value of the Huaneng A-Shares measured with reference to the closing bid price per A-Share of Huaneng stood at HK$503.51 million (equivalent to RMB419.26 million). In 2017, the Group recorded a loss of HK$30 million (2016: HK$177.38 million) arising from the change in its fair value 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 A-Shares continues to generate a satisfactory dividend income to the Group. During the year, Huaneng paid a final dividend for 2016 of RMB0.29 per share. The Group recorded dividend income totalling RMB20.29 million (equivalent to HK$23.21 million) during the year, a decrease of 38.3% as compared to the final dividend for 2015 of RMB0.47 per share totalling RMB32.88 million (equivalent to HK$38.31 million) recorded by the Group in 2016.

Huaneng has announced its 2017 annual results under the PRC Accounting Standards. Its operating revenue increased by 10.4% as compared to that of 2016, however, its operating expenses increased by 25.1% as compared to that of 2016, which was mainly due to coal price rose drastically in 2017. Its profit attributable to shareholders was RMB1.79 billion in 2017, decreased by 82.7% as compared to RMB10.38 billion in 2016. Earnings per share was RMB0.11 for the year, a decline of 83.8% as compared to RMB0.68 per share in 2016.

FINANCIAL REVIEW

Net Asset Value per Share

The Group adheres to the principle of prudent financial management and strives to maintain a healthy financial position. The Company has issued 137,828,596 new ordinary shares on 14 June 2017 by way of a rights issue on the basis of three rights shares for every ten existing ordinary shares at a subscription price of HK$6 per rights share. Based on 597,257,252 shares in issue at 31 December 2017 (2016: 459,428,656 shares), the net asset value per share was HK$10.9 at 31 December 2017 (2016: HK$10.42).

Total Liabilities to Equity Ratio and Current Ratio

The financial position of the Group has been strengthened due to net proceeds of about HK$824.24 million raised by way of a rights issue during the year. At 31 December 2017, the total liabilities of the Group were HK$731.52 million (2016: HK$1,552.21 million) and the ratio of total liabilities to total equity attributable to shareholders of the Company was 11.2% (2016: 32.4%). At 31 December 2017, the current assets and current liabilities of the Group were HK$1,693.97 million (2016: HK$1,497.39 million) and HK$467.33 million (2016: HK$928.55 million) respectively with a current ratio of 3.6 (2016: 1.6).

Borrowings and Charged Assets

The Group monitors its liquidity requirement on a short to medium term basis and arranges refinancing of the Group's borrowings as appropriate.

At 31 December 2017, the Group's borrowings from local banks totalling HK$556.88 million, a decrease of HK$806.35 million as compared to HK$1,363.23 million at 31 December 2016. The maturity profile of the bank loans based on the scheduled repayment dates set out in the loan facilities is spread over a period of two years, with HK$356.88 million repayable within one year and HK$200 million repayable more than one year but within two years. The bank loans of the Group are in Hong Kong dollars and subject to floating interest rates. The effective interest rate at 31 December 2017 ranged from 4.2% to 4.3% (2016: 3.3% to 4%) per annum.

At 31 December 2017, the secured portion of the bank loans were secured by the Group's bank deposits of RMB41 million (equivalent to HK$49.24 million) (2016: RMB41 million, equivalent to HK$45.77 million) placed with the lending banks and the self-use office building with a net book value of HK$9.92 million (2016: HK$10.18 million).

Save for the above, no other assets of the Group were pledged at 31 December 2017 and 2016 respectively.

Gearing Ratio

At 31 December 2017, the gearing ratio of the Group (total bank borrowings divided by total net assets) was 8.5% (2016: 28.3%).

Cash Position

The Group's bank deposits are interest bearing at prevailing market rates. At 31 December 2017, the total bank deposits of the Group amounted to HK$1,300.58 million (2016: HK$1,274.4 million) of which 18.8% were in Hong Kong Dollars, 79.8% in Renminbi and 1.4% in other currencies (2016: 5.5% in Hong Kong Dollars, 93.3% in Renminbi and 1.2% in other currencies).

Pursuant to the requirements from the Insurance Authority in Hong Kong (the "HKIA"), a subsidiary shall maintain at all times a portion of its funds of not less than HK$16 million in the name of Insurance Authority account in bank deposits. At 31 December 2017, that subsidiary has placed fixed deposits of HK$16 million (2016: RMB13.9 million, equivalent to HK$15.52 million and HK$2 million) in the name of Insurance Authority account with a bank in Hong Kong for fulfillment of such requirements. That subsidiary has also maintained bank deposits of MOP14.1 million (equivalent to HK$13.69 million), RMB4 million (equivalent to HK$4.8 million) and HK$9.6 million (2016: MOP14.1 million, equivalent to HK$13.69 million, RMB3.68 million, equivalent to HK$4.1 million and HK$1.2 million) for fulfilling certain requirements under the Macau Insurance Companies Ordinance.

