# MIN XIN HOLDINGS LIMITED
# 閩信集團有限公司

*(Incorporated in Hong Kong with limited liability)*

(Stock code: 222)

## ANNOUNCEMENT OF 2016 ANNUAL RESULTS

### FINANCIAL HIGHLIGHTS

- Profit attributable to shareholders amounted to HK$266 million, a decrease of 44.4%
- Excluding the impacts of the loss on dilution and the decrease in share of results resulted from dilution in the Company's shareholding in Xiamen International Bank, underlying attributable profit declined by 12.7%
- Basic earnings per share decreased by 44.4% to 57.81 HK cents
- Total assets increased by 7.7% to HK$6.34 billion
- Total equity attributable to shareholders dropped by 5.8% to HK$4.79 billion
- Recommended a final dividend of 5 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 2016 as follows:

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 December 2016*

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Turnover** | *2* | **134,379** | 144,075 |
| Total revenues | *2* | **154,563** | 168,574 |
| Other (losses)/gains – net | *3* | **(64,948)** | 43,732 |
| **Total operating income** | | **89,615** | 212,306 |
| Net insurance claims incurred and commission expenses incurred on insurance business | *4* | **(48,026)** | (45,164) |
| Impairment loss on loans to customers and interest receivable | | **(154,777)** | (136,785) |
| Staff costs | | **(33,897)** | (31,997) |
| Depreciation | | **(1,423)** | (1,417) |
| Other operating expenses | | **(16,105)** | (18,865) |
| **Total operating expenses** | | **(254,228)** | (234,228) |
| **Operating loss** | *5* | **(164,613)** | (21,922) |
| Finance costs | *6* | **(35,001)** | (12,958) |
| Share of results of associates | | **471,701** | 520,900 |
| **Profit before taxation** | | **272,087** | 486,020 |
| Income tax expense | *7* | **(6,475)** | (8,681) |
| **Profit for the year** | | **265,612** | 477,339 |
| **Dividend** | | | |
| – Final dividend | | **22,971** | 22,971 |
| | | ***HK CENTS*** | *HK CENTS* |
| **Earnings per share** | | | |
| Basic and diluted | *8* | **57.81** | 103.90 |
| **Dividend per share** | | | |
| – Final dividend | | **5** | 5 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2016*

| | Note | 2016 | 2015 |
|---|---|---|---|
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Profit for the year** | | **265,612** | 477,339 |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified to income statement:** | | | |
| **Leasehold buildings revaluation reserve** | | | |
| Unrealised surplus on revaluation of leasehold building transferred to investment property | | – | 2,852 |
| Deferred income tax | | – | (521) |
| | | – | 2,331 |
| **Items that may be reclassified subsequently to income statement:** | | | |
| **Available-for-sale investment revaluation reserve** | | | |
| Fair value changes charged to equity | | **(177,342)** | (42,280) |
| Deferred income tax | | **29** | 12 |
| Release on disposal | | **(207)** | – |
| Release on dilution of interest in an associate | | **3,793** | (18,043) |
| | | **(173,727)** | (60,311) |
| **Exchange translation reserve** | | | |
| Exchange differences arising on translation of the financial statements of foreign subsidiaries and associates | | **(294,456)** | (179,567) |
| Release on disposal of an associate | | **136** | – |
| Release on disposal of an associate classified as held for sale | | **(1,804)** | – |
| Release on dilution of interest in associates | | **22,311** | (22,566) |
| | | **(273,813)** | (202,133) |
| **Share of other comprehensive income of associates** | | **(91,233)** | 61,293 |
| | | **(538,773)** | (201,151) |
| **Other comprehensive income for the year, net of tax** | | **(538,773)** | (198,820) |
| **Total comprehensive income for the year** | | **(273,161)** | 278,519 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2016*

| | | 2016 | 2015 |
|---|---|---|---|
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Non-current assets** | | | |
| Property, plant and equipment | | **17,999** | 19,061 |
| Investment properties | | **170,536** | 179,215 |
| Associates | | **4,082,002** | 3,263,977 |
| Available-for-sale financial assets | | **551,158** | 728,713 |
| Held-to-maturity financial assets | | **3,091** | – |
| Loans to customers and interest receivable | *10* | **436** | 1,519 |
| Reinsurance assets | | **4,420** | 2,479 |
| Prepayments | | **1,500** | 1,549 |
| Deferred income tax assets | | **10,767** | 6,746 |
| | | **4,841,909** | 4,203,259 |
| **Current assets** | | | |
| Available-for-sale financial assets | | **6,592** | – |
| Deferred acquisition costs | | **16,670** | 15,061 |
| Insurance receivable | *9* | **14,120** | 15,591 |
| Reinsurance assets | | **3,527** | 2,376 |
| Loans to customers and interest receivable | *10* | **41,144** | 190,659 |
| Dividend receivable from an associate | | **118,123** | – |
| Other debtors | | **4,266** | 4,268 |
| Prepaid taxes | | **–** | 1,253 |
| Advance payment | | **8,216** | – |
| Other prepayments and deposits | | **2,652** | 2,606 |
| Repossessed assets | | **2,566** | – |
| Financial assets at fair value through profit or loss | | **5,108** | 8,095 |
| Cash and bank balances | | **1,274,409** | 1,432,106 |
| | | **1,497,393** | 1,672,015 |
| Assets classified as held for sale | | **–** | 12,698 |
| | | **1,497,393** | 1,684,713 |
| **Current liabilities** | | | |
| Insurance contracts | | **55,508** | 53,806 |
| Insurance payable | *11* | **10,904** | 8,818 |
| Other creditors and accruals | | **25,028** | 25,021 |
| Bank borrowings | | **800,645** | 113,734 |
| Current income tax payable | | **36,464** | 25,444 |
| | | **928,549** | 226,823 |
| **Net current assets** | | **568,844** | 1,457,890 |
| **Total assets less current liabilities** | | **5,410,753** | 5,661,149 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)***

