THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in the Company, you should hand this circular together with the accompanying form of proxy at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

MIN XIN HOLDINGS LIMITED
閩信集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 222)

(1) PROPOSED RIGHTS ISSUE OF 137,828,596 RIGHTS SHARES AT HK$6 PER RIGHTS SHARE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TEN EXISTING SHARES HELD ON THE RECORD DATE
(2) APPLICATION FOR WHITEWASH WAIVER
AND
(3) NOTICE OF EGM

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

GOLDIN FINANCIAL LIMITED
高銀融資有限公司

Underwriter to the Rights Issue

VIGOUR FINE COMPANY LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 12 to 31 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 32 to 33 of this circular. A letter from Goldin Financial Limited containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver is set out on pages 34 to 59 of this circular.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. These certain events are set out in the paragraph headed "Termination of the Underwriting Agreement" from pages 9 to 10 of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

A notice convening the EGM to be held at Victoria Room, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 3 p.m. on Thursday, 4 May 2017 is set out on pages 213 to 215 of this circular. A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

12 April 2017

CONTENTS

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms or expressions shall have the following meanings:

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement"	the announcement of the Company dated 17 March 2017 in relation to, among other matters, the Rights Issue and the application for Whitewash Waiver
"Board"	the board of Directors
"Business Day"	for the purpose of the Underwriting Agreement, a day (excluding Saturdays) on which banks are generally open for business in Hong Kong; and for all other purposes, a day on which the Stock Exchange is open for transaction of business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Chiyu Bank"	Chiyu Banking Corporation Limited, a company incorporated under the laws of Hong Kong with limited liability and a licensed bank in Hong Kong, and became an indirectly 64.31% owned subsidiary of XIB on 27 March 2017
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
"Company"	Min Xin Holdings Limited (stock code: 222), a company incorporated under the laws of Hong Kong and the shares of which are listed on the Main Board
"Concert Group"	Vigour Fine, Samba, FIDG and parties acting in concert with any of them
"controlling shareholder"	shall have the meaning as ascribed to it under the Listing Rules
"Directors"	directors of the Company
"EAF(s)"	the form(s) of application for excess Rights Shares to be issued in connection with the Rights Issue

"EGM"	the extraordinary general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, approve the Whitewash Waiver, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
"FIDG"	福建省投資開發集團有限責任公司 (Fujian Investment & Development Group Co., Ltd.), a company established in the PRC and a controlling shareholder of the Company
"Final Acceptance Date"	the last date for acceptance and payment in respect of provisional allotments under the Rights Issue and for application and payment for excess Rights Shares, which is currently scheduled to be on Friday, 2 June 2017 or such later date as the Company and the Underwriter may agree
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Independent Board Committee"	an independent committee of the Board (comprising Mr. Hon Hau Chit, being the only non-executive Director who has no direct or indirect interest in the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and Mr. Ip Kai Ming, Mr. Sze Robert Tsai To, Mr. So Hop Shing and Mr. Cheung Man Hoi, being independent non-executive Directors) established to advise the Independent Shareholders on the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder

"Independent Financial Adviser" or "Goldin Financial Limited"	Goldin Financial Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole and advise the Independent Shareholders on how to vote at the EGM
"Independent Shareholders"	the Shareholders other than the Concert Group and those who are involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver
"Irrevocable Undertakings"	the irrevocable undertakings given by Vigour Fine in favour of the Company pursuant to which Vigour Fine has irrevocably undertaken to the Company, among others, that it will subscribe, and will procure Samba to subscribe, an aggregate of 66,601,980 Rights Shares which will be provisionally allotted to it and Samba (as the case may be) as the holders of 222,006,600 existing Shares
"Last Closing Price"	the closing price of HK$6.98 per Share as quoted on the Stock Exchange on the Last Trading Day
"Last Day for Transfer"	Wednesday, 10 May 2017, being the last date for lodging transfer of Shares prior to the closure of register of members of the Company in order to be qualified for the Rights Issue
"Last Trading Day"	Friday, 17 March 2017, being the last full trading day for the Shares before the release of the Announcement
"Latest Practicable Date"	Friday, 7 April 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Latest Time for Acceptance"	a time which is currently expected to be 4:00 p.m. on the Final Acceptance Date
"Listing Committee"	has the meaning ascribed thereto in the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Main Board"	the main board of the Stock Exchange
"Non-Qualifying Shareholder(s)"	Overseas Shareholder(s) in respect of whom the Directors, based on legal advice provided by legal advisers in the relevant jurisdictions, consider it necessary or expedient to exclude from the Rights Issue, on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Overseas Shareholder(s)"	Shareholder(s) whose names appear on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
"PAL(s)"	the provisional allotment letter(s) to be issued in connection with the Rights Issue
"Posting Date"	Thursday, 18 May 2017 or such other date as the Underwriter may agree in writing with the Company for the despatch of the Rights Issue Documents
"PRC"	the People's Republic of China, which for the purpose of this circular only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus to be issued by the Company in relation to the Rights Issue
"Qualifying Shareholder(s)"	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear on the register of members of the Company as at the close of business on the Record Date
"Record Date"	Wednesday, 17 May 2017, the record date to determine entitlements to the Rights Issue
"Relevant Period"	the period beginning 6 months immediately prior to the date of the Underwriting Agreement (i.e. 17 March 2017) and ending on the Latest Practicable Date
"Rights Issue"	the issue of 137,828,596 Rights Shares at the Subscription Price on the basis of three (3) Rights Shares for every ten (10) existing Shares held as at the close of business on the Record Date payable in full on acceptance

"Rights Issue Documents"	the Prospectus, PAL and EAF
"Rights Share(s)"	new Share(s) to be allotted and issued in respect of the Rights Issue
"RMB"	Renminbi, the lawful currency of the PRC
"Samba"	Samba Limited, a 97.39% owned subsidiary of Vigour Fine
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$6 per Rights Share
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Taken Up/take up/taking up"	those Rights Shares and/or Underwritten Shares in respect of which the relevant provisional allotment letters and/or forms of application for excess Rights Shares have been lodged and accompanied by cheques or other remittances for the full amount payable in respect thereof
"Underwriter"	Vigour Fine
"Underwriting Agreement"	the underwriting agreement dated Friday, 17 March 2017 entered into between the Company and the Underwriter in relation to the Rights Issue, as supplemented by a supplemental agreement dated 10 April 2017
"Underwritten Shares"	means the Rights Shares (other than the Vigour Fine Committed Shares) underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement, and the total number of which is 71,226,616 Rights Shares
"Vigour Fine"	Vigour Fine Company Limited, a company incorporated under the laws of Hong Kong

"Vigour Fine Committed Shares"	66,601,980 Rights Shares which Vigour Fine has irrevocably undertaken to accept and/or procure the acceptance thereof as rights entitlement under the Rights Issue pursuant to the Irrevocable Undertakings
"Whitewash Waiver"	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of Vigour Fine to make a general offer for all the issued Shares not already owned or agreed to be acquired by Vigour Fine and Samba which may otherwise arise as a result of the subscription of the Rights Shares by Vigour Fine pursuant to the Underwriting Agreement
"XIB"	Xiamen International Bank Co., Ltd.
"XIB Share(s)"	share(s) of XIB
"%"	per cent

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled.

	2017
Despatch of circular with notice of EGM	Wednesday, 12 April
Latest time for lodging transfers of the Shares in order to qualify for attending and voting at the EGM	4:30 p.m. on Wednesday, 26 April
Closure of register of members of the Company for determining entitlement to attend and vote at the EGM	from Thursday, 27 April to Thursday, 4 May (both days inclusive)
Latest time for return of proxy form for the EGM	3:00 p.m. on Tuesday, 2 May
Expected time of the EGM	3:00 p.m. on Thursday, 4 May
Announcement of poll results of the EGM	Thursday, 4 May
Last day of dealings in the Shares on a cum-rights basis	Monday, 8 May
Commencement of dealings in the Shares on an ex-rights basis	Tuesday, 9 May
Latest time for lodging transfer of the Shares in order to be qualified for the Rights Issue	4:30 p.m. on Wednesday, 10 May
Register of members closes for determining entitlements under the Rights Issue	from Thursday, 11 May to Wednesday, 17 May (both days inclusive)
Record Date for determining entitlements under the Rights Issue	Wednesday, 17 May
Register of members re-opens	Thursday, 18 May
Despatch of Rights Issue Documents	Thursday, 18 May
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Monday, 22 May
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Wednesday, 24 May
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Monday, 29 May
Latest time for acceptance of, and payment for, the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Friday, 2 June
Latest time and date for terminating the Underwriting Agreement	5:00 p.m. on Wednesday, 7 June

	2017
Rights Issue expected to become unconditional	5:00 p.m. on Wednesday, 7 June
Announcement of results of the Rights Issue to be published in the respective websites of the Stock Exchange and the Company on or before	Tuesday, 13 June
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be posted on or before	Wednesday, 14 June
Certificates for the Rights Shares expected to be despatched on or before	Wednesday, 14 June
Dealings in fully-paid Rights Shares commence	9:00 a.m. on Thursday, 15 June

Note:

All times and dates in this circular refer to Hong Kong times and dates or deadlines specified in this circular are indicative only and may be varied by agreement between the Company and the Underwriter. Any consequential changes to the expected timetable will be published or notified to Shareholders and the Stock Exchange appropriately.

EFFECT OF BAD WEATHER ON LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a "black" rainstorm warning issued by the Hong Kong Observatory:

(1) in force in Hong Kong at any time before 12:00 noon and no longer in force after 12:00 noon on the Final Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or

(2) in force in Hong Kong at any time between 12:00 noon and 4:00 p.m. on the Final Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on the currently scheduled date for the Final Acceptance Date, the dates mentioned above may be affected. The Company will notify the Shareholders by way of announcements of any change to the expected timetable as soon as practicable in this regard.

TERMINATION OF THE UNDERWRITING AGREEMENT

If at any time between the date of the Underwriting Agreement and 5:00 p.m. on the third Business Day following the Final Acceptance Date one or more of the following events or matters (whether or not forming part of a series of events) shall occur, arise, or exist:

(a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties given by the Company under the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue; or

(b) (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;

(ii) there is any change in local, national or international financial, political, industrial or economic conditions;

(iii) there is any change of an exceptional nature in local, national or international equity securities or currency markets;

(iv) there is any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;

(v) there is any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;

(vi) there is any suspension in the trading of the Shares on the Stock Exchange for a continuous period of ten (10) Business Days;

(vii) there is any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere which will or may materially and adversely affect the Group or a material proportion of the Shareholders in their capacity as such,

which event or events is or are in the reasonable opinion of the Underwriter:

(1) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group taken as a whole; or

(2) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares to be Taken Up; or

(3) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue; or

(c) there is a breach by the Company of the Underwriting Agreement,

then the Underwriter may, in addition to and without prejudice to any other remedies to which the Underwriter may be entitled, by notice in writing to the Company terminate the Underwriting Agreement forthwith.

If the Underwriter exercises such right of termination, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed. Further announcement will be made if the Underwriting Agreement is terminated by the Underwriter.

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this circular.

Basis of the Rights Issue	:	three (3) Rights Shares for every ten (10) existing Shares held on the Record Date
Subscription Price	:	HK$6 per Rights Share
Number of existing Shares in issue as at the Latest Practicable Date	:	459,428,656 Shares
Number of Rights Shares	:	137,828,596 Rights Shares
Amount to be raised before expenses	:	approximately HK$827 million before expenses (based on the number of existing Shares in issue as at the Latest Practicable Date, and assuming no Shares have been allotted and issued on or before the Record Date)
Underwriter	:	Vigour Fine
Total number of Shares in issue as enlarged by the Rights Shares upon completion of the Rights Issue	:	597,257,252 Shares

Assuming no new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue, the aggregate number of Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represents 30% of the Company's total number of issued Shares as at the Latest Practicable Date and will represent approximately 23.08% of the Company's total number of issued Shares as enlarged by the issue of the Rights Shares immediately after completion of the Rights Issue.

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into the existing Shares.

MIN XIN HOLDINGS LIMITED
閩信集團有限公司

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

Executive Directors:
Mr. Peng Jin Guang *(Chairman)*
Mr. Wang Fei *(Vice Chairman)*
Mr. Liu Cheng *(General Manager)*

Non-executive Director:
Mr. Liu Lun
Mr. Hon Hau Chit

Independent Non-executive Directors:
Mr. Ip Kai Ming
Mr. Sze Robert Tsai To
Mr. So Hop Shing
Mr. Cheung Man Hoi

Registered Office:
17th Floor, Fairmont House
8 Cotton Tree Drive
Central
Hong Kong

12 April 2017

To the Shareholders

Dear Sir or Madam

(1) PROPOSED RIGHTS ISSUE OF 137,828,596 RIGHTS SHARES AT HK$6 PER RIGHTS SHARE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TEN EXISTING SHARES HELD ON THE RECORD DATE (2) APPLICATION FOR WHITEWASH WAIVER AND (3) NOTICE OF EGM

I. INTRODUCTION

Reference is made to the Announcement in relation to, among other matters, the Rights Issue and the Whitewash Waiver.

The purpose of this circular is to provide you with further information in relation to, among others, (i) the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, (ii) a letter from the Independent Board Committee setting out their advice in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, (iii) a letter of advice from Goldin Financial Limited to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, (iv) other information as required under the Listing Rules and the Takeovers Code, and (v) the notice of the EGM.

II. PROPOSED RIGHTS ISSUE

Subject to, among other conditions, the grant of the Whitewash Waiver and the approval by the Independent Shareholders at the EGM, the Board proposes to implement the Rights Issue, details of which are summarised below:

Issue Statistics

Basis of the Rights Issue	:	three (3) Rights Shares for every ten (10) existing Shares held on the Record Date
Subscription Price	:	HK$6 per Rights Share
Number of existing Shares in issue as at the Latest Practicable Date	:	459,428,656 Shares
Number of Rights Shares	:	137,828,596 Rights Shares
Amount to be raised before expenses	:	approximately HK$827 million before expenses (based on the number of existing Shares in issue as at the Latest Practicable Date, and assuming no Shares have been allotted and issued on or before the Record Date)
Underwriter	:	Vigour Fine
Total number of Shares in issue as enlarged by the Rights Shares upon completion of the Rights Issue	:	597,257,252 Shares

Assuming no new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue, the aggregate number of Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represents 30% of the Company's total number of issued Shares as at the Latest Practicable Date and will represent approximately 23.08% of the Company's total number of issued Shares as enlarged by the issue of the Rights Shares immediately after completion of the Rights Issue.

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into the existing Shares.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder's name must appear on the register of members of the Company on the Record Date, which is currently expected to be Wednesday, 17 May 2017 and such Shareholder must not be a Non-Qualifying Shareholder. In order to be registered as a member of the Company on the Record Date, any transfer of Shares (together with the relevant share certificate(s)) must be lodged with the share registrar of the Company for registration by 4:30 p.m. on the Last Day for Transfer. The register of members of the Company will be closed from Thursday, 11 May 2017 to Wednesday, 17 May 2017, both days inclusive.

The share registrar of the Company is Tricor Standard Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. The last day of dealings in the Shares on a cum-rights basis is Monday, 8 May 2017. The Shares will be dealt with on an ex-rights basis from Tuesday, 9 May 2017.

The Latest Time for Acceptance is expected to be 4:00 p.m. on the Final Acceptance Date.

Qualifying Shareholders who take up their pro rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

The Company expects to send the Rights Issue Documents to the Qualifying Shareholders on or before the Posting Date. Subject to the advice of the Company's legal advisers in the relevant jurisdiction(s) and to the extent reasonably practicable, the Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL or EAF to them. A copy of the Prospectus will also be made available on the respective websites of the Company (www.minxin.com.hk) and the Stock Exchange (www.hkexnews.hk).

Closure of Register of Members

For the purpose of determining entitlements to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 27 April 2017 to Thursday, 4 May 2017, both days inclusive. No transfer of Shares will be registered during this period.

For the purpose of determining entitlements to the Rights Issue, the register of members of the Company will be closed from Thursday, 11 May 2017 to Wednesday, 17 May 2017, both days inclusive. No transfer of Shares will be registered during this period.

Non-Qualifying Shareholders

The Rights Issue Documents are not intended to be registered or filed under the applicable securities legislation or equivalent legislation of any jurisdictions other than Hong Kong.

The Company is in the process of making enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. The Company notes the requirements specified in section 140 of the Companies Ordinance and Rule 13.36(2)(a) of the Listing Rules and will only exclude from the Rights Issue the Overseas Shareholders where the Rights Issue is not permitted under the law of the relevant jurisdictions, or whom the Directors, after making enquiries, consider it necessary or expedient to exclude on account of either the legal restrictions under the laws of the relevant jurisdictions or any requirements of the relevant regulatory bodies or stock exchanges in such jurisdictions. Further information in this connection will be set out in the Prospectus containing, among other things, details of the Rights Issue, which are expected to be despatched to the Qualifying Shareholders on Thursday, 18 May 2017. The basis of exclusion of the Non-Qualifying Shareholders from the Rights Issue, if any, will be disclosed in the Prospectus. The Company will not offer the Rights Shares to the Non-Qualifying Shareholders. Accordingly, no provisional allotment of Rights Shares will be sent to the Non-Qualifying Shareholders. The Company will, subject to the advice of the Company's legal advisers in the relevant jurisdiction(s) where the Non-Qualifying Shareholders are located and to the extent reasonably practicable, send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but the Company will not send any PAL and EAF to them.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders had they been Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and in any event before dealings in the nil-paid Rights Shares end, if a premium in excess of all expenses of sale can be obtained. The aggregate net proceeds of such sale will be distributed by the Company to the Non-Qualifying Shareholders (pro-rata to their respective shareholdings on the Record Date) in Hong Kong dollars, provided that if any of such Non-Qualifying Shareholders would be entitled to a sum not exceeding HK$100, such sum will be retained by the Company for its own benefit. Any unsold nil-paid Rights Shares to which such Non-Qualifying Shareholders would otherwise have been entitled will be made available for excess application by the Qualifying Shareholders under the EAFs.

Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should note that they may or may not be entitled to the Rights Issue pursuant to section 140 of the Companies Ordinance and Rule 13.36(2)(a) of the Listing Rules subject to the results of the enquiries made by the Board. The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should exercise caution when dealing in the Shares.

Terms of the Rights Issue

Subscription Price

The Subscription Price of HK$6 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or application for excess Rights Shares or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

(i) a discount of approximately 14.04% to the Last Closing Price;

(ii) a discount of approximately 11.84% to the average closing price of approximately HK$6.806 per Share as quoted on the Stock Exchange for the 5 consecutive trading days ending on and including the Last Trading Day;

(iii) a discount of approximately 12.46% to the average closing price of approximately HK$6.854 per Share as quoted on the Stock Exchange for the 10 consecutive trading days ending on and including the Last Trading Day;

(iv) a discount of approximately 11.16% to the theoretical ex-right price of approximately HK$6.754 based on the Last Closing Price;

(v) a discount of approximately 4.46% to the closing price of HK$6.28 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vi) a discount of approximately 42.42% to the audited consolidated net asset value per Share attributable to Shareholders of the Company of approximately HK$10.42 as at 31 December 2016.

Each Rights Share has no par value.

The Subscription Price was determined by the Directors with reference to the market price of the Shares prior to and including the Last Trading Day, the net asset value per Share as at 31 December 2015 of the Company, and the prevailing market conditions.

Basis of Provisional Allotments

The basis of the provisional allotment shall be three (3) Rights Shares for every ten (10) existing Shares held by the Qualifying Shareholders on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the share registrar of the Company on or before the Latest Time for Acceptance.

Fractional Entitlements to the Rights Shares

The Company will not provisionally allot and issue and will not accept application for any fraction of the Rights Shares and the entitlements of the Qualifying Shareholders will be rounded down to the nearest whole number. No odd-lot matching services will be provided. All fractions of Rights Shares will be aggregated (rounded down to the nearest whole number). All nil-paid Rights Shares arising from such aggregation will be provisionally allotted (in nil-paid form) to the Company or its nominee/agent, and the Company or its nominee/agent will use reasonable endeavours to sell or procure the sale of those aggregated nil-paid Rights Shares in the market for the benefit of the Company if a premium (net of expenses) can be obtained, and the Company will retain the proceeds from such sale. Any unsold fractions of Rights Shares will be made available for excess application by the Qualifying Shareholders under the EAFs.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank pari passu with the then existing Shares in issue in all respects. Holders of fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares.