Pursuant to the laws and regulations in Mainland China, a subsidiary has placed bank deposits of RMB2 million (equivalent to HK$2.4 million) at 31 December 2017 (2016: RMB8.74 million, equivalent to HK$9.76 million) to guarantee the application to the local court for property preservation right against default customers.

Risk of Exchange Rate Fluctuation

The Group operates in Hong Kong, Mainland China and Macau, the exposure in exchange rate risks mainly arises from currency fluctuation between Hong Kong Dollars and Renminbi. As the Hong Kong Dollars and Renminbi are both under managed floating systems, the Group reviews and monitors periodically its foreign currency exposure and considers hedging significant foreign currency exposure should the need arise. The Group did not enter into any derivative contracts aimed at minimising exchange rate risks during the year.

Capital Commitments

At 31 December 2017, the Group's capital commitments relating to property, plant and equipment and investment properties amounted to HK$0.63 million (2016: HK$0.19 million).

Contingent Liabilities

At 31 December 2017 and 2016, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2017, the Group had 74 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.

The Group regards human resources as its valuable assets. The Group offers numerous employee benefits and group activities to our staff members. To motivate our employees to enhance and develop their professional knowledges and skills, the Group provides on-the-job trainings and workshops for our employees as well as encourages them to attend seminars and trainings with topics of relevance to their jobs and duties funded by the Group. The Group also organises recreational outings on topics such as Christmas party and company trip.

CUSTOMER RELATIONSHIPS

With respect to the Group's insurance business, we are committed to establish a good long-term business relationship with our brokers and agents. Insurance products together with the pricing philosophy and other guidelines will be provided to the brokers and agents if needed. Our underwriters will visit our brokers and agents regularly to maintain a good relationship. Our claims and customer service staff will swiftly and carefully manage and respond to our brokers' and agents' enquiries in relation to the insurance products and other related matters.

ENVIRONMENTAL POLICY

Being a responsible corporate citizen, the Group continues to support the environmental protection initiatives to conserve the natural resources. We place a high priority on minimisation of the environmental impact of our business activities by promoting energy-efficient lighting to reduce energy consumption. In addition, we actively encourage staff members to consume less energy, water and paper, such as e-filings and paper recycling in our offices.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance is an integral part of the Group's corporate governance and we are aware of the potential risks of regulatory non-compliance. As far as the Board is aware, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

KEY RISKS AND UNCERTAINTIES

The Group's businesses, financial condition, results of operations and prospects may be affected by a number of risks and uncertainties. The following key risks and uncertainties identified by the Group are not exhaustive or comprehensive, and there may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Insurance and Financial Risks

The Group's business activities expose it to a variety of insurance risk and financial risks including market risk (foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The details of the Group's insurance risk and financial risks exposure are set out in Note 4 to the Consolidated Financial Statements in the Company's 2017 Annual Report.

Business Risks

Banking Business

The growth of XIB Group depends on the macroeconomic factors that affect Mainland China, Hong Kong and Macau, including the growth of gross domestic product, inflation levels, changes in laws and regulations related to banks and financial products, changes in macroeconomic control policies, market liquidity, changes in credit policies, changes in loan demands as well as progress of financial reform and interest rate liberalisation. XIB Group may be unable to maintain its growth rate as a result of an adverse change in any one or more of the above factors or other factors, which could have a material and adverse effect on its financial condition, results of operations and prospects.

Micro Credit Business

Pursuant to the relevant laws and regulations in Mainland China, Minxin Micro Credit is not permitted to grant any loan to non-resident customers in Sanming City. As the business operations of Minxin Micro Credit is restricted to Sanming City, its growth opportunities and operating results will depend on the stability and prosperity of economy of Sanming City. If there is significant deterioration of the economy in Sanming City, it may have adverse effect on the repayment ability of its customers, and indeed, the financial condition and results of operations of Minxin Micro Credit may be adversely affected.

Insurance Business

The insurance industries in Hong Kong and Macau are highly regulated. Companies carrying on insurance business in Hong Kong and Macau must obtain authorisation from HKIA and Autoridade Monetária De Macau (the "AMCM") respectively and are subject to the requirements imposed by HKIA and AMCM from time to time. Authorisation will only be granted to insurers when certain requirements under the Insurance Ordinance and Macau Insurance Companies Ordinance are met. Compliance with applicable laws, rules and regulations may restrict the operations of the Group's insurance business and requires the Group to deploy significant resources and to devote considerable time to such compliance efforts. New or revised laws, rules and regulations may be introduced from time to time and such changes may have an adverse effect on the insurance business of the Group in Hong Kong and Macau.

The Group establishes and maintains reserves to cover estimated losses and associated expenses for reported and unreported claims. Reserves estimated can be affected by various variables, such as changes in claims handling procedures, inflation, missing claims and legislative and regulatory changes. Most of these variables are not directly quantifiable, particularly on a prospective basis, and are outside the Group's control. As a result, actual claims payments may differ significantly from the reserves estimated, despite the use of actuarial analysis in calculating reserves. If the Group's reserves are inadequate and need to be increased in future periods, the results of the Group's insurance business would be adversely affected.