*As at 31 December 2016*

| | | 2016 | 2015 |
|---|---|---|---|
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Non-current liabilities** | | | |
| Bank borrowings | | **552,774** | 502,116 |
| Insurance contracts | | **38,268** | 33,844 |
| Deferred income tax liabilities | | **32,614** | 41,960 |
| | | **623,656** | 577,920 |
| **Net assets** | | **4,787,097** | 5,083,229 |
| **Share capital** | | **891,135** | 891,135 |
| **Other reserves** | | **1,036,270** | 1,501,099 |
| **Retained profits** | | | |
| Proposed dividend | | **22,971** | 22,971 |
| Others | | **2,836,721** | 2,666,165 |
| **Amount recognised in other comprehensive income and accumulated in equity relating to assets held for sale** | | – | 1,859 |
| **Total equity attributable to shareholders of the Company** | | **4,787,097** | 5,083,229 |

*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.

| | |
|---|---|
| – HKFRS 14 | Regulatory Deferral Accounts |
| – Amendments to HKAS 1 | Disclosure Initiative |
| – Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| – Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants |
| – Amendments to HKAS 27 | Equity Method in Separate Financial Statements |
| – Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception |
| – Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |
| – Annual Improvements to HKFRSs 2012 – 2014 Cycle | |

Up to the date of issuance of this results announcement, the HKICPA has issued a number of following new standards and amendments to standards which are not yet effective for the accounting year ended 31 December 2016 and which have not been early adopted in these consolidated financial statements:

| | |
|---|---|
| – HKFRS 9 | Financial Instruments |
| – HKFRS 15 | Revenue from Contracts with Customers |
| – HKFRS 16 | Leases |
| – Amendments to HKAS 7 | Disclosure Initiative |
| – Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |
| – 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 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |

The Group is presently studying the implications of applying these new standards and amendments to standards 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 2016 and 2015 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 2015 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 2016 in due course.

The Company's auditor has reported on those consolidated financial statements of the Group for both years. Those 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:

| | **2016** | 2015 |
|---|---|---|
| | ***HK\$'000*** | *HK\$'000* |
| **Turnover** | | |
| Gross insurance premiums | **61,328** | 61,916 |
| Interest income from loans to customers (a) | **25,481** | 38,721 |
| Rental income from investment properties | **9,245** | 10,216 |
| Dividend income from available-for-sale financial assets | **38,325** | 33,222 |
| | **134,379** | 144,075 |
| **Movement in unearned insurance premiums** | **2,592** | (4,749) |
| **Reinsurance premiums ceded and reinsurers' share of movement in unearned insurance premiums** | **(6,547)** | (5,602) |
| **Other revenues** | | |
| Management fees | **48** | 90 |
| Interest income from bank deposits | **23,027** | 33,868 |
| Interest income from held-to-maturity financial assets | **89** | – |
| Dividend income from listed equity securities held for trading | **260** | 336 |
| Others | **715** | 556 |
| | **24,139** | 34,850 |
| **Total revenues** | **154,563** | 168,574 |

(a) The interest income from loans to customers for the year comprised an interest income accrued for impaired loans to customers of HK$20,611,000 (2015: HK$6,825,000).

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 in Mainland China and Luso International Bank in Macau.