Application for Excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for:

(i) any unsold entitlements to the Rights Shares of the Non-Qualifying Shareholders had they been Qualifying Shareholders;

(ii) any unsold Rights Shares created by adding together fractions of the Rights Shares; and

(iii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renouncees or transferees of nil-paid Rights Shares.

Applications for excess Rights Shares can be made only by Qualifying Shareholders and only by completing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares (if any) at their discretion on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to the Rights Shares subscribed through applications by a PAL or the existing number of Shares held by Qualifying Shareholders. No preference will be given to top up odd lots to whole board lots.

Investors whose Shares are held by a nominee (or which are held in CCASS) should note that the Board will regard the nominee (including HKSCC Nominees Limited) whose name appears on the register of members of the Company ("Registered Nominee") as a single Shareholder under the aforesaid arrangement in relation to the allocation of excess Rights Shares. Beneficial owners who hold Shares through a Registered Nominee are advised to consider whether they would like to arrange for the registration of their Shares in their own names prior to 4:30 p.m. on the Last Day for Transfer.

Investors whose Shares are held by a Registered Nominee and who would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the share registrar of the Company for completion of the relevant registration by 4:30 p.m. on the Last Day for Transfer. The register of members of the Company will be closed from Thursday, 11 May 2017 to Wednesday, 17 May 2017, both dates inclusive.

Qualifying Shareholders who wish to apply for excess Rights Shares in addition to their provisional allotment must complete and sign an EAF and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the share registrar of the Company on or before the Latest Time for Acceptance.

Share Certificates and Refund Cheques for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for fully paid Rights Shares are expected to be posted to those who have accepted and (where applicable) applied for, and paid for, the Rights Shares by ordinary post at their own risk on or before Wednesday, 14 June 2017. Each Shareholder will receive one share certificate for all allotted Rights Shares. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted to the applicants by ordinary post at their own risk on or before Wednesday, 14 June 2017.

Application for Listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. No part of the securities of the Company is listed, or dealt in, or for which listing or permission to deal is being or is proposed to be sought, on any other stock exchange. Nil-paid Rights Shares are expected to be traded in board lots of 2,000 (as the Shares are currently traded on the Stock Exchange in board lots of 2,000).

Rights Shares will be Eligible for Admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day after the date of the transaction. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Stamp Duty and Other Applicable Fees and Charges

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, the Securities and Futures Commission transaction levy and other applicable fees and charges in Hong Kong.

Underwriting Arrangements

Principal Terms of the Underwriting Agreement

Date	:	17 March 2017, as supplemented by a supplemental underwriting agreement dated 10 April 2017
Issuer	:	The Company
Underwriter	:	Vigour Fine, a controlling shareholder of the Company
Total number of Underwritten Shares	:	71,226,616 Rights Shares
Commission:	:	No underwriting commission is payable to the Underwriter

Vigour Fine is a controlling shareholder and a connected person of the Company as defined under the Listing Rules. Accordingly, the transactions between the Company and Vigour Fine as contemplated under the Underwriting Agreement constitute a connected transaction of the Company. Pursuant to Rule 14A.92(2)(b) of the Listing Rules, as arrangements have been made in relation to excess applications in compliance with Rule 7.21 of the Listing Rules and given that no underwriting commission is payable to Vigour Fine, the Underwriting Agreement is exempted from all reporting, announcement and independent shareholders' approval requirements under the Listing Rules. It is not in the ordinary course of business of Vigour Fine to underwrite shares.

Conditions of the Rights Issue and the Underwriting Agreement

The obligations of the Underwriter under the Underwriting Agreement are conditional on the following, none of which can be waived, whether in whole or in part:

(a) the passing at the EGM of necessary resolution(s) by the Independent Shareholders to approve the Whitewash Waiver, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, at which the voting shall be taken on a poll and in accordance with the Listing Rules and the Takeovers Code;

(b) the granting of the Whitewash Waiver to Vigour Fine by the Executive and the fulfillment of all conditions (if any) attached to it;

(c) the registration of the Rights Issue Documents (with all the documents required to be attached thereto by Section 38D of the Companies (WUMP) Ordinance) (all having been duly authorised for registration by the Stock Exchange and signed by or on behalf of all Directors) by the Registrar of Companies in Hong Kong in compliance with the Companies (WUMP) Ordinance by no later than the Posting Date;

(d) the posting of the Rights Issue Documents to the Qualifying Shareholders on or before the Posting Date;

(e) all necessary approvals, permits, waivers, consents and authorisations having been obtained for the provisional allotment and allotment of the Rights Shares from the Stock Exchange as well as for the Rights Issue generally;

(f) the Listing Committee of the Stock Exchange having granted (subject only to provisional allotment and/or allotment of the Rights Shares, the posting of the Prospectus and despatch of certificates in respect of the Rights Shares and any other matters which are agreed between the Company and the Underwriter) the listing of and permission to deal in the Rights Shares (both nil-paid and fully-paid) on the Stock Exchange, in each case by no later than the first day of dealing thereof and such listing and permission to deal not being revoked prior to 4:00 p.m. on the third Business Day after the Final Acceptance Date;

(g) the Underwriting Agreement not being terminated by the Underwriter pursuant to its terms prior to the latest time for termination;

(h) none of the undertakings and obligations of the Company under the Underwriting Agreement having been breached; and

(i) the warranties given by the Company under the Underwriting Agreement remaining true, accurate and not misleading in all material respects.

If any of the above conditions are not fulfilled at or before 5:00 p.m. on 7 June 2017 (or such other date as the Company and the Underwriter may agree in writing), or shall become incapable of being fulfilled on or before such time or date, the Underwriting Agreement may be terminated by the Underwriter by written notice to the Company, and no party to the Underwriting Agreement shall have any claim against any other party thereto for compensation, costs, damages or otherwise.

Termination of the Underwriting Agreement

If at any time between the date of the Underwriting Agreement and 5:00 p.m. on the third Business Day following the Final Acceptance Date one or more of the following events or matters (whether or not forming part of a series of events) shall occur, arise, or exist:

(a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties given by the Company under the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue; or

(b) (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;

(ii) there is any change in local, national or international financial, political, industrial or economic conditions;

(iii) there is any change of an exceptional nature in local, national or international equity securities or currency markets;

(iv) there is any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;

(v) there is any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;

(vi) there is any suspension in the trading of the Shares on the Stock Exchange for a continuous period of ten (10) Business Days;

(vii) there is any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere which will or may materially and adversely affect the Group or a material proportion of the Shareholders in their capacity as such,

which event or events is or are in the reasonable opinion of the Underwriter:

(1) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group taken as a whole; or

(2) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares to be Taken Up; or

(3) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue; or

(c) there is a breach by the Company of the Underwriting Agreement,

then the Underwriter may, in addition to and without prejudice to any other remedies to which the Underwriter may be entitled, by notice in writing to the Company terminate the Underwriting Agreement forthwith.

If the Underwriter exercises such right of termination, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed. Further announcement will be made if the Underwriting Agreement is terminated by the Underwriter.

Warning of the Risks of Dealing in Shares and Rights Shares in Nil-Paid Form

The last day for dealing in the Shares on a cum-rights basis is expected to be Monday, 8 May 2017. The Shares are expected to be dealt in on an ex-rights basis from Tuesday, 9 May 2017. The Rights Shares are expected to be dealt with in their nil-paid form from Monday, 22 May 2017 to Monday, 29 May 2017 (both days inclusive).

The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated. It should also be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate their obligations on the occurrence of certain events including force majeure. If the Underwriting Agreement does not become unconditional or is terminated, the Rights Issue will not proceed.

Any Shareholder or other person dealing in Shares of the Company up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any person dealing in the nil-paid Rights Shares during the period from Monday, 22 May 2017 to Monday, 29 May 2017 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. If in any doubt, Shareholders, and other persons contemplating dealing in securities of the Company and potential investors are recommended to consult their professional advisers. Shareholders and potential investors should exercise caution in dealing in the securities of the Company.

Irrevocable Undertakings

As at the Latest Practicable Date, Vigour Fine (either directly or indirectly through Samba, its subsidiary) is interested in 222,006,600 Shares, representing approximately 48.32% of the entire issued Shares of the Company.

Pursuant to the Irrevocable Undertakings, Vigour Fine has irrevocably undertaken to the Company (i) to accept and/or procure the acceptance of the Vigour Fine Committed Shares; and (ii) that the 222,006,600 Shares owned by it (either directly or indirectly through Samba, its subsidiary) will remain so owned by it and Samba from the date of the Irrevocable Undertakings up to the Record Date.

Vigour Fine has also undertaken that it will not, and Samba will not, without first having obtained the prior written consent of the Company:

(1) transfer or otherwise dispose of (including without limitation the agreement to dispose of, or the creation of any option or derivative) or acquire any Share or any interest therein between the date of the Irrevocable Undertakings and the Record Date; or

(2) transfer or otherwise dispose of (including without limitation the agreement to dispose of, or the creation of any option or derivative) or acquire (except the acceptance of and procuring the acceptance of the Vigour Fine Committed Shares under the Rights Issue pursuant to the Irrevocable Undertakings or pursuant to the Underwriting Agreement) any Share or any interest therein between the Record Date and the Final Acceptance Date.

Save for the Irrevocable Undertakings from Vigour Fine, the Board has not received any information from any other substantial Shareholders of their intention to take up the Rights Shares.

Changes in the Shareholding Structure of the Company arising from the Rights Issue

Assuming no Shares (other than the Rights Shares) are allotted and issued on or before the completion of the Rights Issue, the changes in the shareholding structure of the Company arising from the Rights Issue are as follows:

			Shareholding upon completion of the Rights Issue			
	As at the Latest Practicable Date		**Assuming all Rights Shares are taken up by the Qualifying Shareholders and the Underwriter is not required to underwrite any Underwritten Shares**		**Assuming no Rights Shares are taken up by the Qualifying Shareholders except Vigour Fine Committed Shares and the Underwriter is required to underwrite the Underwritten Shares**	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
Concert Group						
Vigour Fine *(Note 1)*	77,121,600	16.78	100,258,080	16.78	171,484,696	28.71
Samba *(Note 2)*	144,885,000	31.54	188,350,500	31.54	188,350,500	31.54
Sub Total	222,006,600	48.32	288,608,580	48.32	359,835,196	60.25
Substantial Shareholder						
JPMorgan Chase & Co.	55,522,000	12.09	72,178,600	12.09	55,522,000	9.30
Director						
Ip Kai Ming	666,000	0.14	865,800	0.14	666,000	0.11
Public Shareholders	181,234,056	39.45	235,604,272	39.45	181,234,056	30.34
Total	459,428,656	100.00	597,257,252	100.00	597,257,252	100.00

Notes:

1. Vigour Fine is a wholly owned subsidiary of FIDG. An aggregate of 40,850,000 Shares held by Vigour Fine were pledged in favour of The Hongkong and Shanghai Banking Corporation Limited on 28 December 2016 as security for a loan. Such loan is not related to the Rights Issue.

2. Samba is a 97.39% owned subsidiary of Vigour Fine.

Reasons for the Rights Issue and Use of Proceeds

The Group is principally engaged in banking investment, provision of micro credit business, insurance, trading in motor vehicles, property development and investment, and strategic investment.

XIB is an associated company of the Company and the Company holds approximately 9.7635% equity interest in XIB as at the Latest Practicable Date. As at the Latest Practicable Date, XIB is not a Shareholder of the Company. As disclosed in the announcement of the Company on 21 June 2016, XIB and its subsidiaries ("XIB Group") contributed more than 90% of the Group's profit after tax in the ordinary course of business for the year ended 31 December 2012, 2013, 2014 and 2015 respectively and 55% of the Group's total assets contributed from the investment in XIB at 31 December 2015. The Company entered into the capital contribution agreement with XIB on 21 June 2016 to minimise the dilution effect on the shareholding percentage in XIB after the completion of the capital contribution of XIB considering the track records of operating results and future prospects of banking business of XIB Group. Pursuant to the capital contribution agreement, the Company had subscribed for 140,000,000 shares of XIB Shares (representing approximately 1.6694% of the issued share capital of XIB as enlarged by the issue of the XIB Shares) at the issue price of RMB4.8 per XIB Share. The consideration of the capital contribution was RMB672,000,000 (equivalent to approximately HK$794,976,000) and was financed by bank loan facilities.

The subscription of XIB Shares by the Company was subsequently approved in December 2016 and the capital contribution of XIB had been completed accordingly. As a result, the equity interest of the Group in XIB was decreased from approximately 10.6289% to approximately 9.7635%. As disclosed in the announcement of the Company on 21 June 2016, the Company might raise funds through rights issue upon completion of the capital contribution of XIB. As disclosed in the announcement dated 23 June 2016, the Company entered into a facility agreement with banks in Hong Kong for bank loan facilities in the aggregate amount of up to HK$800 million. Such bank loan facilities shall be used for the capital contribution to XIB. Pursuant to the facility agreement, a tranche of the facilities in the aggregate amount of up to HK$600 million will become mature and payable in twelve months from the date of drawdown (i.e. 23 June 2017). The repayment of such tranche of bank loan facilities should be funds raised through a rights issue of the Company. In addition, the facility agreement is conditional upon, among other things, a letter of comfort duly signed by FIDG, the controlling shareholder of the Company, pursuant to which FIDG agreed and confirmed that it should underwrite the rights shares of the Rights Issue which were not subscribed by other shareholder of the Company.

The Group has expanded into and developed the business of trading in motor vehicles through a wholly owned subsidiary in Fujian Province since December 2016. As disclosed in the announcement of the Company dated 29 December 2016, Fujian Minxin Investments Co., Ltd., a wholly owned subsidiary of the Company incorporated in Fujian Province, the PRC, entered into a contract with an independent third party to acquire an aggregate of 50 motor vehicles at a total consideration of approximately RMB20.25 million. The Group had started the trading in motor vehicles business in December 2016 and the growth of the new business meets our expectations. For the year ended 31 December 2016, the Group has recognised an advance payment of RMB7.36 million (equivalent to approximately HK$8.22 million) for the acquisition of 50 motor vehicles from an independent third party. For the two months ended 28 February 2017, the Group has recognised the revenue from sale of motor vehicles of about RMB14.21 million (equivalent to approximately HK$16.04 million) and cost of sale of about RMB14.01 million (equivalent to approximately HK$15.82 million) respectively with a gross profit of about RMB0.2 million (equivalent to approximately HK$0.22 million).

As disclosed in the annual results announcement of the Company on 30 March 2017, the Group's share of results of XIB Group for the year ended 31 December 2016 stood at HK$470.92 million notwithstanding the dilution of the Company's shareholding in XIB from 14.8005% to 10.6289% in June 2015. XIB Group contributed more than 177% of the Group's profit after tax in the ordinary course of business for the year ended 31 December 2016 and about 64% of the Group's total assets contributed from the investment in XIB at 31 December 2016. The share of results of XIB for the year ended 31 December 2016 amounted to HK$470.92 million and represented 177.3% of the profit for the year of the Group of HK$265.61 million.

Xiamen International Investment Limited ("XIIL"), 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 Bank in December 2016. XIIL had procured its three wholly owned subsidiaries to acquire in aggregate 64.31% of the total issued shares of Chiyu Bank and all the conditions precedent had been satisfied and completion of the acquisition had taken place on 27 March 2017. XIB had made a significant progress in development and implemented a strategic move into Hong Kong banking market upon completion of the acquisition.

Pursuant to the requirements of the approval for the acquisition of the majority shareholding in Chiyu Bank by XIB, the Company had submitted an application to the Hong Kong Monetary Authority in respect of the minority shareholder controller of Chiyu Bank. The Company became one of the minority shareholder controllers of Chiyu Bank on 27 March 2017 according to the approval from Hong Kong Monetary Authority.

The Directors consider that the Rights Issue offers all Qualifying Shareholders the opportunity to participate and grasp the benefit of the future development of the Group. The Directors are of the view that the Rights Issue not only provides greater financial flexibility for the Company, but also offers all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company. Unlike borrowings or issuance of debt securities, the Directors consider that the rights issue would be a preferred means for the Company to raise long-term funds to finance long-term investments and new business potentials without subjecting itself to interest burden or additional debt.

It is expected that the gross proceeds raise from the Rights Issue will be approximately HK$827 million before expenses. The estimated expenses in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, including financial, legal, other professional advisory fees, printing and translation expenses, registration and statutory fees, will be borne by the Company. It is expected that the estimated net proceeds raise from the Rights Issue will be approximately HK$824 million. The net proceeds of the Rights Issue will be used to repay the bank loan facilities (including the bank loan facilities obtained for financing the capital contribution of XIB mentioned above) and as the general working capital of the Group, so that the gearing ratio and interest expenses of the Company will be reduced to improve the rate of return of the Company in the long-term. For information purposes, the total outstanding amount under the bank loan facilities was about HK$750.45 million (including principle and interests) as at 28 February 2017. Furthermore, the capital base of the Company will be strengthened after completion of the Rights Issue and the improved financial position will provide sufficient internal resources and financing capacity for the Company to meet its future expansion needs.

The Company's controlling shareholder, Vigour Fine, holding approximately 48.32% interest (either directly or indirectly through Samba, its subsidiary) in the Company as at the Latest Practicable Date, has given its full support on the Company's future development prospects by entering into irrevocable undertakings to take up, or to procure its subsidiary to take up, all their entitlements under the Rights Issue.

Equity Fund Raising Activities of the Company during the Past 12 Months

Save for the Rights Issue, the Company has not engaged in any equity fund raising activities or any rights issue exercise during the past 12 months immediately before the Latest Practicable Date.

Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

Takeovers Code Implications and Application for Whitewash Waiver

As at the Latest Practicable Date, Vigour Fine (either directly or indirectly through Samba, its subsidiary) is interested in 222,006,600 Shares, representing approximately 48.32% of the entire issued Shares of the Company.

Pursuant to the Underwriting Agreement, Vigour Fine has undertaken to the Company that it will fully underwrite the Underwritten Shares.

Assuming no acceptance by the Qualifying Shareholders under the Rights Issue, Vigour Fine will be required to take up the Underwritten Shares and the total shareholding of the Concert Group upon completion of the Rights Issue would amount to approximately 60.25% of the then issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. Under such circumstance, Vigour Fine would be required to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

An application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

The Executive has indicated that the Whitewash Waiver will be granted and will be conditional upon, among other things, the approval of the Independent Shareholders at the EGM by way of poll, in which the Concert Group shall abstain from voting on the relevant resolution(s). Save for the Concert Group, no Shareholder is involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver which requires him/her/it to abstain from voting on the relevant resolution(s) at the EGM. If the Whitewash Waiver is not granted or not approved by the Independent Shareholders, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

If the Whitewash Waiver is approved by the Independent Shareholders, the shareholding of the Concert Group may exceed 50%, in which event the Underwriter may further increase its shareholding in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

As at the Latest Practicable Date, the Company does not believe that the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and the transaction contemplated thereunder gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this circular, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue and the transaction contemplated thereunder does not comply with other applicable rules and regulations.

Information on FIDG, Vigour Fine, Samba and the Concert Group

FIDG is a state-owned enterprise under the supervision and administration of the Fujian State-owned Assets Supervision and Administration Commission and a controlling shareholder of the Company. FIDG, through Vigour Fine (its wholly owned subsidiary) and Samba (its indirectly 97.39% owned subsidiary), is interested in 222,006,600 Shares, representing approximately 48.32% of the entire issue Shares of the Company as at the Latest Practicable Date.

Vigour Fine is principally engaged in investment holding and provision of financial services. Vigour Fine is not engaged in the business of underwriting. Vigour Fine is a wholly owned subsidiary of FIDG set up in Hong Kong for the principal purpose of holding the equity interest in the Company. It is more feasible for Vigour Fine to act as the Underwriter as FIDG is established in the PRC.

It is the intention of Vigour Fine to continue to carry on the businesses of the Group and to continue the employment of the employees of the Group. Vigour Fine has no intention to introduce any changes to the businesses of the Group including redeployment of the fixed assets of the Group.