Trading in Motor Vehicles

The trading in motor vehicles market is highly competitive. Fujian Minxin faces intense competition in terms of pricing strategy and product mix offered. The competitors may have certain competitive advantages including stronger brand recognition, broader product portfolio and comprehensive after-sales service and wider geographical coverage. The failure to remain competitive by Fujian Minxin will have a material effect on the results of operations of the trading in motor vehicles business.

Property Investment

The monthly rental and the occupancy rate will depend on various factors, including but not limited to prevailing supply and demand conditions of office building, economic conditions of Mainland China as well as the quality of the properties. There is no assurance that the Group is able to look for new tenants within a short period of time or procure new leases or renew existing leases at the prevailing market monthly rental.

The Group is required to revalue its investment properties at the end of each reporting period and the change in fair value is recognised in the consolidated income statement. There is no assurance that changes in market conditions will continue to generate gains or losses on revaluation at similar level or at same level, or there will be no further decline in the fair value of the Group's investment properties.

Huaneng A-Shares

Huaneng is listed on the Shanghai Stock Exchange and Huaneng A-Shares is classified as a long-term available-for-sale financial asset of the Group. The dividend income from Huaneng A-Shares is affected by various factors which are beyond the Group's control, including but not limited to the results of operations, liquidity position and dividend policy of Huaneng.

The Group is required to measure Huaneng A-Shares at its fair value at the end of each reporting period and the change in fair value is recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve. The fair value of Huaneng A-Shares is measured with reference to the closing bid price per A-Share of Huaneng. The closing bid price of A-Share of Huaneng may be volatile and is affected by various factors which are beyond the Group's control, including but not limited to the results of operations of Huaneng, investor sentiment or confidence in the stock market and changes in economic conditions of Mainland China.

PROSPECTS

Mainland China achieved a better-than-expected economic growth in 2017 backed by the positive shift in global economic conditions. Looking at the year ahead, the Central Government has set an economic growth target of about 6.5% for 2018, indicating tolerance for a more moderate rate of expansion in the "new normal" era of development.

The Group will continue to focus on asset quality enhancement as well as the re-establishment of strategic priorities and the consolidation of operations of existing business. The Group will make ongoing efforts to develop profitable trading business with reasonable yields. The Group believes that XIB will continue to strengthen its service scope and distribution capabilities backed by the well-established branch network in Mainland China, Hong Kong and Macau and contribute reasonable returns for shareholders.

As an investment-based company with sound financial position, the Group will align our business initiatives with the economic policies set by the Central Government. The Group will continue to take a proactive approach to grasp new business opportunities and market development under "One Belt, One Road" initiative in a profitable manner in order to deliver stable and long-term value for shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the year.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company had complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2017 save as disclosed below:

CG Code A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The Non-executive Directors of the Company are not appointed for a specific term, but they are subject to retirement by rotation and re-election at annual general meetings in accordance with the Articles of Association of the Company.

COMPLIANCE WITH MODEL CODE

The Company has adopted its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. Specific enquiry has been made to all the Directors of the Company who confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the year ended 31 December 2017.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group, and discussed risk management, internal controls and financial reporting matters including a review of the audited annual results of the Group for the year ended 31 December 2017.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Statement of Comprehensive Income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PROPOSED CHANGE OF AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2017 have been audited by PricewaterhouseCoopers. PricewaterhouseCoopers will retire as auditor of the Company with effect from the conclusion of the 2018 AGM in order to facilitate the audit arrangements between the Company and XIB due to the change of auditor of XIB from PricewaterhouseCoopers to KPMG in 2017. The change of auditor of the Company will enhance the efficiency and effectiveness of the audit in terms of both cost and audit process which would be in the best interests of the Company and its shareholders as a whole.

The Board has resolved to propose the appointment of KPMG as the auditor of the Company subject to the approval of the shareholders of the Company at the 2018 AGM.

The Board was not aware of any other matter regarding the proposed change of auditor that should be brought to the attention of the shareholders of the Company. Confirmation shall be obtained from PricewaterhouseCoopers if there are matters in relation to their retirement as the auditor of the Company which should be brought to the attention of the shareholders of the Company. Information provided in the auditor's confirmation, if any, will be set out in a circular to be delivered to the shareholders of the Company.

The Board would like to express its appreciation for the services of PricewaterhouseCoopers provided to the Company in the past years.

PUBLICATION OF ANNUAL REPORT

The Company's 2017 Annual Report containing the relevant information required by the Listing Rules will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Min Xin Holdings Limited
PENG Jin Guang
Chairman

Hong Kong, 28 March 2018

As at the date of this announcement, the executive Directors of the Company are Messrs PENG Jin Guang (Chairman), WANG Fei (Vice Chairman) and LIU Cheng; the non-executive Directors are Messrs LIU Lun and HON Hau Chit; the independent non-executive Directors are Messrs IP Kai Ming, SZE Robert Tsai To, SO Hop Shing and CHEUNG Man Hoi.