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

– Trading in motor vehicles: this segment includes the Group's 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 Group's investment in A-Share of 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 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | ***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 | **25,481** | 38,721 | **65,351** | 65,516 | **–** | – | **5,238** | 6,616 | **38,309** | 33,222 | **–** | – | **–** | – | **134,379** | 144,075 |
| Inter-segments | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **3,807** | 3,952 | **(3,807)** | (3,952) | **–** | – |
| | **25,481** | 38,721 | **65,351** | 65,516 | **–** | – | **5,238** | 6,616 | **38,309** | 33,222 | **3,807** | 3,952 | **(3,807)** | (3,952) | **134,379** | 144,075 |
| Movement in net unearned insurance premiums and reinsurance premiums ceded | **–** | – | **(3,955)** | (10,351) | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **(3,955)** | (10,351) |
| Other revenues | **1,352** | 7,515 | **1,844** | 1,798 | **–** | – | **323** | 415 | **–** | – | **20,620** | 25,122 | **–** | – | **24,139** | 34,850 |
| **Total revenues** | **26,833** | 46,236 | **63,240** | 56,963 | **–** | – | **5,561** | 7,031 | **38,309** | 33,222 | **24,427** | 29,074 | **(3,807)** | (3,952) | **154,563** | 168,574 |
| **Other (losses)/ gains – net** | **(40,118)** | 65,940 | **7,680** | 10,663 | **–** | – | **(16,812)** | (11,693) | **–** | – | **(15,698)** | (21,178) | **–** | – | **(64,948)** | 43,732 |
| **Total operating income** | **(13,285)** | 112,176 | **70,920** | 67,626 | **–** | – | **(11,251)** | (4,662) | **38,309** | 33,222 | **8,729** | 7,896 | **(3,807)** | (3,952) | **89,615** | 212,306 |
| Impairment loss on loans to customers and interest receivable | **(154,777)** | (136,785) | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **(154,777)** | (136,785) |
| Operating expenses | **(5,795)** | (7,934) | **(65,676)** | (61,167) | **–** | – | **(2,123)** | (2,757) | **–** | – | **(29,664)** | (29,537) | **3,807** | 3,952 | **(99,451)** | (97,443) |
| **Operating (loss)/ profit** | **(173,857)** | (32,543) | **5,244** | 6,459 | **–** | – | **(13,374)** | (7,419) | **38,309** | 33,222 | **(20,935)** | (21,641) | **–** | – | **(164,613)** | (21,922) |
| Finance costs | **(13,844)** | (3,475) | **–** | (89) | **–** | – | **–** | – | **–** | – | **(21,157)** | (9,394) | **–** | – | **(35,001)** | (12,958) |
| Share of results of associates | **470,922** | 517,973 | **–** | – | **–** | – | **–** | – | **–** | – | **779** | 2,927 | **–** | – | **471,701** | 520,900 |
| **Profit/(loss) before taxation** | **283,221** | 481,955 | **5,244** | 6,370 | **–** | – | **(13,374)** | (7,419) | **38,309** | 33,222 | **(41,313)** | (28,108) | **–** | – | **272,087** | 486,020 |
| Income tax (expense)/ credit | **(7,604)** | (9,461) | **(1,401)** | (940) | **–** | – | **10,342** | 7,634 | **(3,831)** | (3,322) | **(3,981)** | (2,592) | **–** | – | **(6,475)** | (8,681) |
| **Profit/(loss) for the year** | **275,617** | 472,494 | **3,843** | 5,430 | **–** | – | **(3,032)** | 215 | **34,478** | 29,900 | **(45,294)** | (30,700) | **–** | – | **265,612** | 477,339 |
| Interest income | **26,548** | 46,195 | **1,446** | 1,286 | **–** | – | **–** | – | **–** | – | **20,603** | 25,108 | **–** | – | **48,597** | 72,589 |
| Depreciation for the year | **431** | 474 | **215** | 172 | **–** | – | **–** | – | **–** | – | **777** | 771 | **–** | – | **1,423** | 1,417 |

| | Financial services | | Insurance | | Trading in motor vehicles | | Property development and investment | | Strategic investment | | Others | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | ***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 | **241,864** | 263,051 | **228,904** | 215,626 | **111,635** | – | **78,649** | 95,694 | **550,540** | 727,920 | **1,045,708** | 1,321,704 | **2,257,300** | 2,623,995 |
| Investments in associates | **4,043,936** | 3,224,389 | **–** | – | **–** | – | **–** | – | **–** | – | **38,066** | 39,588 | **4,082,002** | 3,263,977 |
| **Total assets** | **4,285,800** | 3,487,440 | **228,904** | 215,626 | **111,635** | – | **78,649** | 95,694 | **550,540** | 727,920 | **1,083,774** | 1,361,292 | **6,339,302** | 5,887,972 |
| The Company and subsidiaries | **829,127** | 27,304 | **112,200** | 102,594 | **–** | – | **31,087** | 41,874 | **–** | – | **579,791** | 632,971 | **1,552,205** | 804,743 |
| **Total liabilities** | **829,127** | 27,304 | **112,200** | 102,594 | **–** | – | **31,087** | 41,874 | **–** | – | **579,791** | 632,971 | **1,552,205** | 804,743 |
| Capital expenditure incurred during the year | **2** | 20 | **390** | 259 | **–** | – | **–** | – | **–** | – | **38** | 784 | **430** | 1,063 |

(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 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 associates.

| | Hong Kong | | Mainland China | | Macau | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Year ended 31 December** | | | | | | | | |
| Revenues from external customers | **28,653** | 32,241 | **69,067** | 78,585 | **36,659** | 33,249 | **134,379** | 144,075 |
| **At 31 December** | | | | | | | | |
| The Company and subsidiaries | **107,138** | 99,592 | **81,314** | 98,586 | **83** | 98 | **188,535** | 198,276 |
| Investments in associates | **–** | – | **4,082,002** | 3,263,977 | **–** | – | **4,082,002** | 3,263,977 |
| **Specified non-current assets** | **107,138** | 99,592 | **4,163,316** | 3,362,563 | **83** | 98 | **4,270,537** | 3,462,253 |

## 3 OTHER (LOSSES)/GAINS – NET

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Fair value gains/(losses) on listed equity securities measured at fair value through profit or loss | **317** | (1,451) |
| Gains/(losses) on disposal of listed equity securities measured at fair value through profit or loss | **613** | (8,819) |
| Fair value (losses)/gains on revaluation of investment properties | **(8,679)** | 10,178 |
| (Losses)/gains on dilution of interest in associates | **(40,424)** | 73,333 |
| Gain on disposal of interest in an associate | **438** | – |
| Gain on disposal of an associate classified as held for sale | **1,824** | – |
| Gain on disposal of available-for-sale financial assets | **306** | – |
| Net exchange losses | **(19,343)** | (29,509) |
| | **(64,948)** | 43,732 |

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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Net insurance claims incurred on insurance business (a) | **19,560** | 21,045 |
| Net commission expenses incurred on insurance business (b) | **28,466** | 24,119 |
| | **48,026** | 45,164 |

(a) Net insurance claims incurred on insurance business

| | **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** |

| | 2015 | | |
|---|---|---|---|
| | Gross | Reinsurance | Net |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Current year claims and loss adjustment expenses | 11,033 | (393) | 10,640 |
| Additional cost/(run-off savings) for prior years' claims and loss adjustment expenses | 7,787 | (179) | 7,608 |
| Increase in claims incurred but not reported | 1,357 | 1,030 | 2,387 |
| Increase in the expected cost of claims for unexpired risks | 410 | – | 410 |
| | 20,587 | 458 | 21,045 |