Samba is a 97.39% owned subsidiary of Vigour Fine. The Company confirmed that the remaining 2.61% equity interest of Samba is held by third party independent of the Company, Vigour Fine and FIDG.

As at the Latest Practicable Date, the Concert Group has not received any irrevocable commitment to vote for or against the proposed resolution approving the Whitewash Waiver at the EGM. Save for the transactions contemplated under the Underwriting Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares entered into by the Concert Group and which might be material to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

As at the Latest Practicable Date, other than approximately 48.32% interests in the issued share capital of the Company owned by the Concert Group, the Concert Group does not hold or has control or direction over any other shares, rights over shares, convertible securities, warrants or options of the Company, or any outstanding derivative in respect of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

None of the members of the Concert Group has any dealings in any securities of the Company during the Relevant Period.

As at the Latest Practicable Date, save for the Underwriting Agreement, there is no arrangement or agreement to which the Concert Group is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. There is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Concert Group has borrowed or lent as at the Latest Practicable Date.

Listing Rules Implications

Pursuant to Rule 7.19(6) of the Listing Rules, since the Rights Issue would increase the number of issued Shares of the Company by not more than 50%, the Rights Issue is not conditional on approval by the Shareholders. However, it is a condition precedent of the Underwriting Agreement that the Underwriting Agreement is conditional upon the passing at the EGM of the necessary resolution(s) by the Independent Shareholders to approve the Whitewash Waiver, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares, in both nil-paid and fully-paid forms.

Vigour Fine is a controlling shareholder and a connected person of the Company as defined under the Listing Rules. Accordingly, the transactions between the Company and Vigour Fine as contemplated under the Underwriting Agreement constitute a connected transaction of the Company. Pursuant to Rule 14A.92(2)(b) of the Listing Rules, as arrangements have been made in relation to excess applications in compliance with Rule 7.21 of the Listing Rules and given that no underwriting commission is payable to Vigour Fine, the Underwriting Agreement is exempted from all reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Independent Board Committee

The Independent Board Committee (comprising Mr. Hon Hau Chit, being the only non-executive Director who has no direct or indirect interest in the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and Mr. Ip Kai Ming, Mr. Sze Robert Tsai To, Mr. So Hop Shing and Mr. Cheung Man Hoi, being independent non-executive Directors) has been established pursuant to the Takeovers Code to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and in the interest of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned and to advise the Independent Shareholders on how to vote at the EGM. Mr. Liu Lun, being a non-executive Director and an employee of FIDG, is not considered to be independent in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. As such, Mr. Liu Lun is excluded from being a member of the Independent Board Committee. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

Independent Financial Adviser

Goldin Financial Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. Such appointment has been approved by the Independent Board Committee.

III. EGM

A notice convening the EGM at Victoria Room, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 4 May 2017 at 3:00 p.m. is set out on pages 213 to 215 of this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof (as the case may be) should you so wish.

IV. RECOMMENDATION

Your attention is drawn to the advice of the Independent Board Committee set out in its letter on pages 32 to 33 of this circular. Your attention is also drawn to the letter of advice from Goldin Financial Limited to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder set out on pages 34 to 59 in this circular.

The Directors (excluding the members of the Independent Board Committee whose opinion have been set forth in the "Letter from the Independent Board Committee" of this circular after considering the advice of Goldin Financial Limited) consider that the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (excluding the members of the Independent Board Committee whose opinion have been set forth in the "Letter from the Independent Board Committee" of this circular after considering the advice of Goldin Financial Limited) recommend the Independent Shareholders to vote in favour of all resolutions to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder. You are advised to read the letter from the Independent Board Committee and the letter from Goldin Financial Limited mentioned above before deciding how to vote on the resolutions to be proposed at the EGM.

V. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
MIN XIN HOLDINGS LIMITED
PENG Jin Guang
Chairman

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder:

MIN XIN HOLDINGS LIMITED

閩信集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 222)

12 April 2017

To the Independent Shareholders

Dear Sir or Madam,

(1) PROPOSED RIGHTS ISSUE OF 137,828,596 RIGHTS SHARES AT HK$6 PER RIGHTS SHARE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TEN EXISTING SHARES HELD ON THE RECORD DATE AND (2) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular of the Company dated 12 April 2017 (the "Circular") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable as far as the Independent Shareholders are concerned and to recommend whether or not the Independent Shareholders should vote for the resolutions to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder. The appointment of Goldin Financial Limited as the Independent Financial Adviser to advise you and us in this regard has been approved by us. Details of its advice, together with the principal factors and reasons it has taken into consideration in arriving at such advice, are set out on pages 34 to 59 of the Circular.

Your attention is also drawn to the "Letter from the Board" in this Circular and the additional information set out in the appendices thereto.

Having taken into account the principal factors and reasons considered by, and the advice and recommendation of, the Independent Financial Adviser as set out in its letter of advice to you and us on pages 34 to 59 of the Circular, we are of the opinion that the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and are of the view that the Whitewash Waiver, which is to facilitate the implementation of the Rights Issue, is fair and reasonable and in the interests of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Hon Hau Chit	**Ip Kai Ming**	**Sze Robert Tsai To**	**So Hop Shing**	**Cheung Man Hoi**
Non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter from Goldin Financial Limited setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this Circular.

GOLDIN FINANCIAL LIMITED
高銀融資有限公司

Goldin Financial Limited
Suites 2202-2209, 22/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

12 April 2017

To: The Independent Board Committee and
the Independent Shareholders of
Min Xin Holdings Limited

Dear Sirs,

(1) PROPOSED RIGHTS ISSUE OF 137,828,596 RIGHTS SHARES AT HK$6 PER RIGHTS SHARE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TEN EXISTING SHARES HELD ON THE RECORD DATE AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, details of which are set out in the Announcement and the letter from the board (the "Letter from the Board") contained in the circular of the Company dated 12 April 2017 (the "Circular"), of which this letter forms part. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Circular.

As stated in the Letter from the Board, the Company proposes to raise gross proceeds of approximately HK$827 million before expenses by way of a rights issue of 137,828,596 Rights Shares at a price of HK$6 per Rights Share on the basis of three (3) Rights Shares for every ten (10) existing Shares held by the Qualifying Shareholders on the Record Date. Assuming no new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue, the aggregate number of Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represent 30% of the Company's total number of issued Shares as at the Latest

Practicable Date, and will represent approximately 23.08% of the Company's total number of issued Shares as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue. Further details including the terms of the Rights Issue are set out in section headed "Proposed Rights Issue" in the Letter from the Board.

On 17 March 2017, the Company and Vigour Fine entered into the Underwriting Agreement, pursuant to which Vigour Fine has undertaken to the Company to fully underwrite the subscription of the Underwritten Shares on and subject to the terms and conditions thereof. The obligations of the Underwriter to underwrite the Underwritten Shares are conditional on (i) the satisfaction of the conditions referred to in the paragraph headed "Conditions of the Rights Issue and the Underwriting Agreement" under the section headed "Underwriting Arrangements" in the Letter from the Board, which cannot be waived in whole or in part; and (ii) the Underwriting Agreement not being terminated by the Underwriter in accordance with its terms. If the conditions are not fulfilled or the Underwriting Agreement is terminated pursuant to its terms, the Rights Issue will not proceed. Further details of the Underwriting Agreement are set out in the section headed "Underwriting Arrangements" in the Letter from the Board.

Pursuant to the Irrevocable Undertakings, among others, Vigour Fine has irrevocably undertaken to the Company (i) to accept and/or procure the acceptance of the Vigour Fine Committed Shares; and (ii) that the 222,006,600 Shares owned by it (either directly or indirectly through Samba, its subsidiary) will remain so owned by it and Samba from the date of the Irrevocable Undertakings up to the Record Date. Further details of the Irrevocable Undertakings are set out in the section headed "Irrevocable Undertakings" in the Letter from the Board.

Pursuant to Rule 7.19(6) of the Listing Rules, since the Rights Issue would neither increase the number of issued Shares nor the market capitalisation of the Company by more than 50%, the Rights Issue is not conditional on approval by the Shareholders. However, it is a condition precedent to the Underwriting Agreement that the Underwriting Agreement is conditional upon the passing at the EGM of the necessary resolution(s) by the Independent Shareholders to approve the Whitewash Waiver, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder. Vigour Fine is a controlling shareholder and a connected person of the Company as defined under the Listing Rules. Accordingly, the transactions between the Company and Vigour Fine as contemplated under the Underwriting Agreement constitute connected transactions of the Company. Pursuant to Rule 14A.92(2)(b) of the Listing Rules, as arrangements have been made in relation to excess applications in compliance with Rule 7.21 of the Listing Rules and given that no underwriting commission is payable to Vigour Fine, the Underwriting Agreement is exempted from all reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

As at the Latest Practicable Date, Vigour Fine (either directly or indirectly through Samba, its subsidiary) was interested in 222,006,600 Shares, representing approximately 48.32% of the entire issued Shares of the Company. Assuming no acceptance by the Qualifying Shareholders under the Rights Issue, Vigour Fine will be required to take up the Underwritten Shares, and the total shareholding of the Concert Group upon completion of the Rights Issue would amount to approximately 60.25% of the then issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. Under such circumstance, Vigour Fine would be required to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

An application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that the Whitewash Waiver will be granted and will be conditional upon, among other things, the approval of the Independent Shareholders at the EGM by way of poll, in which the Concert Group shall abstain from voting on the relevant resolution(s). Save for the Concert Group, no Shareholder is involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver which requires him/her/it to abstain from voting on the relevant resolution(s) at the EGM.

If the Whitewash Waiver is approved by the Independent Shareholders, the shareholding of the Concert Group may exceed 50%, in which event the Underwriter may further increase its shareholding in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer. If the Whitewash Waiver is not granted or not approved by the Independent Shareholders, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established pursuant to the Takeovers Code to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM.

Reference is made to the announcement of the Company dated 24 March 2017. We, Goldin Financial Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole, and advise the Independent Shareholders on how to vote at the EGM. Our appointment has been approved by the Independent Board Committee.

Apart from normal professional fees for our services to the Company in connection with the engagements described above, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. We are not aware of any relationships or interests between us and the Group, the Concert Group or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates as at the Latest Practicable Date. We are independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have reviewed, inter alia, the Announcement, the Underwriting Agreement, the Irrevocable Undertakings, the annual report of the Company for the year ended 31 December 2015 (the "Annual Report 2015"), the announcements of the Company respectively dated 14 February 2017 in relation to a profit warning statement (the "Profit Warning Statement") and 30 March 2017 in relation to the audited consolidated results of the Group for the year ended 31 December 2016 (the "Results Announcement"). We have also reviewed certain information provided by the management of the Company relating to the operations, financial condition and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted discussions with the management of the Company regarding, among others, the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, which we have relied upon them in formulating our opinion, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material changes (if any) as soon as possible.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect and the information made available to us at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely for their consideration of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor be used for any other purposes without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion, we have taken into consideration the following principal factors and reasons:

1 Background information of the Group

The Group is primarily engaged in banking investment, provision of micro credit business, insurance, trading in motor vehicles, property development and investment, and strategic investment.

Table 1 below sets out certain financial information of the Group for each of the three years ended 31 December 2016 as extracted from the Results Announcement and the Annual Report 2015.

Table 1: Financial information of the Group

	For the year ended 31 December		
	2016	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Audited)*
Turnover	134,379	144,075	144,624
Profit for the year	265,612	477,339	472,687
	As at 31 December		
	2016	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Audited)*
Non-current assets	4,841,909	4,203,259	3,909,586
Current assets	1,497,393	1,684,713	1,668,361
Current liabilities	928,549	226,823	686,001
Net current assets	568,844	1,457,890	982,360
Non-current liabilities	623,656	577,920	75,937
Net assets	4,787,097	5,083,229	4,816,009

For the year ended 31 December 2015

For the year ended 31 December 2015, the Group recorded turnover of approximately HK$144.08 million, demonstrating a stable year-on-year trend from approximately HK$144.62 million for the previous year.

The profit after tax of the Group for the year ended 31 December 2015 has demonstrated a year-on-year increase from approximately HK$472.69 million for the previous year to approximately HK$477.34 million, which was primarily due to the net effect of, among others, (i) the aforesaid stable trend in turnover; (ii) the increase in total operating income attributable to the one-off gain on the dilution of the Company's shareholding in XIB; (iii) the increase in impairment loss on loans to customers and interest receivable; and (iv) the decrease in income tax expenses during the year ended 31 December 2015.

As at 31 December 2015, the net current assets and net assets of the Group were approximately HK$1,457.89 million and approximately HK$5,083.23 million, respectively.

For the year ended 31 December 2016

Turnover of the Group for the year ended 31 December 2016 has declined slightly by approximately 6.73% from approximately HK$144.08 million for the previous year to approximately HK$134.38 million. Such decline in turnover was mainly due to the year-on-year decline of approximately 34.19% in the annual turnover of the financial services segment, which was mainly attributable to the decrease in interest income from loans to customers.

For the year ended 31 December 2016, profit after tax of the Group has declined by approximately 44.36% from approximately HK$477.34 million for the previous year to approximately HK$265.61 million. We were given to understand that such decline in profit after tax was primarily due to the dilution in the Company's shareholding in XIB, which had been diluted from approximately 14.8005% to approximately 10.6289% in June 2015, and further to approximately 9.7635% in December 2016. Specifically, it is noted in the Results Announcement that such decline was mainly attributable to (i) the recognition of the one-off loss on dilution of the Company's shareholding in XIB in December 2016 of approximately HK$40.42 million mainly due to the depreciation of Renminbi against Hong Kong Dollars, as compared to the one-off gain on the dilution of the Company's shareholding in XIB of approximately HK$73.04 million in 2015; and (ii) the year-on-year decrease in the sharing of results of XIB in 2016 due to the dilution of the Company's shareholding in XIB in June 2015.

As at 31 December 2016, the net current assets and net assets of the Group were approximately HK$568.84 million and approximately HK$4,787.10 million, respectively.

2 Reasons for and the benefits of the Rights Issue and the use of proceeds

The gross proceeds from the Rights Issue will be approximately HK$827 million and the net proceeds, after deducting the estimated expenses, are estimated to be approximately HK$824 million. The Company intends to apply the net proceeds from the Rights Issue as to approximately 91% for repayment of bank loan facilities and the remaining portion of approximately 9% for general working capital purpose of the Group.

As at 28 February 2017, the balance of the bank borrowing of the Group was approximately HK$1,363.23 million. Upon enquiry with the management of the Company, we learnt that approximately HK$746 million of the existing bank borrowing is intended to be repaid with the net proceeds from the Rights Issue, which comprises the full amount of the Maturing Tranche (as defined below) and other tranches of bank loan facilities, all of which shall become mature and be payable by the Company in 2017.

On 21 June 2016, the Company entered into a capital contribution agreement with XIB, pursuant to which the Company had subscribed for 140,000,000 XIB Shares at the aggregate consideration of RMB672 million (equivalent to approximately HK$794.98 million) (the "Capital Contribution") in order to minimise the dilution effect on the shareholding percentage in XIB upon completion of the Capital Contribution. The Capital Contribution was completed in December 2016 and as a result, the equity interest of the Group in XIB was decreased to approximately 9.7635%. In implementing the Capital Contribution, the Company had considered, among others, the track record of operating results and the development of the banking business of XIB Group. As the first sino-foreign joint venture bank established in the PRC in 1985, XIB was restructured into a Chinese city commercial bank in 2013. According to the official website of XIB *(https://www.xib.com.cn/)*, XIB has more than 50 branches located in more than 10 cities in the PRC. Based on the "Top 1000 World Banks" ranking published by *The Banker (https://www.thebanker.com/)*, an international financial affairs magazine founded in 1926 and owned by The Financial Times Ltd., XIB has shown a significant year-on-year improvement in its ranking in terms of first-tier capital from being in the 356th place in 2015 to the 242nd place in 2016. XIB Group contributed more than 90% of the Group's profit after tax in the ordinary course of business for each of the four years ended 31 December 2015. Such contribution has increased further to more than 177% of the Group's profit after tax in the ordinary course of business for the year ended 31 December 2016. On 27 March 2017, XIB Group completed its acquisition of 64.31% of the total issued shares of Chiyu Bank, demonstrating its commitment to grow and take new opportunities under the "One Belt, One Road" initiative in the PRC by expanding its business into the Hong Kong banking market. On the same date, the Company became a minority shareholder controller of Chiyu Bank according to the approval from Hong Kong Monetary Authority. In light of the above, the Capital Contribution is in the interest of the Company and accordingly the Shareholders through the sharing of results of XIB Group and the participation in the future growth of XIB Group.

In order to finance the subscription consideration under the Capital Contribution, the Company entered into a facility agreement (the "Facility Agreement") with certain banks in Hong Kong (the "Banks") for bank loan facilities in an aggregate amount of up to HK$800 million. As disclosed in the announcement of the Company dated 21 June 2016, the Company intended to finance the consideration of the Capital Contribution by way of internal and/or external resources and subject to completion of the Capital Contribution, the Company may raise funds through rights issues. Pursuant to the Facility Agreement and mutual understanding between the Company and the Banks, the granting of the facilities is conditional upon, among others, a letter of comfort duly signed by FIDG, and the repayment of a tranche of the facilities thereunder in the aggregate amount of up to HK$600 million shall be financed through a possible rights issue of the Company. Pursuant to the letter of comfort, FIDG has agreed and confirmed to own directly or indirectly not less than 35% beneficial interest in the issued share capital of the Company and management control right in the Company, and to underwrite the rights shares which were not subscribed by other Shareholders under the possible rights issue. As at the Latest Practicable Date, it is expected that a tranche of the facilities (the "Maturing Tranche") under the Facility Agreement in the aggregate amount of approximately HK$594.98 million will become mature and be payable in June 2017.

As shown in Table 1, despite the current assets of the Group as at 31 December 2016 slightly decreased to approximately HK$1,497.39 million as compared to that as at 31 December 2015, current liabilities of the Group as at 31 December 2016 has increased significantly by approximately 309.37% to approximately HK$928.55 million, resulting in a significant year-on-year decrease in net current assets by approximately 60.98% to approximately HK$568.84 million as at 31 December 2016. According to the Results Announcement, the increase in current liabilities as at 31 December 2016 was primarily due to the significant year-on-year increase in short-term bank borrowing of approximately 603.96%. Gearing ratio of the Group as at 31 December 2016, which is calculated based on the total bank borrowing of approximately HK$1,353.42 million and the net assets of approximately HK$4,787.10 million, was relatively high at approximately 28.27% as compared to that of approximately 12.12% as at 31 December 2015. Further, we noted that the Group incurred finance costs of approximately HK$35.00 million for the year ended 31 December 2016, which substantially account for approximately 26.05% of the turnover for the year ended 31 December 2016. Accordingly, by utilising the majority of the net proceeds from the Rights Issue for such repayments, the risk of breach of repayment obligations under the bank loan facilities agreements will be mitigated and the existing gearing position of the Group will be improved. Further, the resulting reduction in bank borrowing will help relief the interest burden of the Group and, together with the intended allocation of net proceeds for general working capital of the Group, provide the Group with enhanced internal resources and financing capacity for future development should suitable opportunities arise, ultimately enhancing the rate of return of the Company and the Shareholders' value in the future.

Upon enquiry with the management of the Company, we were given to understand that the Company has considered various fund raising alternatives including but not limited to borrowing, issuance of debt securities and equity financing such as placing of new Shares. Considering that debt financing would result in potential lengthy due diligence and negotiations given the year-on-year decrease in profit after tax for the year ended 31 December 2016, the short-term performance of the Group and the relatively high gearing ratio of the Group as at 31 December 2016, and additional interest burden and debt level, therefore worsening the existing gearing position of the Group, we are of the view that equity financing would be a more prudent fund raising method. With respect to placing of new Shares, it is a common market practice to conduct such activity on a best-effort basis and accordingly the amount to be raised would be uncertain and subject to the then market conditions. In addition, placing of new Shares will lead to immediate dilution in shareholding interest of existing Shareholders without offering them opportunities to participate in the enlargement of the capital base of the Company, whereas the Rights Issue is advantageous in the sense that it provides all Qualifying Shareholders with opportunities to maintain their respective pro-rata shareholdings in the Company and participate in future development of the Group. Further, the Rights Issue will be fully underwritten by the Underwriter at nil commission, therefore providing the Company with a high certainty to raise funds at relatively low cost. In light of the above, we are of the view that the Rights issue would be a preferred means for the Group to raise fund over other alternatives.