(b) Net commission expenses incurred on insurance business

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Gross commissions paid and payable | **28,933** | 24,392 |
| Less: Commissions received and receivable from reinsurers | **(467)** | (273) |
| Net commission expenses | **28,466** | 24,119 |

## 5 OPERATING LOSS

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Operating loss is stated after crediting and charging the following: | | |
| **Crediting** | | |
| Rentals received and receivable from investment properties less direct outgoings | **7,960** | 8,451 |
| **Charging** | | |
| Auditor's remuneration | **2,573** | 2,923 |
| *– provision for current year* | ***2,388*** | *2,523* |
| *– over provision in prior year* | ***(175)*** | *–* |
| *– interim attestation work* | ***360*** | *400* |
| Depreciation | **1,423** | 1,417 |
| Management fee | **1,880** | 1,880 |
| Loss on disposal of property, plant and equipment | **20** | 174 |
| Net exchange losses | **19,343** | 29,509 |
| Operating lease rentals in respect of land and buildings | **638** | 605 |
| Retirement benefit costs | **1,072** | 1,016 |

## 6 FINANCE COSTS

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans | **35,001** | 12,869 |
| Interest on margin loans | **–** | 89 |
| | **35,001** | 12,958 |

## 7 INCOME TAX EXPENSE

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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Current tax** | | |
| Hong Kong profits tax | **466** | 464 |
| Mainland China corporate income tax | **3,474** | 2,085 |
| Mainland China withholding tax | **16,160** | 15,344 |
| Macau taxation | **370** | 138 |
| | **20,470** | 18,031 |
| **Under/(over) provision in prior year** | | |
| Mainland China corporate income tax | **–** | 227 |
| Macau taxation | **6** | (53) |
| | **6** | 174 |
| **Deferred tax** | | |
| Relating to the origination and reversal of temporary differences | **(14,001)** | (9,524) |
| **Income tax expense** | **6,475** | 8,681 |

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year.

Mainland China corporate income tax has been calculated at the rate of 25% (2015: 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 2016 of HK$265,612,000 (2015: HK$477,339,000) and the weighted average of 459,428,656 (2015: 459,428,656) shares in issue during the year.

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 2016, the ageing analysis of insurance receivable by invoice date was summarised as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **5,023** | 7,927 |
| 31-60 days | **3,724** | 2,793 |
| 61-90 days | **2,737** | 2,612 |
| Over 90 days | **2,636** | 2,259 |
| | **14,120** | 15,591 |

## 10 LOANS TO CUSTOMERS AND INTEREST RECEIVABLE

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Micro credit business | | |
| – guaranteed loans | **167,906** | 161,828 |
| – secured loans | **123,543** | 162,057 |
| – pledged and guaranteed loans | **10,717** | 11,456 |
| – secured, pledged and guaranteed loans | **6,200** | 6,918 |
| Loans to customers | **308,366** | 342,259 |
| Interest receivable | **12,014** | 12,053 |
| | **320,380** | 354,312 |
| Impairment allowances | | |
| – individually assessed | **(278,650)** | (159,602) |
| – collectively assessed | **(150)** | (2,532) |
| | **(278,800)** | (162,134) |
| | **41,580** | 192,178 |
| Analysed for reporting purposes | | |
| – Non-current assets | **436** | 1,519 |
| – Current assets | **41,144** | 190,659 |
| | **41,580** | 192,178 |

At 31 December 2016, the credit quality of the loans to customers was summarised as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Neither past due nor impaired | **850** | 48,615 |
| Past due but not impaired | **4,383** | 25,075 |
| Individually impaired | **303,133** | 268,569 |
| | **308,366** | 342,259 |

At 31 December 2016, the ageing analysis of the past due but not impaired loans to customers was summarised as follows:

| | 2016 | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **211** | 149 |
| 31-60 days | **–** | 164 |
| 61-90 days | **–** | 1,790 |
| Over 90 days | **4,172** | 22,972 |
| | **4,383** | 25,075 |

At 31 December 2016, the ageing analysis of individually impaired loans to customers was summarised as follows:

| | 2016 | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 90 days | **1,958** | 42,838 |
| 91-180 days | **1,898** | 24,046 |
| 181-365 days | **29,845** | 141,659 |
| Over 365 days | **269,432** | 60,026 |
| | **303,133** | 268,569 |

At 31 December 2016, the ageing analysis of overdue interest receivable arising from loans to customers by due date was summarised as follows:

| | 2016 | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **86** | 410 |
| 31-60 days | **–** | 583 |
| 61-90 days | **8** | 642 |
| Over 90 days | **11,920** | 10,418 |
| | **12,014** | 12,053 |

At 31 December 2016, the ageing analysis of the past due but not impaired interest receivable arising from the loans to customers was summarised as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **67** | 25 |
| 31-60 days | **–** | 95 |
| 61-90 days | **–** | 93 |
| Over 90 days | **–** | 836 |
| | **67** | 1,049 |

## 11 INSURANCE PAYABLE

At 31 December 2016, the ageing analysis of the insurance payable by invoice date was summarised as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **3,330** | 3,880 |
| 31-60 days | **1,752** | 1,915 |
| 61-90 days | **1,522** | 1,801 |
| Over 90 days | **4,300** | 1,222 |
| | **10,904** | 8,818 |

## DIVIDEND

The Board of the Company has resolved to recommend at the forthcoming Annual General Meeting of the Company to be held on Wednesday, 21 June 2017 ("2017 AGM") the payment of a final dividend of 5 HK cents per share totaling HK$22,971,432.80 for the year ended 31 December 2016 (2015: final dividend of 5 HK cents per share totaling HK$22,971,432.80). The proposed dividend, if approved, will be paid on or before 12 July 2017.

## CLOSURE OF REGISTER OF MEMBERS

### (a) For determining the entitlement to attend and vote at the 2017 AGM

For the purpose of determining the entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Friday, 16 June 2017 to Wednesday, 21 June 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2017 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, 15 June 2017.

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

The proposed final dividend for year ended 31 December 2016 is subject to the approval by the shareholders of the Company at the 2017 AGM. For the purpose of determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 28 June 2017 to Thursday, 29 June 2017, 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 Tuesday, 27 June 2017.

## CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the annual results of the Company and its subsidiaries for the year ended 31 December 2016.

Economic growth in Mainland China was within the Central Government's target range amidst the success of policy measures designed to support economic stability and long-term economic transition. However, we faced challenging operating conditions in 2016 and the short-term performance of the Group has suffered.

Excluding the impacts of the HK$40.42 million loss on dilution of the Company's shareholding in Xiamen International Bank ("XIB") as compared to HK$73.04 million gain on dilution in 2015 and the decrease in share of results of XIB for the year of HK$47.05 million as compared to that of 2015 resulted from dilution in shareholding, underlying attributable profit declined by 12.7%. On a reported basis, the Group's profit attributable to shareholders was HK$265.61 million in 2016, representing a decrease of 44.4% as compared to HK$477.34 million in 2015. Basic earnings per share declined by 44.4% to 57.81 HK cents in 2016.

Our micro credit business in Mainland China continued to face severe challenges. The credit quality of the loans was further deteriorated and allowances to total loans and interest receivable ratio was 87% at the end of 2016, an increase of 41.2 percentage points, reflecting the more challenging credit environment and asset quality of the collaterals.

We started our new business of trading in motor vehicles when we entered into an agreement for the acquisition of 50 motor vehicles at a total consideration of RMB20.25 million from an independent third party in December 2016. Subsequent to the reporting date, the business growth meets our expectations.

We achieved anticipated results in our banking business under the challenging and highly competitive operating conditions. In 2016, the Group's share of results of its banking business stood at HK$470.92 million, representing a decrease of 9.1% as compared to HK$517.97 million in 2015, primarily due to the dilution of the Company's shareholding in XIB from 14.8005% to 10.6289% in June 2015.

We had successfully obtained the approval from China Banking Regulatory Commission for the subscription of 140 million new shares of XIB in December 2016. The dilution effect had been minimised through the successful capital contribution into XIB of RMB672 million and our shareholding percentage in XIB was 9.7635% at the end of 2016.

Asset quality of the Group remains satisfactory. Total assets stood at HK$6.34 billion, representing an increase of 7.7% as compared to HK$5.89 billion at the end of 2015. As an investment-based company, total assets of our banking business accounted for 65.7% of the Group's total assets and results contributed by banking business represented 167.4% of the Group's profit attributable to shareholders.

The Board has resolved to recommend the payment of a final dividend of 5 HK cents per share for the year ended 31 December 2016.

Looking at the year ahead, the tightening regulatory environment will require greater allocation of resources to risk management and compliance, as well as a more conservative attitude to capital planning. We will continue to explore opportunities to expand our insurance business in Hong Kong and Macau. At the same time, we will further tighten our credit control and redouble our efforts to recover non-performing loans of our micro credit business.

Xiamen International Investment Limited, a wholly owned subsidiary of XIB, had entered into a sale and purchase agreement to acquire in aggregate 64.31% of the total issued shares of Chiyu Banking Corporation Limited in December 2016. The agreement was completed in March 2017 and XIB has made a significant progress in development and implemented a strategic move into Hong Kong banking market.

As disclosed in the announcement of the Company on 17 March 2017, we had proposed to raise funds of about HK$827 million before expenses by way of Rights Issue of 137,828,596 Rights Shares at a price of HK$6 per Rights Share on the basis of three Rights Shares for every ten existing Shares held by the Qualifying Shareholders of the Company on 12 May 2017. Vigour Fine Company Limited, a controlling shareholder of the Company, had undertaken to subscribe the Rights Shares provisionally allotted to it and its subsidiary, and to underwrite the Rights Shares not taken up by other Qualifying Shareholders. The capital base of the Company will be strengthened after completion of the Rights Issue and the improved financial position provided sufficient internal resources and financing capacity for the Company to meet its future expansion needs.

In closing, I take this opportunity to express my heartfelt appreciation to my fellow board members for their invaluable advice and support. I also thank the management team and all our staff for their commitment and dedicated services. Also, on behalf of the Board, I wish to offer sincere thanks to our business partners and shareholders for their long-standing loyalty and continued support.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In 2016, the economic growth in Mainland China slowed further and deleveraging continued to present challenging operating conditions. The short-term performance of the Group has suffered in challenging operating conditions.

### Operating Results

In 2016, the Group achieved profit attributable to shareholders of HK$265.61 million, representing a decrease of HK$211.73 million, or 44.4%, as compared to HK$477.34 million in 2015. Basic earnings per share for the year was 57.81 HK cents, a decrease of 46.09 HK cents as compared to 103.9 HK cents in 2015.