Taking into consideration (i) the Capital Contribution, which is beneficial to the Company and the Shareholders, was financed by the facilities under the Facility Agreement and the granting of which was subject to the implementation of a possible rights issue of the Company; (ii) the intended allocation of a majority of the net proceeds from the Rights Issue for repaying the bank loan facilities to be mature and payable in 2017, which will potentially lead to (a) an reduction in risk of breach of repayment obligations under the bank loan facilities agreements in light of the gearing of the Group; (b) an improvement in the existing gearing position of the Group; (c) a relief of the interest burden of the Group, which accounts for a significant portion of the revenue for the year ended 31 December 2016, and ultimately an increase in the rate of return of the Company in the long term; and (d) a saving in internal resources and an increase in financing capacity which, together with the intended allocation of net proceeds for general working capital purposes, would facilitate future development of the Group; and (iii) the Rights Issue represents a preferred means for raising fund over other alternatives, we are of the view that the implementation of the Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3 Principal terms of the Rights Issue

Table 2 below sets out the principal statistics of the Rights Issue.

Table 2: A summary of the issue statistics

Basis of the Rights Issue	:	three (3) Rights Shares for every ten (10) existing Shares held on the Record Date
Subscription Price	:	HK$6 per Rights Share
Number of existing Shares in issue as at the Latest Practicable Date	:	459,428,656 Shares
Number of Rights Shares	:	137,828,596 Rights Shares
Expected amount to be raised before expenses	:	approximately HK$827 million before expenses (based on the number of existing Shares in issue as at the Latest Practicable Date, and assuming that no Shares have been allotted and issued on or before the Record Date)
Underwriter	:	Vigour Fine
Total number of Shares in issue as enlarged by the allotment and issue of Rights Shares upon completion of the Rights Issue	:	597,257,252 Shares

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into the existing Shares. Assuming no new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue, the aggregate number of Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represents 30% of the Company's total number of issued Shares as at the Latest Practicable Date, and will represent approximately 23.08% of the Company's total number of issued Shares as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue.

3.1 The Subscription Price

The Subscription Price is HK$6 per Rights Share, which will be payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights

Shares under the Rights Issue or application for excess Rights Shares, or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

(i) a discount of approximately 14.04% to the Last Closing Price;

(ii) a discount of approximately 11.84% to the average closing price of approximately HK$6.806 per Share as quoted on the Stock Exchange for the five consecutive trading days ending on and including the Last Trading Day;

(iii) a discount of approximately 12.46% to the average closing price of approximately HK$6.854 per Share as quoted on the Stock Exchange for the 10 consecutive trading days ending on and including the Last Trading Day;

(iv) a discount of approximately 11.16% to the theoretical ex-right price (the "Theoretical Ex-right Price") of approximately HK$6.754 based on the Last Closing Price;

(v) a discount of approximately 4.46% to the closing price of HK$6.28 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vi) a discount of approximately 42.42% to the audited consolidated net asset value per Share (the "NAV per Share") attributable to Shareholders of the Company of approximately HK$10.42 as at 31 December 2016.

The Subscription Price was determined by the Directors with reference to the market price of the Shares prior to and including the Last Trading Day, the net asset value per Share as at 31 December 2015 of the Company and the prevailing market conditions.

In assessing the fairness and reasonableness of the Subscription Price, we have primarily made references to (i) the historical performance of the Share price; (ii) the historical trading liquidity of the Shares; and (iii) a comparable analysis against other comparable rights issue exercises in the market (the "Comparable Analysis"), details of which are set out below respectively.

3.1.1 Historical performance of the Share price

Chart 1 below sets out the comparison among (i) the adjusted daily closing prices of the Shares from 17 March 2016, being the first trading day of the 12-month period prior to the Last Trading Day, up to and including the Latest Practicable Date (the "Review Period"); (ii) the Subscription Price of HK$6 per Rights Share; and (iii) the Hang Seng Index during the Review Period.

Chart 1: Share price performance against the Subscription Price and the Hang Seng Index during the Review Period

Sources : (i) The website of the Stock Exchange (http://www.hkex.com.hk/); and

(ii) the website of the Hang Seng Indexes (http://www.hsi.com.hk/)

The Shares had been traded at above the Subscription Price throughout the Review Period. As shown in Chart 1, the closing price of the Shares during the Review Period ranged from HK$6.28 per Share to HK$8.41 per Share, with an average of approximately HK$7.46 per Share. The Subscription Price of HK$6 per Share therefore represents a discount of approximately 4.46% to the aforementioned lowest closing price of the Shares, a discount of approximately 28.66% to the aforementioned adjusted highest closing price of the Shares, and a discount of approximately 19.57% to the average closing price of the Shares during the Review Period respectively.

Before January 2017, movement of the closing price of the Shares had been fluctuating and generally in line with that of the Hang Seng Index throughout the Review Period. As illustrated in Chart 1, from around January 2017, the Hang Seng Index started to recover from the previous drop and had been generally on an increasing trend until the end of the Review Period, whereas the closing price of the Shares had been generally on a decreasing trend since January 2017. Save for the following, the Directors are not aware of any reasons for the price movement of the Shares during the period between January 2017 and the end of the Review Period. On 14 February 2017, the Company published an announcement in relation to the Profit Warning Statement stating that the profit attributable to the Shareholders for the year ended 31 December 2016 may record a substantial decrease as compared to that of the year ended 31 December 2015. On 17 March 2017, the Company published the Announcement in relation to the Rights Issue according to which, among others, the Subscription Price represents a discount to the Last Closing Price, resulting in a discount of the Theoretical Ex-right Price to the Last Closing Price which would lead to a potential downward adjustment to the share price after completion of the Rights Issue. In light of the above disclosures, it is anticipated that the recent downward trend in closing price of the Shares was due to the resulting negative market speculations arising from the Profit Warning Statement and the Rights Issue.

Taking into account (i) the recent downward trend in the closing price of the Shares as potentially affected by the negative market speculations arising from the Profit Warning Statement and the Rights Issue, (ii) the discount of the Subscription Price to the Last Closing Price would attract the Qualifying Shareholders to participate in the Rights Issue, which would in turn allow them to maintain their shareholding interests in, and participate in the future growth of the Company; and (iii) the Rights Issue is available to all Qualifying Shareholders and therefore provide them with an equal opportunity to participate, we are of the view that the determination of the Subscription Price of HK$6 per Rights Share is justifiable.

3.1.2 Historical trading liquidity of the Shares

Table 3 below shows the monthly statistics of the trading volume of the Shares during the Review Period.

Table 3: Historical trading volume of the Shares

Month	**Total monthly trading volume** *(Number of Shares)*	**Number of trading days**	**Average daily trading volume** *(Approximate number of Shares)*	**Total number of Shares in issue** *(Note 1)*	**Average daily trading volume over total number of Shares in issue** *(Approximate %)*
2016					
March *(Note 2)*	4,008,000	21	190,857	459,428,656	0.04
April	7,292,400	20	364,620	459,428,656	0.08
May	4,666,800	21	222,229	459,428,656	0.05
June	6,707,150	21	319,388	459,428,656	0.07
July	3,894,800	20	194,740	459,428,656	0.04
August	6,264,400	22	284,745	459,428,656	0.06
September	53,287,200	21	2,537,486	459,428,656	0.55
October	4,748,000	19	249,895	459,428,656	0.05
November	3,802,800	22	172,855	459,428,656	0.04
December	1,586,000	20	79,300	459,428,656	0.02

Month	Total monthly trading volume *(Number of Shares)*	Number of trading days	Average daily trading volume *(Approximate number of Shares)*	Total number of Shares in issue *(Note 1)*	Average daily trading volume over total number of Shares in issue *(Approximate %)*
2017					
January	646,000	19	34,000	459,428,656	0.01
February	11,151,600	20	557,580	459,428,656	0.12
March	3,212,940	23	139,693	459,428,656	0.03
April *(Up to and including the Latest Practicable Date)*	2,582,000	4	645,500	459,428,656	0.14

Source: The website of the Stock Exchange (http://www.hkex.com.hk/)

Notes:
1. *Based on the number of the Shares in issue as of the last date of each of the respective months or that as at the Latest Practicable Date for April 2017*
2. *Figures for March 2016 were computed on a full-month basis.*

As illustrated in Table 3, the average daily trading volume of the Shares during the Review Period was generally low, with a range from approximately 0.01% to approximately 0.55% of the total number of Shares in issue as at the last date of the respective months during the Review Period.

The generally thin liquidity of the Shares during the Review Period indicates the potential difficulties in initiating the Qualifying Shareholders to participate in the Rights Issue should the subscription price have been set at a premium to the Last Closing Price. Considering that, among others, the discount of the Subscription Price to the Last Closing Price would attract the Qualifying Shareholders to participate in the Rights Issue, which would in turn allow them to maintain their shareholding interests in, and participate in the future growth of the Company, we are of the view that the determination of the Subscription Price of HK$6 per Rights Share is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3.1.3 Comparable Analysis

We have initially conducted research from the public domain on comparable rights issues which (i) involve applications for waiver from strict compliance with Rule 26.1 of the Takeovers Code to the Executives (the "Applications"); (ii) were announced by listed companies in Hong Kong during the period from three months prior to the Last Trading Date up to and including the Latest Practicable Date (the "Comparable Review Period"), which in our view represents a reasonable period to reflect the prevailing market conditions for conducting such transactions; and (iii) the principal businesses and operations of the underlying issuers are the same as those of the Group. However, to the best of our knowledge, among all the rights issues announced by listed companies in Hong Kong during the Comparable Review Period regardless of the involvement of the Applications, none of the underlying issuers has principal businesses and operations that are the same as those of the Group. Accordingly, we have extended our selection criteria to include all right issues which (i) involve the Applications; and (ii) were announced by listed companies in Hong Kong during the Comparable Review Period, regardless of the principal businesses and operations of the underlying issuers. Nonetheless, there is only one comparable rights issue, being the proposed rights issue announced by Landing International Development Limited (stock code: 582) on 16 January 2017, which fits the aforesaid extended criteria. In order to obtain a reasonable sample size for the Comparable Analysis, we have therefore further extended the selection criteria (the "Further Extended Criteria") to include all rights issues announced by listed companies in Hong Kong during the Comparable Review Period, regardless of the principal businesses and operations of the underlying issuers and the involvement of the Applications. It is worth noting that such comparable rights issues may or may not involve the Applications and the underlying issuers of such comparable rights issues may or may not be identical to the Company in terms of principal business, operations and financial position. Nevertheless, we consider that our analysis could provide a general reference for the common market practice of determining the subscription price under rights issue exercises.

To the best of our knowledge and on a best-effort basis, an exhaustive list of 19 comparable rights issues (the "Comparables") has been identified to have met the Further Extended Criteria, details of which are summarised in Table 4 below.

Table 4: A summary of the Comparables

Name of issuers	Stock code	Principal business(es)	Date of announcement	Basis of entitlement	Premium/(discount) of subscription price over/to the closing share price on the last trading day *(Approximate %)*	Premium/(discount) of subscription price over/to the theoretical ex-right price *(Approximate %)*	Premium/(discount) of subscription price over/to the consolidated net asset value per share *(Note 1)* *(Approximate %)*	Commission rate *(Approximate %)*	Maximum dilution *(Note 2)* *(Approximate %)*	Excess application *(Note 3)* *(Yes/No)*
Global Energy Resources International Group Limited	8192	rental of energy-saving air-conditioners, trading business, operation of carbon emission trading platform and related services, money lending business and securities trading business.	29/3/2017	1 for 2	(21.05)	(15.01)	(21.39)	3.00	33.33	Yes
Hong Kong International Construction Investment Management Group Co., Limited	687	property development, foundation piling and site investigation in Hong Kong and property investment and management	28/3/2017	2 for 1	0.99	0.33	56.35	2.5	66.67	Yes
C C Land Holdings Limited	1224	property development and investment, and treasury investment	14/3/2017	1 for 2	(12.28)	(8.68)	(61.11)	0.30 *(Note 5)*	33.33	Yes
Lerado Financial Group Company Limited	1225	investment holding, provision of financial services, manufacture and distribution of children plastic toys and medical care products like mobility aid and other medical equipment	14/3/2017	2 for 1	(36.31)	(15.91)	(86.26)	1.5	66.67	Yes
China Kingstone Mining Holdings Limited	1380	production and sale of marble and marble related products in the PRC	3/3/2017	5 for 1	(44.70)	(11.89)	(78.30)	2	83.33	No
Food Idea Holdings Limited	8179	catering services, production, sales and distribution of food products to supermarket chains in Hong Kong, investments in securities and money lending business	28/2/2017	1 for 1	(17.65)	(9.68)	(75.95)	0.25	50.00	Yes
Golden Power Group Holdings Limited	8038	manufacture and sale of a broad range of batteries for various electronic devices to the PRC, Hong Kong and international markets	20/2/2017	1 for 2	(59.18)	(68.00)	(57.03)	2.50	33.33	No
Global Tech (Holdings) Limited	143	trading of telecommunications products, and provision of repair services and invesmtent in financial assets	26/1/2017	1 for 2	(30.89)	(23.08)	Not applicable *(Note 4)*	4.82	33.33	Yes
AKM Industrial Company Limited	1639	sourcing of raw materials and equipment, trading of flexible printed circuit and flexible packaging substrates	25/1/2017	1 for 4	(16.67)	(14.06)	15.75	1.5	20.00	No

Name of issuers	Stock code	Principal business(es)	Date of announcement	Basis of entitlement	Premium/ (discount) of subscription price over/ to the closing share price on the last trading day *(Approximate %)*	Premium/ (discount) of subscription price over/ to the theoretical ex-right price *(Approximate %)*	Premium/ (discount) of subscription price over/to the consolidated net asset value per share *(Note 1)* *(Approximate %)*	Commission rate *(Approximate %)*	Maximum dilution *(Note 2)* *(Approximate %)*	Excess application *(Note 3)* *(Yes/No)*
Vision Values Holdings Limited	862	provision of network solutions and project services, property investment, yacht construction and trading, and exploration and evaluation of mineral resources	24/1/2017	1 for 2	(38.98)	(29.96)	44.03	2.5	33.33	Yes
International Standard Resources Holdings Limited	91	coalbed methane gas exploration and exploitation in the PRC, sale of electronic components and treasury which include securities trading and money lending	16/1/2017	1 for 2	(43.75)	(34.16)	(72.68)	2.5	33.33	Yes
Landing International Development Limited	582	development and operation of the integrated leisure and entertainment resort, gaming club and entertainment facilities, property development and design, manufacturing and sales of light-emitting diode and semiconductor lighting related products	16/1/2017	5 for 1	(41.86)	(10.71)	(89.65)	2.25 *(Note 7)*	83.33	Yes
Automated Systems Holdings Limited	771	among others, delivery of comprehensive one-stop information technology services to clients across all industries	12/1/2017	1 for 2	(42.11)	(32.65)	(45.25)	11.14 *(Note 5)*	33.33	Yes
Celebrate Internatioal Holdings Limited	8212	money lending, healthcare services, investment in land property, securities investment and trading, and good and beverage trading	4/1/2017	3 for 1	(15.15)	(4.55)	(81.47)	3	75.00	Yes
Tack Fiori International Group Limited	928	development and promotion of education software products and provision of technical support services, apparel retail business, securities trading and investments business and the then forthcoming expansion to healthcare and money lending business	22/12/2016	1 for 1	(35.05)	(21.25)	170.24 *(Note 6)*	2.75	50.00	Yes
Get Holdings Limited	8100	research, development and distribution of, among others, personal computer software and toolbar advertisement, investment in securities, money lending business, provision of insurance and mandatory provident fund schemes brokerage services and provision of corporate management solutions.	21/12/2016	1 for 2	(7.14)	(4.94)	(85.53)	3.5	33.33	Yes

Name of issuers	Stock code	Principal business(es)	Date of announcement	Basis of entitlement	Premium/ (discount) of subscription price over/ to the closing share price on the last trading day *(Approximate %)*	Premium/ (discount) of subscription price over/ to the theoretical ex-right price *(Approximate %)*	Premium/ (discount) of subscription price over/to the consolidated net asset value per share *(Note 1)* *(Approximate %)*	Commission rate *(Approximate %)*	Maximum dilution *(Note 2)* *(Approximate %)*	Excess application *(Note 3)* *(Yes/No)*
Jian ePayment Systems Limited	8165	development and operation of back-end electronic receipt/payment and data recording and processing software system; and manufacturing and distribution of associated commercial applications in the PRC	21/12/2016	1 for 8	(7.53)	(6.72)	1827.18 *(Note 6)*	3	11.11	No
PPS International (Holdigns) Limited	8201	provision of environmental services and money lending services	21/12/2016	1 for 2	(40.00)	(30.77)	(17.92)	2	33.33	Yes
Huarong International Financial Holdings Limited	993	brokerage and dealing of securities, futures and options contracts, margin financing, loan financing, financial advisory, investment holdings, provision of management and consultancy services	21/12/2016	1.5 for 20	(17.03)	(15.97)	796.46 *(Note 6)*	1.5	6.98	Yes
				Maximum	*0.99*	*0.33*	*56.35*	*11.14*	*83.33*	
				Minimum	*(59.18)*	*(68.00)*	*(89.65)*	*0.25*	*6.98*	
				Average	*(27.70)*	*(18.82)*	*(43.76)*	*2.76*	*42.79*	
				Median	*(30.89)*	*(15.01)*	*(61.11)*	*2.50*	*33.33*	
The Company	**222**		**17/3/2017**	**3 for 10**	**(14.04)**	**(11.16)**	**(42.42)**	**Nil**	**23.09**	**Yes**

Source: The website of the Stock Exchange (http://www.hkex.com.hk/)

Notes:

1. *For each of the Comparables, the consolidated net asset value per share was computed based on the latest reported consolidated net asset value and the number of shares in issue as at the date of the relevant announcement or immediately before completion of the underlying proposed rights issue.*

2. *Represents the maximum potential dilution in shareholding interests of the then existing public shareholders in the underlying issuer arising from each proposed rights issue, which was computed as (the number of new shares to be issued under the basis of entitlement)/(the number of existing shares held for the entitlement for the new shares under the basis of entitlement + the number of new shares to be issued under the basis of entitlement)*100%.*

3. *Represents the availability of excess application (as defined under Rule 7.21(1) of the Listing Rules) by the qualifying shareholders.*

4. *Not applicable as such Comparable (the "Excluded Comparable") recorded net liabilities per share as at the date of the relevant announcement in relation to the underlying rights issue.*

5. *Fixed commission fee was adopted; the presented commission fee rate was computed based on the fixed commission fee, the subscription price per rights share and the total (maximum) number of underwritten shares as disclosed in the relevant announcement.*

6. *These premiums of subscription price over the consolidated net asset value per share are excluded from the analysis because such figures, as compared with those of other Comparables, appear to be the outliers (the "Outliers") which may inappropriately skew the overall results.*

7. *Represents the average of the two commission rates payable to the two underlying underwriters respectively.*

As illustrated in Table 4, the underlying subscription prices of 18 out of 19 Comparables were set at a discount to the respective closing share prices on the respective last trading days, and the discount of the Subscription Price to the Last Closing Price of approximately 14.04% represents the fourth lower discount as compared to that of those 18 Comparables. Further, the subscription prices of the Comparables represent a range from a discount of approximately 59.18% to a premium of approximately 0.99% to/over the respective closing share prices on the respective last trading days, with the average (the "LTD Market Average") of a discount of approximately 27.70%. Therefore, the discount of the Subscription Price to the Last Closing Price is lower than the discount as represented by the LTD Market Average

On the other hand, the underlying subscription prices of 18 out of 19 Comparables were set at a discount to the respective theoretical ex-right prices, and the discount of the Subscription Price to the Theoretical Ex-right Price of approximately 11.16% represents the seventh lowest discount as compared to that of those 18 Comparables. The subscription prices of the Comparables represent a range from a discount of approximately 68.00% to a premium of approximately 0.33% to/over the respective theoretical ex-right prices, with the average (the "TEP Market Average") of a discount of approximately 18.82%. Therefore, the discount of the Subscription Price to the Theoretical Ex-right Price is lower than the discount as represented by the TEP Market Average.

In addition, without considering the Outliers and the Excluded Comparable, the underlying subscription prices of 12 out of 15 Comparables were set at a discount to the respective consolidated net asset values per share. The subscription prices of the Comparables represent a range from a discount of approximately 89.65% to a premium of approximately 56.35% to/over the respective consolidated net asset values per share, with an average of a discount of approximately 43.76% (the "NAV Market Average") and a median of a discount of approximately 61.11% (the "NAV Market Median"). As such, the discount of the Subscription Price to the NAV per Share of approximately 42.42% is lower than each of the discounts as respectively represented by the NAV Market Average and the NAV Market Median.

Taking into account the above, we consider that it is a common market practice for listed issuers in Hong Kong to conduct rights issue with a subscription price that is lower than each of the prevailing share price, the theoretical ex-right price and the consolidated net asset value per share.

3.1.4 Conclusion on the determination of the Subscription Price

Based on the analyses above, having considered (i) the recent downward trend in the closing price of the Shares as potentially affected by the negative market speculations arising from the Profit Warning Statement and the Rights Issue; (ii) the generally thin liquidity of the Shares during the Review Period, which indicates the potential difficulties in initiating the Qualifying Shareholders to participate in the Rights Issue should the subscription price have been set at a premium to the Last Closing Price; (iii) that it is a common practice for listed issuers in Hong Kong to set the subscription price at a discount to each of the prevailing share price, the theoretical ex-right price and the consolidated net asset value per share; (iv) that each of the respective discounts of the Subscription Price to the Last Closing Price, the Theoretical Ex-right Price and the NAV per Share is lower than the discounts as respectively represented by the LTD Market Average, the TEP Market Average and the NAV Market Average; (v) that the discounts of the Subscription Price would attract the Qualifying Shareholders to participate in the Rights Issue, which would in turn allow them to maintain their shareholding interests in, and participate in the future growth of the Company; and (vi) that the Rights Issue is available to all Qualifying Shareholders and therefore provide them with an equal opportunity to participate, we are of the view that the determination of the Subscription Price of HK$6 per Rights Share is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3.2 Application for Excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for (i) any unsold entitlements to the Rights Shares of the Non-Qualifying Shareholders had they been Qualifying Shareholders; (ii) any unsold Rights Shares created by adding together fractions of the Rights Shares; and (iii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renounces or transferees of nil-paid Rights Shares.

The Directors will allocate the excess Rights Shares, if any, at their discretion on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to the Rights Shares subscribed through application by a PAL or the existing number of Shares held by the Qualifying Shareholders. No preference will be given to top up odd lots to whole board lots.

Considering the above, we are of the view that the terms of the Rights Issue including the Subscription Price are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

4 Underwriting Arrangements

On 17 March 2017, the Company and Vigour Fine entered into the Underwriting Agreement, pursuant to which Vigour Fine has undertaken to the Company to fully underwrite the subscription of 71,226,616 Underwritten Shares at nil underwriting commission. The nil underwriting commission was arrived at after arm's length negotiations between the Company and Vigour Fine on the basis that such arrangement can demonstrate the support from Vigour Fine in the Rights Issue and reduce the Company's cost of implementing the Rights Issue, which is in the interest of the Company and the Shareholders as a whole. The obligations of the Underwriter to underwrite the Underwritten Shares are conditional on (i) the satisfaction of the conditions referred to in the paragraph headed "Conditions of the Rights Issue and the Underwriting Agreement" under the section headed "Underwriting Arrangements" in the Letter from the Board, which cannot be waived in whole or in part; and (ii) the Underwriting Agreement not being terminated by the Underwriter in accordance with its terms. If the conditions are not fulfilled or the Underwriting Agreement is terminated pursuant to its terms, the Rights Issue will not proceed.

In assessing the fairness and reasonableness of the terms of the Underwriting Agreement, we have made reference to the results of the Comparable Analysis. As shown in Table 4, the commission fee rates of the Comparables range from approximately 0.25% to approximately 11.14% of the total subscription amount of the underwritten shares, with an average of approximately 2.76%. Therefore, we are of the view that the determination of nil underwriting commission pursuant to the Underwriting Agreement is more favourable than that under the general market practice. In addition, we have reviewed other principal terms of the Underwriting Agreement including but not limited to the conditions precedent thereto and the termination clauses, further details of which are set out in the section headed "Underwriting Arrangements" in the Letter from the Board, and we are not aware of any terms being unusual that the Independent Shareholders should be noted. Accordingly, we are of the view that the terms of the Underwriting Agreement are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

5 The Irrevocable Undertakings

Pursuant to the Irrevocable Undertakings, among others, Vigour Fine has irrevocably undertaken to the Company (i) to accept and/or procure the acceptance of the Vigour Fine Committed Shares; and (ii) that the 222,006,600 Shares owned by it (either directly or indirectly through Samba) will remain so owned by it and Samba from the date of the Irrevocable Undertakings up to the Record Date. Further details of the Irrevocable Undertakings are set out in the section headed "Irrevocable Undertakings" in the Letter from the Board.

We consider that the Irrevocable Undertakings demonstrate the confidence of the substantial Shareholder in the future prospect of the Group and its support in the Rights Issue, an exercise which in our view is beneficial to the Company and the Shareholders as explained in the section headed "Reasons for and the benefits of the Rights Issue and the use of proceeds" in this letter, and therefore are in the interests of the Company and the Shareholders as a whole.

6 Potential dilution in public shareholding interests

Reference is made to the shareholding table under the section headed "Changes in the Shareholding Structure of the Company arising from the Rights Issue" in the Letter from the Board. Assuming no Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue, under the scenarios that (i) all Rights Shares are taken up by the Qualifying Shareholders and the Underwriter is not required to underwrite any Underwritten Shares, shareholding interests of the public Shareholders immediately upon completion of the Rights Issue will remain as that as at the Latest Practicable Date of approximately 39.45%, representing nil dilution in their shareholding interests arising from the Rights Issue; and (ii) no Rights Shares are taken up by the Qualifying Shareholders except Vigour Fine Committed Shares, and the Underwriter is required to underwrite the Underwritten Shares, shareholding interests of the public Shareholders will decrease from approximately 39.45% as at the Latest Practicable Date to approximately 30.34% immediately upon completion of the Rights Issue, representing a dilution (the "Potential Maximum Dilution") of approximately 23.09% in their shareholding interests arising from the Rights Issue.

In justifying the fairness and reasonableness of the Potential Maximum Dilution, we have, among others, made reference to the results of the Comparable Analysis. As shown in Table 4 above, the Potential Maximum Dilution is the fourth lowest as compared to all other potential dilutions in public shareholding interests arising from the Comparables, which range from approximately 6.98% to approximately 83.33% with an average of approximately 42.79%. Therefore, the Potential Maximum Dilution of approximately 23.09% is significantly lower than the average of the corresponding dilutions arising from the Comparables.

Taking into account (i) that all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issues so as to maintain their respective shareholding interest in, and participate in the future growth of the Company; (ii) the inherent dilutive nature of rights issues in general if the existing shareholders do not take up their entitlements thereunder in full; (iii) the Potential Maximum Dilution is significantly lower than the average of the corresponding dilutions in public shareholding interests arising from the Comparables; (iv) the Rights Issue is considered to be a relatively more appropriate means as compared to other financing alternatives as previously discussed; (v) the net proceeds from the Rights Issue would help enhance the financial position of the Group and strengthen its capital base, we are of the view that the Potential Maximum Dilution is justifiable.

7 Financial effects of the Rights Issue

7.1 Net asset value

Reference is made to the statement of unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as set out in Appendix II to the Circular. As at 31 December 2016, based on (i) the audited consolidated net tangible assets of the Group attributable to the Shareholders of approximately HK$4,787.10 million; and (ii) the 459,428,656 Shares in issue, the audited consolidated net tangible assets per Share attributable to the Shareholders amounted to approximately HK$10.42. On the assumptions that completion of the Rights Issues had taken place on 31 December 2016 and 137,828,596 Rights Shares had been issued, immediately upon completion of the Rights Issue, (i) the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Shareholders would become approximately HK$5,611.34 million; and (ii) the number of Shares in issue would become 597,257,252 Shares, resulting in the unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the Shareholders of approximately HK$9.40.

7.2 Liquidity

According to the Results Announcement, the cash and bank balances and the net current assets of the Group as at 31 December 2016 were approximately HK$1,274.41 million and HK$568.84 million, respectively. Immediately upon completion of the Rights Issue, it is expected that the cash and bank balances and the net current assets of the Group will be increased by the estimated net proceeds from the Rights Issue of approximately HK$824 million. As such, the Rights Issue is expected to have positive impacts on the liquidity of the Group.

7.3 Gearing ratio

Based on the total bank borrowing of approximately HK$1,353.42 million and the net assets of approximately HK$4,787.10 million, the gearing ratio of the Group as at 31 December 2016 was approximately 28.27%. Given that approximately 91% of the net proceeds will be used for repayment of bank borrowing, it is expected that total borrowing of the Group will decrease and the resulted gearing ratio will decrease in the long run.

Shareholders should note that the analyses above are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Rights Issue.

8 Whitewash Waiver

As at the Latest Practicable Date, Vigour Fine (either directly or indirectly through Samba, its subsidiary) was interested in 222,006,600 Shares, representing approximately 48.32% of the entire issued Shares of the Company. Assuming no acceptance by the Qualifying Shareholders under the Rights Issue, Vigour Fine will be required to take up the Underwritten Shares, and the total shareholding of the Concert Group upon completion of the Rights Issue would amount to approximately 60.25% of the then issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. Under such circumstance, Vigour Fine would be required to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

An application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that the Whitewash Waiver will be granted and will be conditional upon, among other things, the approval of the Independent Shareholders at the EGM by way of poll, in which the Concert Group shall abstain from voting on the relevant resolution(s). Save for the Concert Group, no Shareholder is involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver which requires him/her/it to abstain from voting on the relevant resolution(s) at the EGM.

If the Whitewash Waiver is approved by the Independent Shareholders, the shareholding of the Concert Group may exceed 50%, in which event the Underwriter may further increase its shareholding in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer. If the Whitewash Waiver is not granted or not approved by the Independent Shareholders, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed. In such event, the Company will lose all the benefits that are expected to be brought by the Rights Issue including but not limited to the reduction in risk of breach of bank loan facilities agreements, the potential reduction in gearing ratio and the potential improvement in the general financial position of the Group, and the saving in internal resources and increase in financing capacity for supporting the future development of the Group.

Based on our assessment, we consider that the implementation of the Rights Issue and the entering into of the Underwriting Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, we are of the view that for the purpose of implementing the Rights Issue and the Underwriting Agreement, the approval of the Whitewash Waiver by the Independent Shareholders at the EGM will be in the interests of the Company and the Shareholders as a whole.

RECOMMENDATIONS

Having considered the principal factors and reasons set out in this letter, we are of the view that the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Goldin Financial Limited
Billy Tang
Director

Note: *Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Goldin Financial Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in the corporate finance profession.*

1. SUMMARY OF FINANCIAL INFORMATION

The financial information of the Group for each of the three years ended 31 December 2014, 2015 and 2016 respectively had been set out in the annual reports and/or annual results announcement of the Company for these three years respectively and are available on the website of the Stock Exchange as specifically set out below:

Financial year ended	Website
31 December 2014	http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0427/LTN20150427739.pdf
31 December 2015	http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0428/LTN201604281176.pdf
31 December 2016	http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0330/LTN201703301273.pdf

The above annual reports and/or annual results announcement of the Company are also available at the website of the Company at http://www.minxin.com.hk/.

The following is the summary of the consolidated financial information of the Group for each of the three years ended 31 December 2014, 2015 and 2016, which were extracted from the Company's relevant annual reports or annual results announcement respectively.

	For the year ended 31 December		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Results			
Total revenues	169,202	168,574	154,563
Profit before taxation	491,202	486,020	272,087
Income tax expense	(18,515)	(8,681)	(6,475)
Profit for the year attributable to Shareholders of the Company	472,687	477,339	265,612
	HK Cents	*HK Cents*	*HK Cents*
Earnings per Share Basic and diluted	102.89	103.90	57.81
	HK$	*HK$*	*HK$*
Dividend	22,971,433	22,971,433	22,971,433
	HK Cents	*HK Cents*	*HK Cents*
Dividend per Share	5	5	5

	As at 31 December		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Assets and Liabilities			
Total assets	5,577,947	5,887,972	6,339,302
Total liabilities	(761,938)	(804,743)	(1,552,205)
Net assets	4,816,009	5,083,229	4,787,097
Total equity attributable to Shareholders of the Company	4,816,009	5,083,229	4,787,097

Notes:

1 The auditor of the Group has not issued qualified opinion on the audited financial statements of the Group for each of the three year ended 31 December 2014, 2015 and 2016.

2 Gain on dilution of shareholding in Xiamen International Bank of HK$11.74 million and HK$73.04 million were recognised for the year ended 31 December 2014 and 2015 respectively. Loss on dilution of shareholding in Xiamen International Bank of HK$40.42 million was recognised for the year ended 31 December 2016.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2015 as extracted from the annual report of the Company for the year ended 31 December 2015:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Turnover	5	144,075	144,624
Total revenues	5	168,574	169,202
Other gains – net	6	43,732	2,561
Total operating income		212,306	171,763
Net insurance claims incurred and commission expenses incurred on insurance business	7	(45,164)	(35,832)
Impairment loss on loans to customers and interest receivable	22	(136,785)	(38,055)
Staff costs		(31,997)	(30,481)
Depreciation		(1,417)	(1,343)
Other operating expenses		(18,865)	(20,054)
Total operating expenses		(234,228)	(125,765)
Operating (loss)/profit	8	(21,922)	45,998
Finance costs	9	(12,958)	(7,016)
Share of results of associates		520,900	452,220
Profit before taxation		486,020	491,202
Income tax expense	11	(8,681)	(18,515)
Profit for the year	12	477,339	472,687
Dividend			
– Final dividend	13	22,971	22,971
		HK CENTS	HK CENTS
Earnings per share			
Basic and diluted	14	103.90	102.89
Dividend per share			
– Final dividend		5	5

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015	2014
	HK$'000	*HK$'000*
Profit for the year	477,339	472,687
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)/credited to equity	(42,280)	318,453
Deferred income tax	12	–
Release on disposal	–	(846)
Release on dilution of interest in an associate	(18,043)	3,378
Share of changes in equity of associates		
Fair value changes credited to equity	60,656	239,561
Release on disposal	1,119	13,894
Deferred income tax	(15,073)	(59,769)
	(13,609)	514,671
Exchange translation reserve		
Exchange differences arising on translation of the financial statements of foreign subsidiaries and associates	(164,976)	(70,533)
Release on dilution of interest in associates	(22,566)	(13,577)
	(187,542)	(84,110)
	(201,151)	430,561
Other comprehensive income for the year, net of tax	(198,820)	430,561
Total comprehensive income for the year	278,519	903,248

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	15	19,061	20,122
Investment properties	16	179,215	165,762
Associates	17	3,263,977	2,945,890
Available-for-sale financial assets	18	728,713	770,129
Loans to customers and interest receivable	22	1,519	–
Reinsurance assets	21	2,479	3,402
Prepayments		1,549	–
Deferred income tax assets	29	6,746	4,281
		4,203,259	3,909,586
Current assets			
Deferred acquisition costs	19	15,061	12,738
Insurance receivable	20	15,591	10,644
Reinsurance assets	21	2,376	2,265
Loans to customers and interest receivable	22	190,659	275,487
Other debtors		4,268	5,185
Prepaid taxes		1,253	–
Other prepayments and deposits		2,606	905
Financial assets at fair value through profit or loss	23	8,095	7,194
Cash and bank balances	24	1,432,106	1,353,943
		1,672,015	1,668,361
Assets classified as held for sale	25	12,698	–
		1,684,713	1,668,361
Current liabilities			
Insurance contracts	26	53,806	44,479
Insurance payable	27	8,818	6,059
Other creditors and accruals		25,021	29,411
Bank borrowings	28	113,734	579,097
Current income tax payable		25,444	26,955
		226,823	686,001
Net current assets		1,457,890	982,360
Total assets less current liabilities		5,661,149	4,891,946

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31 December 2015

	Note	**2015** *HK$'000*	**2014** *HK$'000*
Non-current liabilities			
Bank borrowings	*28*	502,116	–
Insurance contracts	*26*	33,844	27,707
Deferred income tax liabilities	*29*	41,960	48,230
		577,920	75,937
Net assets		5,083,229	4,816,009
Share capital	*30(a)*	891,135	891,135
Other reserves		1,501,099	1,716,858
Retained profits			
Proposed dividend		22,971	22,971
Others		2,666,165	2,185,045
Amount recognised in other comprehensive income and accumulated in equity relating to assets held for sale		1,859	–
Total equity attributable to equity holders of the Company		5,083,229	4,816,009

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

		Other reserves										
	Share capital	**Share premium**	**Capital redemption reserve**	**Statutory reserve**	**General reserve**	**Capital reserve**	**Investment revaluation reserve**	**Leasehold buildings revaluation reserve**	**Exchange translation reserve**	**Total other reserves**	**Retained profits**	**Total equity**
	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 1 January 2014	459,429	384,620	47,086	365,524	13,309	548,217	60,283	861	175,745	1,595,645	1,880,658	3,935,732
Transition to no-par value regime on 3 March 2014 *(Note 30(a)(i))*	431,706	(384,620)	(47,086)	–	–	–	–	–	–	(431,706)	–	–
Total comprehensive income for the year	–	–	–	–	–	–	514,671	–	(84,110)	430,561	472,687	903,248
Dividend	–	–	–	–	–	–	–	–	–	–	(22,971)	(22,971)
Release on dilution of interest in an associate *(Note 17(c))*	–	–	–	(47,248)	(6,208)	(68,257)	–	–	–	(121,713)	121,713	–
Transfers	–	–	–	205,387	38,684	–	–	–	–	244,071	(244,071)	–
At 31 December 2014	891,135	–	–	523,663	45,785	479,960	574,954	861	91,635	1,716,858	2,208,016	4,816,009
Representing:												
2014 proposed dividend	–	–	–	–	–	–	–	–	–	–	22,971	22,971
Others	891,135	–	–	523,663	45,785	479,960	574,954	861	91,635	1,716,858	2,185,045	4,793,038
At 31 December 2014	891,135	–	–	523,663	45,785	479,960	574,954	861	91,635	1,716,858	2,208,016	4,816,009
At 1 January 2015	891,135	–	–	523,663	45,785	479,960	574,954	861	91,635	1,716,858	2,208,016	4,816,009
Total comprehensive income for the year	–	–	–	–	–	–	(13,609)	2,331	(187,542)	(198,820)	477,339	278,519
Dividend	–	–	–	–	–	–	–	–	–	–	(22,971)	(22,971)
Release on dilution of interest in associates *(Note 17(d) & (g))*	–	–	–	(152,012)	(22,459)	(133,504)	–	–	–	(307,975)	307,975	–
Share of dilution of interest in a subsidiary held by an associate *(Note 17(e))*	–	–	–	–	–	11,672	–	–	–	11,672	–	11,672
Transfers	–	–	–	244,058	37,165	–	–	–	–	281,223	(281,223)	–
At 31 December 2015	891,135	–	–	615,709	60,491	358,128	561,345	3,192	(95,907)	1,502,958	2,689,136	5,083,229
Representing:												
Amount recognised in other comprehensive income and accumulated in equity relating to assets held for sale	–	–	–	55	–	–	–	–	1,804	1,859	–	1,859
2015 proposed dividend	–	–	–	–	–	–	–	–	–	–	22,971	22,971
Others	891,135	–	–	615,654	60,491	358,128	561,345	3,192	(97,711)	1,501,099	2,666,165	5,058,399
At 31 December 2015	891,135	–	–	615,709	60,491	358,128	561,345	3,192	(95,907)	1,502,958	2,689,136	5,083,229

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Net cash outflow from operations	33	(28,159)	(210,839)
Interest received		34,829	39,326
Interest paid		(13,511)	(5,523)
Tax paid		(19,687)	(27,549)
Net cash outflow from operating activities		(26,528)	(204,585)
Investing activities			
Placement of bank deposits pursuant to insurance regulatory requirements		(7,434)	(1,915)
Withdrawal of bank deposits with original maturity over three months		11,023	2,356
Formation of an associate		(1,150)	–
Purchase of available-for-sale financial assets		(864)	–
Purchase of property, plant and equipment		(1,063)	(1,013)
Dividend received from associates		142,490	199,376
Loan partially repaid from an associate		5,617	–
Loan advanced to an unrelated company		(239)	–
Recovery of loan receivable from unrelated companies		239	116,326
Sale of property, plant and equipment		50	–
Net cash inflow from investing activities		148,669	315,130
Net cash inflow before financing		122,141	110,545

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the year ended 31 December 2015

	Note	**2015** *HK$'000*	**2014** *HK$'000*
Financing			
Bank loans obtained		486,233	639,008
Bank loans repaid		(450,000)	(260,000)
Margin loans obtained		145,451	–
Margin loans repaid		(145,451)	–
Withdrawal/(placement) of restricted bank deposits		337,719	(191,197)
Dividend paid		(22,971)	(22,971)
Net cash inflow from financing		350,981	164,840
Increase in cash and cash equivalents		473,122	275,385
Cash and cash equivalents at 1 January		887,808	628,620
Effect of foreign exchange rates changes		(35,410)	(16,197)
Cash and cash equivalents at 31 December		1,325,520	887,808
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	*24*	1,432,106	1,353,943
Less: Bank deposits placed pursuant to insurance regulatory requirements	*24*	(34,985)	(27,551)
Restricted bank deposits	*24*	(48,927)	(404,887)
Bank deposits with original maturity over three months		(22,674)	(33,697)
		1,325,520	887,808

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Min Xin Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively refer to as the "Group") are principally engaged in financial services, insurance, property development and investment and strategic investment.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 17th Floor, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong. The Company is listed on the Main Board of the Stock Exchange.