Such decrease is primarily due to (i) the recognition of the one-off loss on dilution of the Company's shareholding in XIB from 10.6289% to 9.7635% in December 2016 of HK$40.42 million mainly due to the depreciation of Renminbi against Hong Kong Dollars, as compared to the one-off gain on dilution of the Company's shareholding in XIB of HK$73.04 million in 2015; and (ii) the decrease in share of results of XIB for the year ended 31 December 2016 of HK$47.05 million as compared to that of 2015 as the Company's shareholding in XIB had been diluted from 14.8005% to 10.6289% in June 2015.

Excluding the impacts of the HK$40.42 million loss on dilution of the Company's shareholding in XIB as compared to HK$73.04 million gain on dilution in 2015 and the decrease in share of results of XIB for the year of HK$47.05 million as compared to that of 2015 resulted from dilution in shareholding, underlying attributable profit declined by 12.7%.

### 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 and Luso International Bank ("LIB") ("XIB Group") in Mainland China and Macau respectively.

The Group's financial services business reported a profit after tax of HK$275.62 million in 2016, a decrease of 41.7% as compared to HK$472.49 million in 2015. Excluding the impacts of the HK$40.42 million loss on dilution of the Company's shareholding in XIB as compared to HK$73.04 million gain on dilution in 2015 and the decrease in share of results of XIB for the year of HK$47.05 million as compared to that of 2015 resulted from dilution in shareholding, underlying attributable profit amounted to HK$363.09 million, declined by 9.1% as compared to HK$399.45 million in 2015 mainly due to the decrease in interest income from micro credit business.

*Banking Business*

Supported by well-established online banking and mobile banking infrastructures, XIB committed to deliver more innovative, efficient and reliable financial services for the Great China market. Xiamen International Investment Limited, a wholly owned subsidiary of XIB, had entered into a sale and purchase agreement to acquire in aggregate 64.31% of the total issued shares of Chiyu Banking Corporation Limited in December 2016. XIB had taken all possible measures to deliver substantial value for its shareholders.

XIB reported a profit after tax prepared in accordance with the PRC Accounting Standards of RMB3.82 billion, an increase of RMB0.5 billion, or 15.2%, as compared to RMB3.32 billion in 2015. Net interest income continued to grow and recorded an increase of 11.1% in 2016, mainly driven by the growth of its loan portfolio. Non-interest income increased by 146.6% in 2016, which was mainly due to the solid growth in net fee and commission income and the significant decrease in net exchange losses.

At 31 December 2016, the total assets grew by 22.7% to RMB563.53 billion as compared to RMB459.2 billion at the end of 2015. Gross loans to customers were RMB214.08 billion, an increase of 39.4% as compared to RMB153.59 billion at the end of 2015. 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 30.3% to RMB404.27 billion from RMB310.34 billion at the end of 2015.

During the year, XIB had issued 2 billion new shares at RMB4.8 per share for a total consideration of RMB9.6 billion. The Company had entered into a capital contribution agreement with XIB to subscribe for 140 million new shares for a consideration of RMB672 million. The Company had successfully obtained the approval of the subscription of 140 million new shares of XIB from China Banking Regulatory Commission in December 2016 and our shareholding percentage in XIB was diluted to 9.7635% at the end of 2016 upon the completion of the capital contribution of XIB.

The presence of over 60 branches and sub-branches in 12 cities in Mainland China and 13 branches in Macau provides convenient services to customers. With the successful completion of the acquisition of Chiyu Banking Corporation Limited in March 2017, XIB has made a significant progress in development and implemented a strategic move into Hong Kong banking market. Supported by the networks established in Mainland China, Hong Kong and Macau, XIB will serve its customers better in order to meet the increasingly sophisticated needs of retail and corporate banking clients. It is believed that XIB will generate substantial 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.

Minxin Micro Credit continued to face challenging operating conditions in 2016. The operating conditions of the small and medium size enterprises in Sanming City remain difficult due to shortage of operating funds and limited re-financing capacity. The credit quality of the loan portfolio has further deteriorated as a result of the default in interest payment and principal repayment by our customers in 2016. The non-performing loan ratio of Minxin Micro Credit stood at 98.3%, an increase of 19.8 percentage points as compared to 78.5% at the end of 2015.

At 31 December 2016, loans to customers were RMB276.23 million (equivalent to HK$308.37 million), a decrease of 3.7% from RMB286.81 million (equivalent to HK$342.26 million) at the end of 2015. These loans mainly comprised secured, pledged and guaranteed loans. In view of the widespread of default in interest payment and principal repayment during the year and based on the credit quality of the respective overdue loans to customers and the value of the collaterals pledged at the reporting date, the Group had increased the impairment allowances on loans and interest receivable to RMB249.74 million (equivalent to HK$278.8 million) at the end of 2016, increased by 83.8% or RMB113.87 million, as compared to RMB135.87 million (equivalent to HK$162.13 million) at the end of 2015. Allowances to total loans (included interest receivable) ratio was 87% at 31 December 2016, was up 41.2 percentage points as compared with 45.8% at the end of 2015.

Excluding the interest income accrued on impaired loans, Minxin Micro Credit reported interest income generated from loans of RMB4.13 million (equivalent to HK$4.87 million) during the year, a decrease of 83.9% as compared to RMB25.75 million (equivalent to HK$31.9 million) in 2015, mainly due to the widespread of default in interest payment. Due to the additional provision of impairment allowances of RMB113.87 million (equivalent to HK$134.17 million) recorded for the year, Minxin Micro Credit recorded a loss after tax of RMB109.24 million (equivalent to HK$128.71 million), an increase of 32.9% as compared to RMB82.17 million (equivalent to HK$101.79 million) in 2015.

Minxin Micro Credit took aggressive action to manage asset quality, including but not limited to tighten the credit guidelines in order to control the quality of outstanding loans portfolio and redouble our efforts to recover the non-performing loans. Minxin Micro Credit had sued against certain borrowers who were delinquent in interest and principal repayment in order to take possession of the pledged assets. The management of Minxin Micro Credit will increase resources and efforts to recover non-performing loans for the year ahead.

**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$61.33 million in 2016, declined slightly by 1% as compared to HK$61.92 million in 2015, mainly due to the cessation of Construction EC business from the second half of 2015. Excluding the impact of the gross insurance premium of the Construction EC business, underlying gross insurance premium increased by 22.5% as compared to that of 2015. The Macau insurance business performed well and achieved a 10.3% increase in gross insurance premium in 2016. The Hong Kong insurance business showed a satisfactory results and the gross insurance premium grew by 52.8% in 2016, excluding the impact of the cessation of Construction EC business.

Min Xin Insurance has focused on short-term and relatively low risk insurance business after cessation of Construction EC business from the second half of 2015. Min Xin Insurance once again achieved improvement in underwriting results. Underwriting profit before deducting management expenses for underwriting business increased by 46% to HK$9.35 million as compared to HK$6.4 million in 2015, mainly due to the growth of Macau bancassurance business and improved claims experience. If management expenses for underwriting business are deducted from the underlying underwriting results, the underwriting loss reduced by 17.2% to HK$1.59 million in 2016.

Min Xin Insurance recorded a profit after tax of HK$3.84 million, a decrease of 29.2% from HK$5.43 million in 2015, mainly due to decrease in net gains generated from revaluation of investment property.

In order to promote its brand name, Min Xin Insurance held a product launch cocktail reception and a happy hour gathering party during the year. To enhance its service quality and speed up the workflow, Min Xin Insurance had also launched online system to facilitate the underwriting efficiency of standardised insurance products.

**Trading in Motor Vehicles**

Fujian Minxin Investments Co., Ltd. ("Fujian Minxin"), a wholly owned subsidiary of the Company, started its new business of trading in motor vehicles in December 2016.

Fujian Minxin had entered into an agreement for the acquisition of 50 motor vehicles at a total consideration of RMB20.25 million (equivalent to approximately HK$22.61 million) from an independent third party in December 2016. Subsequent to the reporting date, the business growth meets our expectations.

**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 2016, the property development and investment business reported a loss after tax of HK$3.03 million due to revaluation loss of investment properties, as compared to a profit after tax of HK$0.22 million in 2015.

The Group was able to maintain a satisfactory market rental income from its commercial properties and car parks in Fuzhou, Fujian Province (the "Fuzhou Property"). The Group recorded a rental income of RMB4.88 million in 2016, a decline of 12% as compared to RMB5.55 million in 2015. The market rental income in Fuzhou has generally declined due to over supply of office building. At 31 December 2016, the fair value of the Fuzhou Property was RMB70.44 million, a decrease of 12% as compared to the fair value of RMB80.04 million at the end of 2015. The Group recorded a fair value loss of HK$16.88 million and a fair value loss after deferred tax of HK$6.54 million in 2016, an increase of 43.7% and 59.1% respectively as compared to a fair value loss of HK$11.74 million and a fair value loss after deferred tax of HK$4.11 million in 2015.

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

At 31 December 2016, the Shanghai Composite Index increased by about 12.3% as compared to that at the end of 2015. However, the closing bid price of Huaneng's A-share declined from RMB8.72 per share at 31 December 2015 to RMB7.05 per share at 31 December 2016. The fair value of the Group's investment in Huaneng Shares measured with reference to the closing bid price of Huaneng's A-Share stood at HK$550.54 million (equivalent to RMB493.16 million). The loss of HK$177.38 million (2015: HK$42.21 million) arising from the change in its fair value was recorded 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 stable dividend income to the Group. During the year, Huaneng paid a final dividend for 2015 of RMB0.47 per share. The Group recorded dividend income totaling RMB32.88 million (equivalent to HK$38.31 million), as compared to the final dividend for 2014 of RMB0.38 per share totaling RMB26.58 million (equivalent to HK$33.22 million) recorded by the Group in 2015.

Huaneng has announced its 2016 annual results under the PRC Accounting Standards. Its operating revenue has decreased by 11.7% year-on-year, while its operating expenses have reduced by 2.3% as compared with last year. Such decrease in operating revenue was mainly due to the decrease of lowered on-grid tariff and reduced domestic power generation. Its profit attributable to equity holders has decreased by 36.1% to RMB8.81 billion with earnings per share of RMB0.58 for the year, a decrease of 38.9% as compared to RMB0.95 per share in 2015.

## 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. Based on 459,428,656 shares in issue at 31 December 2016 (2015: 459,428,656 shares), the net asset value per share was HK$10.42 at 31 December 2016 (2015: HK$11.06).

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

At 31 December 2016, the total liabilities of the Group were HK$1,552.21 million (2015: HK$804.74 million) and the ratio of total liabilities to total equity attributable to shareholders of the Company was 32.4% (2015: 15.8%). At 31 December 2016, the current assets and current liabilities of the Group were HK$1,497.39 million (2015: HK$1,672.02 million) and HK$928.55 million (2015: HK$226.82 million) respectively with a current ratio of 1.6 (2015: 7.4).