These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2016.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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 requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Chapter 622) came into operation during the financial year, as a result, there were changes to presentation and disclosures of certain information in the consolidated financial statements.

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 as explained in the accounting policies set out below:

– 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 are stated at the lower of carrying amount and fair value less costs to sell.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

The preparation of financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and judgement made by management are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement or complexity or where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Changes in accounting policies

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 19 Defined Benefit Plans: Employee Contributions
- Annual Improvements to HKFRSs 2010 – 2012 Cycle
- Annual Improvements to HKFRSs 2011 – 2013 Cycle

Up to the date of issue of these consolidated financial statements, 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 2015 and which have not been early adopted in these consolidated financial statements:

–	HKFRS 9	Financial Instruments
–	HKFRS 14	Regulatory Deferral Accounts
–	HKFRS 15	Revenue from Contracts with Customers
–	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

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

– Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
– 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	

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 these consolidated financial statements.

2.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries (together referred as the "Group") and the Group's interests in associates made up to 31 December.

(a) Subsidiaries and non-controlling interests

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

Subsidiaries are consolidated into the consolidated financial statements from the date that control commenced until the date that control ceases. Accounting policies of subsidiaries have been changed, where necessary, in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's identifiable net assets.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.3 Basis of consolidation *(Continued)*

(a) Subsidiaries and non-controlling interests *(Continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the changes in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised in the consolidated income statement.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in the consolidated income statement. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2.7(a)) or, when appropriate, the cost on initial recognition of an investment in an associate (Note 2.3(b)). In addition, any amounts previously recognised in consolidated statement of comprehensive income in respect of that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in consolidated statement of comprehensive income are reclassified to the consolidated income statement or transferred directly to retained profits when the Group loses control of the subsidiary.

Intra-company transactions, balances and unrealised profits arising from intra-company transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-company transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company.

Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2.18 or 2.19 depending on the nature of the liability.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less impairment losses (Note 2.9(b)), unless the investments are classified as held for sale (or included in a disposal group that is classified as held for sale) (Note 2.15). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.3 Basis of consolidation *(Continued)*

(b) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control over its management, including participation in the financial and operating policy decisions.

Investments in associates are accounted for in the consolidated financial statements under the equity method, unless they are classified as held for sale (or included in a disposal group that is classified as held for sale) (Note 2.15). Under the equity method, the investments are initially recognised at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investees' identifiable net assets over the cost of the investments (if any). Thereafter, the investments are adjusted for the post-acquisition changes in the Group's share of the investees' net assets and any impairment losses relating to the investments (Notes 2.4 and 2.9(b)). The consolidated income statement includes the acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income. The accounting policies of the investees have been aligned, where necessary, in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

When the Group's share of losses exceeds its interests in an associate, the Group's interests are reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interests in an associate are the carrying amount of the investments under the equity method together with the Group's long-term interests that in substance form part of the Group's net investments in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated income statement. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2.7(a)). In addition, any amounts previously recognised in consolidated statement of comprehensive income in respect of that investee are accounted for as if the Group had directly disposed of the related assets or liabilities.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.3 Basis of consolidation *(Continued)*

(b) Associates *(Continued)*

When the ownership interest in an associate is reduced but significant influence is retained, it is accounted for as a disposal of the interest reduced in that investee, with a resulting gain or loss being recognised in the consolidated income statement. In addition, only a proportionate share of the amounts previously recognised in consolidated statement of comprehensive income relating to that reduction in ownership interest is reclassified to consolidated income statement where appropriate.

In the Company's statement of financial position, the investments in associates are stated at cost less impairment losses (Note 2.9(b)), unless they are classified as held for sale (or included in a disposal group that is classified as held for sale) (Note 2.15). The results of associates are accounted for by the Company on the basis of dividend received and receivable.

2.4 Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in the consolidated income statement as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (Note 2.9(b)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the gains or losses on disposal.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment

All property, plant and equipment, including leasehold land and land use rights held for own use, are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with that asset will flow to the Group and the cost of that asset can be measured reliably. All other repair and maintenance costs are expensed in the income statement during the period in which they are incurred.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment is determined by comparing the net proceeds with the carrying amount and is recognised in the income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, over their estimated useful lives at the following annual rates:

(a) Straight line method

Leasehold land and land use rights held for own use	Over the unexpired term of the lease
Buildings held for own use	Over the shorter of the unexpired term of the lease and 30 years
Computer equipment	20% – 50%

(b) Reducing balance method

Furniture, fixtures and office equipment	10% – 20%
Motor vehicles	20% – 25%

An asset's residual value and useful life are reviewed, and adjusted, if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9(b)).

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.6 Investment properties

Investment properties are land or buildings, or both which are owned or held to earn rental income or for capital appreciation or both, and are not occupied by the companies within the Group. They comprise land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property on a property-by-property basis when the rest of the definition of investment property is met. The operating lease of land classified as investment property is accounted for as if it was a finance lease.

Investment properties are measured initially at their costs, including related transaction costs. After initial recognition, investment properties are carried at fair value. Fair value is based on active market prices and adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the income statement during the period in which they are incurred.

Changes in fair value and gain or loss on disposal of an investment property are recognised in the income statement as part of "Other gains – net".

When a property held for own use is reclassified to investment property following a change in its use, any differences arising at the date of reclassification between the carrying amount of the property held for own use immediately prior to the reclassification and its fair values measured in accordance with Note 2.5 is recognised as below:

(a) If the carrying amount of the property is increased as a result of the revaluation, the increase shall be recognised in other comprehensive income and accumulated separately in equity in the leasehold buildings revaluation reserve.

(b) If the carrying amount of the property is decreased as a result of the revaluation, the decrease shall be recognised in the income statement.

On subsequent disposal of the investment property, the revaluation surplus recognised in the leasehold buildings revaluation reserve may be transferred directly to retained profits.

If an investment property becomes owner-occupied, it is reclassified as a property held for own use and its fair value at the date of reclassification becomes its deemed cost for subsequent accounting in accordance with Note 2.5.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.7 Financial assets

(a) Initial recognition

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group recognises financial assets on the date it becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the assets.

Financial assets are initially recognised at fair value, which normally will be equal to the transaction price plus, in case of financial assets not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets at fair value through profit or loss are expensed in the income statement immediately.

(b) Classification and measurement

(i) At fair value through profit or loss

This category comprises financial assets held for trading, and those designated at fair value through profit or loss upon initial recognition, but exclude those investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured.

Financial assets held for trading are financial assets acquired principally for the purpose of selling in the short term, or are part of a portfolio of identified financial assets that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Derivative financial instruments ("derivatives") that do not qualify for hedge accounting (Note 2.8) are accounted for as trading instruments. Derivatives are initially recognised at fair value on the date derivative contracts are entered into by the Group and are subsequently re-measured at their fair values. Changes in their fair values are recognised immediately in the income statement within "Other gains – net".

Financial assets are designated at fair value through profit or loss upon initial recognition when:

– the assets are managed, evaluated and reported internally on a fair value basis; or

– the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.7 Financial assets *(Continued)*

(b) Classification and measurement *(Continued)*

(i) At fair value through profit or loss (Continued)

If a financial asset contains one or more embedded derivatives, the Group may designate the entire hybrid contract as a financial asset at fair value through profit or loss unless:

– the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the financial asset; or

– the separation of the embedded derivative(s) from the financial assets is prohibited.

Financial assets under this category are subsequently carried at fair value. Gains or losses arising from changes in the fair value are included in the income statement within "Other gains – net" in the period in which they arise. Upon disposal, the difference between the net sale proceeds and the carrying value is included in the income statement within "Other gains – net" in the period in which they arise. Dividend income is recognised in the income statement as part of "Other revenues" when the Group's right to receive payment is established.

Financial assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months from the reporting date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

Loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any (Note 2.9(a)(i)).

Financial assets in this category are classified as current assets except for those with maturities greater than twelve months after the reporting date or are expected to be realised after twelve months from the reporting date which are classified as non-current assets.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.7 Financial assets *(Continued)*

(b) Classification and measurement *(Continued)*

(iii) Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity financial assets are carried at amortised cost using the effective interest method, less impairment losses, if any (Note 2.9(a)(ii)).

Financial assets in this category are classified as current assets except for those with maturities greater than twelve months after the reporting date which are classified as non-current assets.

(iv) Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other three categories above. They include financial assets intended to be held for an indefinite period of time, but which may be sold in response to need for liquidity or changes in the market environment.

Available-for-sale financial assets are carried at fair value except for investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment losses, if any (Note 2.9(a)(iii)). Unrealised gains or losses arising from changes in the fair value are recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve, except for impairment losses and foreign exchange gains or losses on monetary items such as debt securities which are recognised in the income statement.

When the available-for-sale financial assets are sold, gains or losses on disposal include the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments which are previously recognised in other comprehensive income shall be reclassified from equity to the income statement.

Financial assets in this category are classified as non-current assets unless management intends to dispose of the financial assets within twelve months from the reporting date.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.7 Financial assets *(Continued)*

(c) De-recognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(d) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices (bid prices) at the reporting date without any deduction for estimated future selling costs.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the reporting date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the reporting date.

2.8 Hedge Accounting

The Group does not adopt hedge accounting for derivatives which may qualify as eligible cash flow hedges or fair value hedges.

2.9 Impairment of assets

(a) Financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or a group of financial assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

– significant financial difficulty of the issuer or obligor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of assets *(Continued)*

(a) Financial assets *(Continued)*

- the Group granting to the issuer or obligor, for economic or legal reasons relating to their financial difficulty, a concession that a lender would not otherwise consider;
- it becoming probable that the issuer or obligor will enter into bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including:
  - adverse changes in the payment status of borrowers in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

(i) Loans and receivables

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment loss on the basis of an instrument's fair value using an observable market price.

The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of assets *(Continued)*

(a) Financial assets *(Continued)*

(ii) Held-to-maturity

If there is objective evidence that an impairment loss on held-to-maturity financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a held-to-maturity financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment loss on the basis of an instrument's fair value using an observable market price.

The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

(iii) Available-for-sale

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the equity securities below their cost is considered in determining whether the assets are impaired.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that had been recognised in the investment revaluation reserve is reclassified to the income statement. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

For unquoted available-for-sale equity securities that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the equity securities and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, where the effect of discount is material.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of assets *(Continued)*

(a) Financial assets *(Continued)*

(iii) Available-for-sale (Continued)

Impairment losses recognised in the income statement in respect of available-for-sale equity securities are not reversed through the income statement. Any subsequent increase in the fair value of such assets is recognised directly in statement of comprehensive income and accumulated separately in equity in the investment revaluation reserve. Furthermore, any further declines in value after an impairment loss had been recognised in the income statement should be recognised immediately in the income statement.

If, in a subsequent period, the fair value of an available-for-sale debt securities increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the reversal of impairment loss is recognised in the income statement.

(b) Other non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset is impaired. Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are at least tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If any such indication exists, or when annual impairment testing for a non-financial asset is required, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

An impairment loss is recognised in the income statement for the amount by which the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of assets *(Continued)*

(b) Other non-financial assets *(Continued)*

Previously recognised impairment losses on goodwill are not reversed in subsequent periods. Previously recognised impairment losses on other assets are reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any amortisation or depreciation), had no impairment loss been recognised against the asset in prior periods. Reversal of impairment loss is credited to the income statement in the period in which it arises.

(c) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 "Interim Financial Reporting", in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (Notes 2.9(a) and 2.9(b)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2.10 Insurance contracts classification

The Group issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. The Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

2.11 Insurance contracts

(a) Classification

Insurance contracts are classified depending on the duration of risk and whether or not the terms and conditions are fixed.

Short-term insurance contracts issued by the Group are casualty and property insurance contracts.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.11 Insurance contracts *(Continued)*

(a) Classification *(Continued)*

Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Claims and loss adjustment expenses are charged to the income statement as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the reporting date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

(b) Deferred acquisition costs ("DAC")

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset, DAC. All other costs are recognised as expenses when incurred. The DAC is subsequently amortised over the life of the contracts as premium is earned.

(c) Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the income statement initially by writing off DAC and subsequently by establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Any DAC written off as a result of this test cannot subsequently be reinstated.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.11 Insurance contracts *(Continued)*

(d) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts in Note 2.10 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included as "Insurance contracts" in the consolidated statement of financial position.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense over the terms of reinsurance contracts and are included as "Insurance payable" in the consolidated statement of financial position.

The Group assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Group gathers the objective evidence that a reinsurance asset is impaired and calculates the impairment losses using the same processes adopted for loans and receivables as described in Note 2.9(a)(i).

(e) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable to its recoverable amount and recognises that impairment loss in the consolidated income statement. The Group gathers the objective evidence that an insurance receivable is impaired and calculates the impairment losses using the same processes adopted for loans and receivables as described in Note 2.9(a)(i).

(f) Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (salvage). The Group may also have the right to pursue third parties for payment of some or all costs (subrogation).

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.11 Insurance contracts *(Continued)*

(f) Salvage and subrogation reimbursements (Continued)

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the amount assessed that can be recovered from the action against the liable third party.

2.12 Land use rights

All land in Mainland China is state-owned and no individual ownership right existed. The premiums paid for the land use rights held for development for sale are classified as inventories in accordance with HKAS 2 "Inventories" and measured at lower of cost and net realisable value. Land use rights are transferred to proper ties under development for sale upon commencement of development.

2.13 Properties under development for sale

Properties under development for sale are included in current assets and stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated sale proceeds of the properties sold in the ordinary course of business less estimated variable selling expenses and anticipated costs to completion, or by management's estimates based on prevailing market conditions.

Development costs of properties comprise land use rights, construction costs, capitalised finance costs and professional fees incurred during the development period of a normal operating cycle. On completion, the development costs of properties are transferred to completed properties held for sale.

2.14 Completed properties held for sale

Completed properties held for sale are completed properties remaining unsold at the reporting date and are stated at the lower of cost and net realisable value.

Cost comprises development cost attributable to the unsold properties. Net realisable value is determined by reference to estimated sale proceeds of the properties sold in the ordinary course of business less estimated variable selling expenses, or by management's estimates based on prevailing market conditions.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.15 Non-current assets (or disposal groups) held for sale

A non-current asset (or disposal group) is classified as held for sale if the carrying amount is recovered principally through a sale transaction rather than through a continuing use and the asset (or disposal group) is available for sale in its present condition.

Immediately before the initial classification as held for sale, the carrying amounts of the non-current assets (and all individual assets and liabilities in the disposal group) shall be measured in accordance with applicable HKFRSs. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. Deferred tax assets, financial assets (other than investments in subsidiaries and associates), insurance contracts and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

If a non-current asset previously classified as held for sale, or included in a disposal group that is classified as held for sale no longer met the recognition criteria stated above, the Group measures that asset at the lower of its carrying amount before that asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluation that would have been recognised had that asset not been classified as held for sale, and its recoverable amount at the date of the subsequent decision not to sell.

The Group includes any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale in income from continuing operations at the date of the subsequent decision not to sell.

2.16 Other debtors

Other debtors are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less impairment losses, if any.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, deposits held at call with banks, cash investments with original maturity of three months or less from the date of investment less bank overdrafts.

2.18 Financial liabilities – Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial liability, including fees and commissions paid to the borrowers. Borrowings are subsequently stated at amortised cost with any difference between the amount initially recognised and redemption value is recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.18 Financial liabilities – Borrowings *(Continued)*

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

2.19 Financial liabilities – Creditors and payables

Creditors and payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2.20, creditors and payables are subsequently measured at amortised cost using the effective interest method.

2.20 Financial guarantee liabilities

Financial guarantees are contracts that require the issuer (i.e., the guarantor) to make specified payments to reimburse beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised in the financial statements at fair value plus transaction costs that are directly attributable to the issue of the guarantees on the date that the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation recognised. Any changes in the liabilities relating to financial guarantees are taken to the income statement.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow of economic benefits will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow of economic benefits with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.22 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic benefits will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow of economic benefits occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When the inflow is virtually certain, an asset is recognised.

2.23 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss in the income statement. Translation differences on non-monetary items, such as equity investments classified as available-for-sale financial assets, are included in other comprehensive income and accumulated separately in equity in the investment revaluation reserve.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.23 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the presentation currency as follows:

– assets and liabilities in their statement of financial position are translated at the closing rate at the date of that statement of financial position;

– income and expenses in their income statement are translated at average exchange rates, unless these average exchange rates are not a reasonable approximation of the cumulative effect of the rates prevailing at the transaction dates. In such case income and expenses are translated at the dates of the transactions; and

– all resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising from the translation of the net investments in foreign operations are recognised in other comprehensive income and accumulated separately in equity in the exchange translation reserve. When a foreign operation is partially disposed of or sold, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of that foreign entity and translated at the closing rate.

2.24 Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case they are recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.24 Income tax *(Continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the assets can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment property is carried at its fair value in accordance with the accounting policy set out in Note 2.6, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of that investment property at its carrying value at the reporting date unless that investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in that investment property over time, rather than through sale. In all other case, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on the same taxable entity.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.25 Share capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.26 Revenue recognition

Revenue is recognised on the following basis provided it is probable that the economic benefits will flow to the Group and the amount can be measured reliably:

(a) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(b) Rental income from investment properties

Rental income receivable under operating leases is recognised in the income statement in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable.

(c) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

(d) Short-term insurance contracts

Gross premiums from the sale of short-term insurance contracts are recorded when written.

Earned premiums are recognised as revenue proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

(e) Management fee

Management fee is recognised upon the provision of services.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.26 Revenue recognition *(Continued)*

(f) Sales of properties

Revenue from sales of properties in the ordinary course of business is recognised when the risks and rewards of the respective properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured.

2.27 Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

2.28 Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Payments made under operating leases (including those for leasehold land) net of any incentives received from the lessor are charged to the income statement on a straight-line basis over the lease periods.

2.29 Employee benefits

(a) Short-term employee benefits

Salaries and annual bonuses are paid or accrued in the year in which the associated services are rendered by employees. When payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(b) Retirement benefit costs

The Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. These pension plans are defined contribution schemes which the Group pays fixed contributions and has no further payment obligations once the contributions have been paid. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services rendered in the current and prior periods.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.29 Employee benefits *(Continued)*

(b) Retirement benefit costs *(Continued)*

The Group's contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Share-based compensation

An associate of the Group sets up a cash-settled share-based payment plan, namely Share Appreciation Rights ("SAR"). According to the plan, SAR is not vested until fulfilling services in the vesting period and meeting required performance. The changes in fair value of liability incurred have been recognised in the income statement by that associate.