**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 2016, the Group's borrowings from local banks totaled HK$1,363.23 million (2015: HK$625.84 million), an increase of HK$737.39 million as compared to the end of 2015. The maturity profile of the loans based on the scheduled repayment dates set out in the loan facilities is spread over a period of three years, with HK$806.35 million repayable within one year, HK$356.88 million repayable more than one year but within two years and HK$200 million repayable more than two years but within five years. The loans of the Group are in Hong Kong dollars and subject to floating interest rates. The effective interest rate at 31 December 2016 ranged from 3.3% to 4% per annum (2015: 3.1% to 3.4% per annum).

At 31 December 2016, the secured portion of the bank loans were secured by the Group's bank deposits of RMB41 million (equivalent to HK$45.77 million) (2015: RMB41 million, equivalent to HK$48.93 million) placed with the lending banks and the self-use office building with a net book value of HK$10.18 million (2015: HK$10.44 million).

Save for the above, no other assets of the Group were pledged at 31 December 2016 and 2015 respectively.

**Gearing Ratio**

At 31 December 2016, the gearing ratio of the Group (total bank borrowings divided by total net assets) was 28.3% (2015: 12.1%).

### Cash Position

The Group's bank deposits are interest bearing at prevailing market rates. At 31 December 2016, the total bank deposits of the Group amounted to HK$1,274.4 million (2015: HK$1,432.1 million) of which 5.5% were in Hong Kong Dollars, 93.3% in Renminbi and 1.2% in other currencies (2015: 4.3% in Hong Kong Dollars, 94.7% in Renminbi and 1% in other currencies).

Pursuant to the requirements from the Office of the Commissioner of Insurance in Hong Kong (the "HKOCI"), 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 2016, that subsidiary has placed a fixed deposit of RMB13.9 million (equivalent to HK$15.52 million) and HK$2 million (2015: RMB13.9 million, equivalent to HK$16.59 million and HK$1 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), RMB3.68 million (equivalent to HK$4.1 million) and HK$1.2 million (2015: MOP13.4 million, equivalent to HK$13.01 million and RMB3.68 million, equivalent to HK$4.39 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 RMB8.74 million (equivalent to HK$9.76 million) at 31 December 2016 (2015: Nil) 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 fluctuations 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 2016, the Group's capital commitments relating to investment properties amounted to HK$0.19 million (2015: HK$0.2 million).

At 31 December 2016, the Group's capital commitments relating to the purchase of new computerised systems amounted to HK$1.5 million (2015: HK$1.63 million).

### Contingent Liabilities

At 31 December 2016 and 2015, the Group had no significant contingent liabilities.

## EMPLOYEES AND REMUNERATION POLICY

At 31 December 2016, the Group had 70 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 to attend seminars and trainings with topics of relevance to their jobs and duties funded by the Group. The Group also organises recreational outings and wellness workshops on topics such as cooking and sports activities.

## 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 encourages 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 followings are the key risks and uncertainties identified by the Group. They 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.

### Financial risks

The Group's business activities expose it to a variety of financial risks including insurance risk, market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The details of the Group's financial risks exposure are set out in Note 4 to the Consolidated Financial Statements in the Company's 2016 Annual Report.

**Business risks**

*Banking Business*

The growth of XIB Group depends on the macroeconomic factors that affect Hong Kong, Mainland China and Macau, including the growth of gross domestic product, inflation levels, changes in laws or 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 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 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 or from Hong Kong and Macau must obtain authorisation from the HKOCI and Autoridade Monetária De Macau (the "AMCM") respectively and are subject to the requirements imposed by HKOCI and AMCM from time to time. Authorisation will only be granted to insurers when certain requirements under the Insurance Companies 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 require 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 companies 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.

*Property Investment*

The rental rates and the occupancy rates 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 rental rates.

The Group is required to reassess the fair value of 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 from fair value changes in investment properties at similar level or at same level, or there will be no further decline in the fair value of the Group's investment properties.

*Investment in Huaneng Shares*

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

The Group is required to reassess the fair value of Huaneng Shares 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 the Group's investment in Huaneng Shares is measured by the closing bid price of Huaneng's A-Share.

The closing bid price of Huaneng's A-Share may be volatile and is affected by various factors which are beyond the Group's control, including but not limited to, the results of operation of Huaneng, investor sentiment or confidence in the stock market and changes in economic conditions of Mainland China.

## PROSPECTS

The economic growth on the Mainland China was within the Central Government's target range in 2016. Looking ahead, the economic growth in 2017 is anticipated to maintain a similar pace of annual expansion. The Group will continue to focus on asset quality control and put more efforts to recover non-performing loans of its micro credit business. XIB implemented a strategic move into Hong Kong banking market with the successful completion of the acquisition of Chiyu Banking Corporation Limited in March 2017 and XIB will serve its customers better supported by the networks established in Mainland China, Hong Kong and Macau and generate substantial value for shareholders.

The Group will gradually expand its insurance business in Hong Kong and Macau through diversification of insurance products and broaden of distribution channels. The Group will continue to adopt prudent underwriting strategies and swiftly respond to the needs of our clients. The Group will also continue to optimise the utilisation of system resources to enhance service quality and deepen relationships with our clients.

As an investment-based company with sound financial position, the Group will continue to develop and enlarge its financial services business in Greater China region in a profitable manner and grasp new business opportunities under "One Belt, One Road" initiative.

## 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 2016 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 2016.

**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 2016.

**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 2016 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.

**PUBLICATION OF ANNUAL REPORT**

The Company's 2016 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, 30 March 2017

*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 and SO Hop Shing.*