(e) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan or providing termination benefits as a result of an offer made to encourage voluntary redundancy without realistic possibility of withdrawal. Benefits falling due more than twelve months after the reporting date are discounted to present value.

2.30 Segment reporting

Operating segments, and the amounts of each segment item reported in these consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products or services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.31 Dividend distribution

Dividend distribution to the equity holders of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved for distribution.

2.32 Related parties

For the purposes of these consolidated financial statements, a related party is a person or entity that is related to the Group.

(a) A person, or a close member of that person's family, is related to the Group if that person:

 (i) has control or joint control over the Group;

 (ii) has significant influence over the Group; or

 (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

 (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

 (ii) one entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).

 (iii) both entities are joint ventures of the same third party.

 (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

 (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

 (vi) the entity is controlled or jointly controlled by a person identified in Note 2.32(a).

 (vii) a person identified in Note 2.32(a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of financial statements requires management to make estimates and assumptions concerning the future that affect the reported amounts of assets, liabilities, revenues and expenses in these consolidated financial statements. The application of assumptions and estimates means that any changes of them, either due to changes of management's judgement or the evolvement of the actual circumstances, would cause the Group's financial position and results to differ.

Estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group believes that the assumptions and estimates that have been made in the preparation of these consolidated financial statements are appropriate and that these consolidated financial statements therefore present fairly the Group's financial position and results in all material respects.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are discussed below.

(a) Estimate of fair value of investment properties

The best evidence of fair value of investment properties held by the Group is current prices in an active market for similar lease or other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making this judgement, the Group considers information including current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences or recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices. As at 31 December 2015, the fair value of the Group's investment properties was approximately HK$179.22 million (Note 16).

(b) Investment in XIB

The Company holds approximately 10.6289% shareholding in XIB. The Company considered that it has the ability to exercise significant influence over the financial and operating policy decisions of XIB through its two representatives on the board of directors of XIB as well as the participation in policy-making processes through the representatives in committees set up by the board of directors of XIB even though the Company holds less than 20% of the voting power of XIB. Accordingly, the Company considers that XIB will continue to be classified as an associate of the Company and the Company's interest in XIB will continue to be accounted for using equity method in accordance with the HKFRSs (Note 17).

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

(c) Impairment allowances on loans and advances

The Group reviews its loan portfolios to assess impairment losses regularly, and would further assess impairment losses when there are indications of impairment. Objective evidence of impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows from an individual loan, observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g., payment delinquency or default), or national or local economic conditions that correlated with defaults on assets in the group. The individual impairment loss is based upon best estimate of the present value of cash flows which are expected to be received discounted at the original effective interest rate. When assessing the impairment losses of a loan portfolio under the collective evaluation method, management of the Group uses estimates based on historical loss experience, which subjects to adjustments according to observable data to reflect the current economic conditions, for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimated and actual loss experience. As a practical expedient, the Group may assess the impairment losses of a loan portfolio under the collective evaluation method on the basis of the market historical experience.

(d) Casualty and property insurance contract liabilities

For casualty and property insurance contracts, estimates have to be made for both the expected ultimate costs of claims reported at the reporting date and for the expected ultimate costs of claims incurred but not reported ("IBNR") at the reporting date. It may take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the insurance liability in the consolidated statement of financial position. The ultimate costs of outstanding claims are estimated by using a range of standard actuarial claims projection techniques, such as the Bornhuetter-Ferguson ("BF") method.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average cost per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident year, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value if loss adjustor estimates or separately projected in order to reflect their future development. The assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (for example to reflect one-off occurrence, changes in external or market factors such as public attitudes of claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures), so as to arrive at the estimated ultimate costs of claims that present the likely outcome from the range of possible outcomes, taking into account of all the uncertainties involved.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

(e) Current income tax and deferred income tax

The Group is subject to income tax in various jurisdictions. Significant judgement is required in determining the amounts of the provision for income tax and the timing of the payment of the related income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the provisions for current income tax and deferred income tax in the period in which such determination is made. As at 31 December 2015, the Group had deferred income tax liabilities of approximately HK$41.96 million (Note 29). The deferred income tax liabilities will increase or decrease by approximately HK$1.48 million if the actual applicable tax rate differs by 1%.

(f) Critical accounting estimates and judgement of an associated financial institution

The Group's major associated financial institution, XIB Group, is principally conducted banking business in Mainland China and Macau (Note 17). In preparing its statutory consolidated financial statements in accordance with the PRC Accounting Standards, certain critical accounting estimates and judgement have been applied as described below:

– *Fair value of financial instruments*

The fair values of financial instruments that are not quoted in active markets are determined by XIB Group using valuation techniques. Valuation techniques used include discounted cash flows analysis and models. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management of XIB Group to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

– *Impairment allowances on loans and advances*

XIB Group reviews its loan portfolios to assess impairment losses regularly, and would further assess impairment losses when there are indications of impairment. Objective evidence of impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows from an individual loan, observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g., payment delinquency or default), or national or local economic conditions that correlated with defaults on assets in the group. The individual impairment loss is based upon best estimate of the present value of cash flows which are expected to be received discounted at the original effective interest rate. When assessing the impairment losses of a loan portfolio under the collective evaluation method, management of XIB Group uses estimates based on historical loss experience, which subjects to adjustments according to observable data to reflect the current economic conditions, for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimated and actual loss experience.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

(f) Critical accounting estimates and judgement of an associated financial institution *(Continued)*

– *Valuation of equity investments classified as available-for-sale*

The fair value of an unlisted equity investment has been estimated using a market comparison approach by an independent professional valuer. Based on the market ratio (e.g., price/earning and price/book ratios) of a number of listed companies engaged in similar industries as the investee and the investee's historical financial information, management of XIB Group makes estimates and judgement on the appropriate adjustments required to reflect the circumstances of the investee, including the liquidity discount applicable to the paid-up capital of the investee as compared to those of the shares of a listed company, for fair value estimation purposes. The fair value changes is accounted for in the consolidated statement of comprehensive income and accumulated separately in equity in the investment revaluation reserve.

4 INSURANCE AND FINANCIAL RISK MANAGEMENT

4.1 Insurance and financial risk factors

The Group's business activities expose it to a variety of insurance risk and financial risks including market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. This note summarises the Group's exposure to these risks, as well as its objectives, policies and processes for managing and the methods used to measure these risks.

The Group's investment policy is to prudently invest its funds in a manner which satisfies the Group's liquidity requirements and generates optimal returns to the Group within a manageable risk level. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's performance.

The Board, representing the interest of shareholders, is the highest decision making authority of the Group and has the ultimate responsibility for risk management. The Board has adopted procedures for evaluating and approving significant investment decisions. Given the nature of the Group's financial assets and liabilities, their risk exposures are monitored by the Group primarily on a qualitative basis.

The General Manager ("GM") is responsible for managing the Group's various types of risks, approving detailed risk management policies, and approving material risk exposures or transactions within his authority delegated by the Board. The other members of the management team assist the GM in fulfilling his responsibilities for the day-to-day management of risks.

The Group has put in place an internal control system, including establishment of the Group's organisation structure that sets adequately clear lines of authority and responsibility for monitoring compliance with policies, procedures and limits. Proper reporting lines also provide sufficient independence of the control functions from the business areas, as well as adequate segregation of duties throughout the organisation which helps to promote appropriate internal control environment.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Insurance and financial risk factors *(Continued)*

(a) Insurance risk

The Group issues contracts that transfer insurance risk. This section summarises these risks and the way the Group manages such risks.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual numbers and amounts of claims will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

(i) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for the damage suffered and the increase in number of cases coming to court that were inactive or latent for a long period of time. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geographical location.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right to re-price, cancel or not to renew a contract, it can impose deductibles and it has the right to reject the payment of fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (subrogation). Unless the legislation requires, the Group's strategy limits the total exposure of any individual policy to a certain amount.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Insurance and financial risk factors *(Continued)*

(a) ***Insurance risk*** *(Continued)*

(i) Frequency and severity of claims (Continued)

The reinsurance arrangements include facultative, proportional treaties and excess of loss coverage. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses more than the prescribed amount. In addition to the overall reinsurance program, additional reinsurance protection for any individual risk will be arranged when necessary.

The concentration of insurance risk before and after reinsurance by territory in relation to type of insurance accepted is summarised below, with reference to the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from insurance contracts:

	2015				
	Motor	**General liability**	**Accident and health**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gross					
Hong Kong	23,838	41,810	341	101	66,090
Macau	1,679	693	1,228	17,960	21,560
Total insurance liabilities, gross	25,517	42,503	1,569	18,061	87,650
Net					
Hong Kong	21,898	40,259	341	64	62,562
Macau	1,515	675	1,170	16,873	20,233
Total insurance liabilities, net	23,413	40,934	1,511	16,937	82,795

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Insurance and financial risk factors *(Continued)*

(a) Insurance risk *(Continued)*

(i) Frequency and severity of claims (Continued)

	2014				
	Motor	**General liability**	**Accident and health**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gross					
Hong Kong	26,985	28,879	279	70	56,213
Macau	1,218	448	747	13,560	15,973
Total insurance liabilities, gross	28,203	29,327	1,026	13,630	72,186
Net					
Hong Kong	24,098	26,933	279	47	51,357
Macau	1,092	440	703	12,927	15,162
Total insurance liabilities, net	25,190	27,373	982	12,974	66,519

(ii) Sources of uncertainty in the estimation of future claims payments

Claims on insurance contracts are payable on a claim-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a larger element of claims provision relates to incurred but not reported claims. There are several variables that affect the amounts and timing of cash flows from these contracts. These mainly relate to the inherent risks by individual contract holders and the risk management procedures adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered. Such awards are lump-sum payments that are calculated as the present value of the lost of earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

The estimated costs of claims include direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liabilities established. The liabilities for these contracts comprise provisions for IBNR, provisions for reported claims not yet paid and provisions for unexpired risks at the reporting date.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Insurance and financial risk factors *(Continued)*

(a) Insurance risk *(Continued)*

(ii) Sources of uncertainty in the estimation of future claims payments (Continued)

In calculating the estimated costs of unpaid claims (both reported or not), the Group's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and estimates based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the costs of settling claims already notified to the Group, where information about the claim event is available. In estimating the amounts of IBNR which make reasonable provisions for the claims and the unexpired risks, it is necessary to project future claims costs and associated claims expenses and simulate the outcomes of claims liabilities using models. These models are simplified representation of many legal, social and economic forces and may not be entirely appropriate for the types of insurance business being analysed. It is certain that actual future claims and claims expenses will not develop exactly as projected and may vary significantly from the projections.

In estimating the liabilities for the costs of reported claims not yet paid the Group considers any information available from loss adjusters and information on the costs of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

Where possible, the Group adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Insurance and financial risk factors *(Continued)*

(a) Insurance risk *(Continued)*

(iii) Process used to decide on assumptions

The Group uses several statistical methods to incorporate the various assumptions made in order to estimate the ultimate costs of claims. The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, different techniques or combination of techniques have been selected for individual accident year or group of accident years within the same class of business.

In estimating the claims liabilities of the Group's motor and employees' compensation insurance portfolio, the paid and incurred loss development methods supplemented by BF method are applied. For other classes of insurance portfolio, the incurred loss development method is used to project the claim liabilities.

The paid and incurred loss development methods are used to project the ultimate costs of the claims, and the BF method relies on a gradual transition from an estimated loss ratio to an experience-rated development. BF method is applied to the more recent accident years, for which the paid and incurred loss development methods may yield less accurate results.

(iv) Sensitivity analysis – sensitivity of insurance claims development tables

The reasonableness of the estimation process is tested by an analysis of sensitivity around different scenarios. The change in the monetary awards granted for bodily injury suffered and also the employers' liability claims is the most critical to the assumptions used to estimate the liabilities for these insurance contracts.

The Group believes that the liabilities for these claims carried at the reporting date are adequate. However, an increase of 10% in the costs of these claims would require the recognition of an additional loss of approximately HK$4.6 million (2014: approximately HK$3.5 million) net of reinsurance.

The impact on the profit before taxation described above does not take into account of changes in other variables, as they are considered to be less material. Such an assessment and the relative materiality of individual variables may change in the future.

In addition to scenario testing, the development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the Group's estimate of net claims outstanding of the Group's motor and employees' compensation insurance portfolio for each accident year has changed at successive reporting dates.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Insurance and financial risk factors *(Continued)*

(a) Insurance risk *(Continued)*

(iv) Sensitivity analysis – sensitivity of insurance claims development tables (Continued)

Motor insurance

Accident year	2011	2012	2013	2014	2015	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Estimate of ultimate claims costs						
at end of accident year	8,832	8,199	7,427	7,359	7,549	
one year later	8,395	7,892	6,642	6,324		
two years later	7,287	8,089	6,074			
three years later	8,029	8,238				
four years later	7,684					
Current estimate of cumulative claims	7,684	8,238	6,074	6,324	7,549	35,869
Cumulative payment to date	(6,451)	(6,088)	(3,358)	(3,533)	(2,264)	(21,694)
	1,233	2,150	2,716	2,791	5,285	14,175
Liabilities in respect of prior years before 2011						1,212
						15,387

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Insurance and financial risk factors *(Continued)*

(a) Insurance risk *(Continued)*

(iv) Sensitivity analysis – sensitivity of insurance claims development tables (Continued)

Employees' compensation insurance

Accident year	2011	2012	2013	2014	2015	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Estimate of ultimate claims costs						
at end of accident year	801	567	6,577	9,294	11,965	
one year later	856	2,066	5,972	10,214		
two years later	1,505	2,405	4,948			
three years later	1,325	3,942				
four years later	1,254					
Current estimate of cumulative claims	1,254	3,942	4,948	10,214	11,965	32,323
Cumulative payment to date	(1,245)	(1,202)	(482)	(320)	(150)	(3,399)
	9	2,740	4,466	9,894	11,815	28,924
Liabilities in respect of prior years before 2011						284
						29,208

The Group has in place a series of effective reinsurance covers on a number of short-term insurance products that have remained unchanged in recent years.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Insurance and financial risk factors *(Continued)*

(b) Market risk

Market risk is the risk of loss that results from movements in market rates and prices. The Group is exposed to market risk because of its investments classified as available-for-sale financial assets or financial assets at fair value through profit or loss. The risk includes potential losses arising from changes in foreign exchange rates, interest rates and equity prices.

The Group's risk management objective is to enhance shareholder's value by maintaining risk exposures within acceptable limits. The Group's control of market risk is based on restricting individual operations to invest within a list of permissible instruments authorised by the Board to ensure all risks arising are thoroughly identified, properly measured and adequately controlled.

(i) Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rates relating to investments denominated in foreign currencies. The Group mainly operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from recognised assets and liabilities and net investments in foreign operations measured in Renminbi ("RMB").

In respect of receivables, payables and cash balances held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

The Group's borrowings are in the functional currency of the entity taking out the loans. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Insurance and financial risk factors *(Continued)*

(b) Market risk *(Continued)*

(i) Foreign exchange risk (Continued)

The following table details the Group's exposure to foreign exchange risk arising from recognised assets and liabilities measured in a currency other than the functional currency of the entity to which they relate at the reporting date:

	2015	2014
	RMB'000	*RMB'000*
Available-for-sale financial assets	609,980	616,276
Other debtors	1,725	3,104
Cash and bank balances	248,108	693,831
Other creditors and accruals	(6,548)	(6,544)
Current income tax payable	(20,929)	(20,929)
	832,336	1,285,738

The following table indicates the approximate change in the Group's profit after taxation (and retained profits) and other components of equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the reporting date:

	2015			2014		
	Increase/ (decrease) in foreign exchange rate	Effect on profit after taxation and retained profits	Effect on other components of equity	Increase/ (decrease) in foreign exchange rate	Effect on profit after taxation and retained profits	Effect on other components of equity
	%	*HK$'000*	*HK$'000*	%	*HK$'000*	*HK$'000*
Renminbi	5	13,267	36,396	5	41,830	38,506
	(5)	(13,267)	(36,396)	(5)	(41,830)	(38,506)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rate had occurred and had been applied to re-measure those financial instruments held by the Group which expose to foreign exchange risk at the reporting date, and that all other variables, in particular interest rate, remained constant.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Insurance and financial risk factors *(Continued)*

(b) Market risk *(Continued)*

(i) Foreign exchange risk (Continued)

The stated change represents management's assessment of reasonably possible changes in foreign exchange rate over the period until the next reporting date. In this respect, it is assumed that the pegged rate between the Hong Kong Dollars and the United States Dollars would be materially unaffected by any changes in movement in value of the United States Dollars against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on profit after taxation and equity of each of the Group's entities measured in the respective functional currencies, translated into Hong Kong Dollars at the exchange rate ruling at the reporting date for presentation purposes. The analysis is performed on the same basis for 2014.

The Group is also exposed to foreign exchange rate risk from its investments in investees which are in Renminbi.

(ii) Price risk

The Group is exposed to equity price risk on investments held by the Group classified in the consolidated statement of financial position as available-for-sale financial assets or as financial assets at fair value through profit or loss.

The Group's equity investments held for trading are listed on the Stock Exchange. Decisions to buy or sell trading securities are based on the performance of individual securities compared to that of the index and the Group's liquidity needs. Investments held in the available-for-sale portfolio comprise equity investments listed on the Stock Exchange and the Shanghai Stock Exchange. The listed equity investments have been chosen based on their long term growth potential and are monitored regularly for performance against expectations.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Insurance and financial risk factors *(Continued)*

(b) Market risk *(Continued)*

(ii) Price risk (Continued)

The following table indicates the approximate change in the Group's profit after taxation (and retained profits) and other components of equity in response to reasonably possible changes in the relevant stock market index for listed investments to which the Group has significant exposure at the reporting date:

	2015			2014		
	Increase/ (decrease) in the relevant risk variance	Effect on profit after taxation and retained profits	Effect on other components of equity	Increase/ (decrease) in the relevant risk variance	Effect on profit after taxation and retained profits	Effect on other components of equity
	%	*HK$'000*	*HK$'000*	%	*HK$'000*	*HK$'000*
Stock market index in respect of listed investments						
Hang Seng Index	5	410	40	5	363	–
	(5)	(410)	(40)	(5)	(363)	–
Shanghai Composite Index	5	–	36,730	5	–	38,463
	(5)	–	(36,730)	(5)	–	(38,463)

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index had occurred and had been applied to the exposure to equity price risk in existence at the reporting date. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index, that none of the Group's available-for-sale investments would be considered impaired as a result of a reasonably possible decrease in the relevant stock market index, and that all other variables remained constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index over the period until the next reporting date. The analysis is performed on the same basis for 2014.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Insurance and financial risk factors *(Continued)*

(b) Market risk *(Continued)*

(iii) Cash flow and fair value interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest bearing assets and liabilities mainly comprise bank deposits and bank borrowings bore in floating rates which expose the Group to cash flow interest rate risk. The Group manages these risks primarily through maintaining the maturity profile of these assets and liabilities within a short to medium period and monitoring the market interest rate movements so that the Group can react accordingly when there are adverse interest rate movements.

The following table details the interest rate profile of the Group's net borrowings at the reporting date. For this purpose the Group defines "net borrowings" as being interest-bearing financial liabilities less interest-bearing investments (excluding cash held for short-term working capital purposes):

	2015		2014	
	Effective interest rate	**Carrying amount**	**Effective interest rate**	**Carrying amount**
	%	*HK$'000*	*%*	*HK$'000*
Variable rate				
HK Dollars bank borrowings	3.1 – 3.4	615,850	2.0 – 3.1	579,097
Less: Renminbi bank deposits pledged	3.2 – 3.3	(48,927)	3.1 – 3.6	(404,887)
		566,923		174,210

At 31 December 2015, it is estimated that a general increase or decrease of 100 basis points in interest rates of variable rate bank borrowings, with all other variables held constant, would decrease or increase the Group's profit after taxation and retained profits by approximately HK$4.95 million (2014: approximately HK$3 million).

The sensitivity analysis above has been determined assuming that the changes in interest rates had occurred and had been applied to the exposure to interest rate risk for financial instruments with variable interest rate held by the Group at the reporting date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next reporting date. The analysis is performed on the same basis for 2014.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Insurance and financial risk factors *(Continued)*

(c) Credit risk

The Group is exposed to credit risk, which is the risk that a customer or counterparty will be unable to or unwilling to fulfill its repayment obligations for amounts due to the Group. The Group's credit risk is primarily attributable to loans to customers, insurance related receivables and other receivables.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

In respect of the insurance related receivables and other receivables, the Group limits its exposure to credit risk by screening the counterparties, on-going monitoring and acquiring collateral from counterparties.

Those receivables are required to meet the Group's established financial requirements and the Group will obtain third party guarantees when it considered necessary.

In order to mitigate the Group's exposure to credit risks and counterparty risks from loans to customers, the Group has set out its objectives, credit policies, processes for monitoring and managing those risks as well as the detailed policies and procedures for credit approval process related to the micro credit business.

By the nature of the micro credit business, the Group has set up three layers of Credit Committees for the approval of loans with different authorisation limits. Business Department is responsible for the daily monitor and management of loans portfolio with reference to the various criteria such as the operating results, financial condition and creditworthiness of the clients, guarantee provided, type and amount of collateral pledged, and risk concentration of the clients as well as the regular site visit according to the credit policies. The Risk Control Department is responsible for monitoring and evaluating the credit risks of clients, the registration of the guarantee and collaterals provided by clients as well as the irregular site visit and debts collection for the disputed loans. The Internal Audit Department of the Group is responsible for the internal review of the loans approval process and the efficiency of the credit control policies and procedures.

The Group measured and managed the quality of its loan portfolios based on the guideline for Loan Credit Risk Classification issued by the China Banking Regulatory Commission (the "CBRC"), which requires to classify loans into the following five categories: pass, special mention, substandard, doubtful and loss, among which loans classified as substandard, doubtful and loss are recognised as non-performing loans. In order to enhance the accuracy level of its credit risk management, the Group used a 8-tier risk classification criterion for loans to customers. The Group carried out regular investigations and one-by-one monitoring, reported overdue loans and adjusted risk classification results in a timely manner, so as to reflect asset quality objectively and set aside provisions accurately.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Insurance and financial risk factors *(Continued)*

(c) ***Credit risk*** *(Continued)*

The definitions of the five categories are set out below:

Pass: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.

Special mention: Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.

Substandard: Borrowers' ability to service their loans is apparently in question and they cannot rely entirely on normal business revenues to repay principal and interest. Certain losses might be incurred even when collaterals or guarantees are executed.

Doubtful: Borrowers cannot repay principal and interest in full and significant losses will be incurred even when collaterals or guarantees are executed.

Loss: Principal and interest of loans cannot be recovered or only a small portion can be recovered after taking all possible measures or resorting to necessary legal procedures.

Loans to customers and interest receivable are considered impaired and allowances are made if there is objective evidence of impairment resulting in a measurable decrease in estimated future cash flows from loans to customers and interest receivable. The Group makes adequate and timely allowances for impairment losses in accordance with prudent and authentic principles. Allowances for impairment losses on loans to customers and interest receivable consist of individually assessed and collectively assessed allowance. At 31 December 2015, the Group's impairment allowances on loans to customers and interest receivable were HK$162.13 million (2014: HK$38.68 million) and impairment allowances to total loans (included interest receivable) ratio was 45.76% (2014: 12.31%).

At 31 December 2015, bank balances were placed with reputable financial institutions with diversification.

The Group does not provide any guarantees which would expose the Group to credit risk.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Insurance and financial risk factors *(Continued)*

***(c) Credit risk** (Continued)*

The maximum exposure to credit risk at the end of the financial year without taking into account of any collateral held or other credit enhancement is represented by the carrying amount of the financial assets in the consolidated statement of financial position after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Insurance receivable	15,591	10,644
Reinsurance assets	4,855	5,667
Loans to customers and interest receivable	192,178	275,487
Other debtors	4,268	5,185
Cash and bank balances	1,432,106	1,353,943
	1,648,998	1,650,926

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from insurance receivable are set out in Note 20 and that arising from loans to customers and interest receivable are set out in Note 22.

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet its cash flow needs or commitments. Liquidity risk may result from either inability to sell financial assets quickly at their fair value, a counterparty failing on repayment of a contractual obligation or an insurance liability falling due for payment earlier than expected.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Insurance and financial risk factors *(Continued)*

(d) Liquidity risk *(Continued)*

The following table details the remaining contractual maturity value at the reporting date of the Group's reinsurance assets and financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay:

	2015				2014			
	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	In the second to fifth year inclusive	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	In the second to fifth year inclusive
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets								
Reinsurance assets	4,855	4,855	2,376	2,479	5,667	5,667	2,265	3,402
Liabilities								
Insurance contracts	87,650	87,650	53,806	33,844	72,186	72,186	44,479	27,707
Insurance payable	8,818	8,818	8,818	–	6,059	6,059	6,059	–
Other creditors and accruals	25,021	25,021	25,021	–	29,411	29,411	29,411	–
Bank borrowings	615,850	664,062	133,875	530,187	579,097	580,881	580,881	–
	737,339	785,551	221,520	564,031	686,753	688,537	660,830	27,707

The maturity analysis of bank borrowings at the reporting date based on the scheduled repayment dates set out in the loan facilities before consideration of the effect of any repayment on demand clause is detailed as below. The lender cancelled the repayment on demand clause contained in the loan facility during the year.

	2015				2014			
	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	In the second to fifth year inclusive	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	In the second to fifth year inclusive
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	615,850	664,062	133,875	530,187	579,097	592,135	436,351	155,784

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Insurance and financial risk factors *(Continued)*

(e) Financial risk management of associated financial institution

The financial risks exposure and management objectives and policies of the Group's associated financial institutions, XIB Group, are summarised as below:

(i) Overview

The activities of XIB Group expose it to a variety of financial risks including credit risk, liquidity risk and market risk (including foreign exchange risk, price risk and interest rate risk). XIB Group continuously identifies, evaluates and monitors these risks. XIB Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

The board of directors of XIB Group ("XIB Board") provides strategy for overall risk management. Its senior management establishes related risk management policies and procedures under the strategy approved by the XIB Board, including written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. Those risk management policies and procedures are implemented by various departments after XIB Board's approval. In addition, its internal audit department is responsible for the independent review of risk management and control environment.

(ii) Credit risk

Credit risk is one of the main risks that XIB Group faces in its operations which arises primarily from loans and advances, investment portfolios, trade finance, guarantees and other payment acceptance.

The credit approval policies and procedures of XIB Group are standardised. Credit rating, credit measurement, economic capital, various post-lending management, indicator control, collective assessment, risk warning and risk reporting are measures for managing credit risks.

(iii) Liquidity risk

Liquidity risk is the risk that XIB Group has to ensure the availability of adequate funding to meet its needs to fund deposit withdrawals and other liabilities as they fall due, as well as being able to meet its obligations to fund loan originations and commitments and to take advantage of new investment opportunities.

XIB Group has set up a series of liquidity indices to assess and monitor its liquidity risk and reviewed such indices on a timely basis.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Insurance and financial risk factors *(Continued)*

(e) Financial risk management of associated financial institution *(Continued)*

(iv) Market risk

XIB Group's market risk arises from open positions in the trading book and banking book in interest rate, foreign exchange rate, equities and commodities. The trading book consists of financial instruments and commodities that are free of any restrictive covenants on their tradability and held with trading intent, and in order to or for the purpose of hedging market risk of the trading book. The banking book consists of financial instruments not included in the trading book (including those financial instruments purchased with surplus funds and managed in the investment book).

XIB Group has established a structural system of limit controls including regulatory limits, position limits and risk limits to identify, monitor and control market risk. XIB Group performs sensitivity analysis on a regular basis to assess the interest rate risk and foreign exchange risk of its trading book and banking book.

– Foreign exchange risk

XIB Group conducts the majority of its business in Renminbi, with other transactions in foreign currencies, therefore XIB Group is exposed to the fluctuations in the prevailing foreign exchange rates on its financial position and cash flows. XIB Group manages its exposures to foreign exchange risk through management of its net foreign currency position.

– Interest rate risk

Interest rate risk is the risk that XIB Group's assets, revenue and economic value would suffer losses or have the risk of contingent losses due to fluctuations of interest rates and changes of interest rates structure. The re-pricing risk, the primary and most common interest rate risk, arises from the difference between maturity terms (for fixed interest rates) or between the re-pricing terms (for floating interest rates) of XIB Group's assets, liabilities and off balance sheet commitments. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

XIB Group mainly manages its exposures to the interest rate risk arising from fluctuations in the prevailing market interest rates on re-pricing, fair value and cash flows. XIB Group's business in Mainland China operates under the interest rate scheme regulated by the People's Bank of China. XIB Group controls its interest rate risk primarily through controlling the distribution of the maturity date or re-pricing date of loans and deposits and the asset-liability re-pricing gap.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Insurance and financial risk factors *(Continued)*

(e) Financial risk management of associated financial institution *(Continued)*

(v) Capital management

XIB Group's objectives when managing capital are: (i) to comply with the capital requirements set by the regulators of the markets where the entities within XIB Group operate; (ii) to safeguard the ability to continue as a going concern so that it can continue to provide returns for equity holders and benefits for other stakeholders; and (iii) to maintain a strong capital base to support the development of its business.

Capital adequacy and regulatory capital are monitored by XIB Group's management, employing techniques based on the guidelines developed by the CBRC, for supervisory purposes.

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders of the Company and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings and advances divided by total net assets. For this purpose the Group defines total borrowings and advances as total bank borrowings and short-term advances (if any) as shown in the consolidated statement of financial position. Total net assets comprise all components of equity attributable to equity holders of the Company as shown in the consolidated statement of financial position.

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain the gearing ratio within 25%. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders of the Company, issue new shares, raise new debt financing or sell assets to reduce debt.

The gearing ratio of the Group at 31 December 2015 and 2014 were as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Total borrowings and advances	615,850	579,097
Total net assets	5,083,229	4,816,009
Gearing ratio	12.1%	12.0%

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.2 Capital risk management *(Continued)*

Pursuant to the capital requirements imposed by the HKOCI, a subsidiary of the Company, Min Xin Insurance, should maintain at least HK$20 million in its adjusted net assets calculated according to the requirements set out in the Insurance Companies Ordinance. In order to fulfill these requirements, Min Xin Insurance may adjust the dividend paid to the Company or issue new shares to the Company. If Min Xin Insurance cannot maintain the capital requirements imposed, the HKOCI may place restrictions on the operations of Min Xin Insurance.

4.3 Fair value of financial instruments

(a) Financial instruments carried at fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group measures fair values using the following hierarchy of methods:

– Level 1: fair value measured using only unadjusted quoted prices in active markets for identical instruments at the measurement date.

– Level 2: fair value measured using inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

– Level 3: fair value measured using inputs that are not based on observable market data (unobservable inputs). This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The fair value of financial instruments traded in active markets (such as held for trading and available-for-sale equity securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. These financial instruments are included in Level 1 of the fair value hierarchy.

The fair value of unlisted open-ended funds traded in active markets is based on the net asset value of the funds published by the fund management companies at each trading date. The Group adopted the unadjusted net asset value of the funds as their fair value at the reporting date and these financial instruments are included in Level 1 of the fair value hierarchy.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

4.3 Fair value of financial instruments *(Continued)*

(a) Financial instruments carried at fair value *(Continued)*

During the year there was no transfer of financial instruments between Level 1 and Level 2 of the fair value hierarchy. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

The following table presents the carrying value of financial instruments held by the Group at the reporting date measured at fair value across the three levels of the fair value hierarchy, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement:

	Level 1	
	2015	**2014**
	HK$'000	*HK$'000*
Recurring fair value measurement		
Assets		
Available-for-sale financial assets	728,713	770,129
Listed equity securities held for trading	8,095	7,194
	736,808	777,323

(b) Fair value of financial instruments carried at other than fair value

The carrying value of trade receivables less impairment losses (if any) and trade payables are assumed to approximate their fair value. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the Directors' opinion, the fair values of financial assets and financial liabilities of the Group approximate their carrying values at the reporting date.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5 TURNOVER AND SEGMENTAL INFORMATION

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

	2015	**2014**
	HK$'000	*HK$'000*
Turnover		
Gross insurance premiums	61,916	52,741
Interest income from loans to customers (a)	38,721	48,468
Rental income from investment properties	10,216	10,188
Dividend income from available-for-sale financial assets	33,222	33,227
	144,075	144,624
Movement in unearned insurance premiums	(4,749)	(2,969)
Reinsurance premiums ceded and reinsurers' share of movement in unearned insurance premiums	(5,602)	(6,391)
Other revenues		
Management fees	90	120
Interest income from bank deposits	33,868	24,005
Interest income from loan receivable	–	9,247
Dividend income from listed equity securities held for trading	336	214
Others	556	352
	34,850	33,938
Total revenues	168,574	169,202

(a) The interest income from loans to customers for the year comprised an interest income accrued for impaired loans to customers of HK$6,825,000 (2014: Nil).

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5 TURNOVER AND SEGMENTAL INFORMATION *(Continued)*

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

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

The Group has the following reportable operating segments:

– 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, XIB in Mainland China and LIB in Macau.

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

– 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. ("Huaneng").

– 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.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5 TURNOVER AND SEGMENTAL INFORMATION *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

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

	Financial services		Insurance		Property development and investment		Strategic investment		Others		Inter-segment elimination		Consolidated	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
	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	38,721	48,468	65,516	56,272	6,616	6,657	33,222	33,227	–	–	–	–	144,075	144,624
Inter-segments	–	–	–	–	–	–	–	–	3,952	3,933	(3,952)	(3,933)	–	–
	38,721	48,468	65,516	56,272	6,616	6,657	33,222	33,227	3,952	3,933	(3,952)	(3,933)	144,075	144,624
Movement in net unearned insurance premiums and reinsurance premiums ceded	–	–	(10,351)	(9,360)	–	–	–	–	–	–	–	–	(10,351)	(9,360)
Other revenues	7,515	9,464	1,798	1,745	415	9,475	–	–	25,122	13,254	–	–	34,850	33,938
Total revenues	46,236	57,932	56,963	48,657	7,031	16,132	33,222	33,227	29,074	17,187	(3,952)	(3,933)	168,574	169,202
Other gains/(loss) – net	65,940	6,728	10,663	6,029	(11,693)	1,952	–	–	(21,178)	(12,148)	–	–	43,732	2,561
Total operating income	112,176	64,660	67,626	54,686	(4,662)	18,084	33,222	33,227	7,896	5,039	(3,952)	(3,933)	212,306	171,763
Impairment loss on loans to customers and interest receivable	(136,785)	(38,055)	–	–	–	–	–	–	–	–	–	–	(136,785)	(38,055)
Operating expenses	(7,934)	(8,722)	(61,167)	(50,019)	(2,757)	(5,514)	–	–	(29,537)	(27,388)	3,952	3,933	(97,443)	(87,710)
Operating (loss)/profit	(32,543)	17,883	6,459	4,667	(7,419)	12,570	33,222	33,227	(21,641)	(22,349)	–	–	(21,922)	45,998
Finance costs	(3,475)	(4,224)	(89)	–	–	–	–	–	(9,394)	(2,792)	–	–	(12,958)	(7,016)
Share of results of associates	517,973	446,801	–	–	–	–	–	–	2,927	5,419	–	–	520,900	452,220
Profit/(loss) before taxation	481,955	460,460	6,370	4,667	(7,419)	12,570	33,222	33,227	(28,108)	(19,722)	–	–	486,020	491,202
Income tax expense	(9,461)	(10,755)	(940)	(259)	7,634	(2,604)	(3,322)	(3,323)	(2,592)	(1,574)	–	–	(8,681)	(18,515)
Profit/(loss) for the year	472,494	449,705	5,430	4,408	215	9,966	29,900	29,904	(30,700)	(21,296)	–	–	477,339	472,687
Interest income	46,195	57,932	1,286	1,326	–	9,247	–	–	25,108	13,215	–	–	72,589	81,720
Depreciation for the year	474	465	172	130	–	–	–	–	771	748	–	–	1,417	1,343

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5 TURNOVER AND SEGMENTAL INFORMATION *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

	Financial services		Insurance		Property development and investment		Strategic investment		Others		Consolidated	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
	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	263,051	597,268	215,626	171,375	95,694	104,021	727,920	770,129	1,321,704	989,264	2,623,995	2,632,057
Investments in associates	3,224,389	2,865,697	–	–	–	–	–	–	39,588	80,193	3,263,977	2,945,890
Total assets	3,487,440	3,462,965	215,626	171,375	95,694	104,021	727,920	770,129	1,361,292	1,069,457	5,887,972	5,577,947
The Company and subsidiaries	2,328	207,179	102,594	83,690	41,874	49,465	–	–	657,947	421,604	804,743	761,938
Total liabilities	2,328	207,179	102,594	83,690	41,874	49,465	–	–	657,947	421,604	804,743	761,938
Capital expenditure incurred during the year	20	598	259	27	–	–	–	–	784	487	1,063	1,112

(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	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December								
Revenues from external customers	32,241	29,923	78,585	88,363	33,249	26,338	144,075	144,624
At 31 December								
The Company and subsidiaries	99,592	77,487	98,586	108,329	98	68	198,276	185,884
Investments in associates	–	–	3,263,977	2,945,890	–	–	3,263,977	2,945,890
Specified non-current assets	99,592	77,487	3,362,563	3,054,219	98	68	3,462,253	3,131,774

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

6 OTHER GAINS – NET

	2015	2014
	HK$'000	*HK$'000*
Fair value losses on listed equity securities measured at fair value through profit or loss	(1,451)	(419)
(Losses)/gains on disposal of listed equity securities measured at fair value through profit or loss	(8,819)	26
Fair value losses on forward foreign exchange contracts	–	(603)
Fair value gains on revaluation of investment properties	10,178	10,937
Gains on dilution of interest in associates *(Notes 17(c), 17(d) and 17(g))*	73,333	11,737
Gain on disposal of available-for-sale financial assets *(Note 18(b))*	–	1,313
Gain on disposal of property, plant and equipment	–	91
Net exchange losses	(29,509)	(20,521)
	43,732	2,561

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

	2015	2014
	HK$'000	*HK$'000*
Net insurance claims incurred on insurance business (a)	21,045	16,863
Commission expenses incurred on insurance business (b)	24,119	18,969
	45,164	35,832

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

7 NET INSURANCE CLAIMS INCURRED AND COMMISSION EXPENSES INCURRED ON INSURANCE BUSINESS *(Continued)*

(a) Net insurance claims incurred on insurance business

	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

	2014		
	Gross	**Reinsurance**	**Net**
	HK$'000	*HK$'000*	*HK$'000*
Current year claims and loss adjustment expenses	9,003	(27)	8,976
Additional cost for prior years' claims and loss adjustment expenses	3,476	796	4,272
Increase/(decrease) in claims incurred but not reported	3,320	(697)	2,623
Increase in the expected cost of claims for unexpired risks	992	–	992
	16,791	72	16,863

(b) Commission expenses incurred on insurance business

	2015	**2014**
	HK$'000	*HK$'000*
Gross commissions paid and payable	24,392	19,284
Less: Commissions received and receivable from reinsurers	(273)	(315)
Net commission expenses	24,119	18,969

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

8 OPERATING (LOSS)/PROFIT

	2015	**2014**
	HK$'000	*HK$'000*
Operating (loss)/profit is stated after crediting and charging the following:		
Crediting		
Gain on disposal of property, plant and equipment	–	91
Rentals received and receivable from investment properties less direct outgoings	8,451	8,476
Charging		
Auditor's remuneration	2,923	2,783
– provision for current year	*2,523*	*2,423*
– interim attestation work	*400*	*360*
Depreciation	1,417	1,343
Management fee *(Note 10(a)(iii))*	1,880	1,880
Loss on disposal of property, plant and equipment	174	–
Net exchange losses	29,509	20,521
Operating lease rentals in respect of land and buildings	605	333
Retirement benefit costs (a)	1,016	918

(a) The Group contributed to a defined contribution scheme ("DC Scheme") which was available to all eligible Hong Kong employees prior to 30 November 2000. The assets of the scheme were held separately from those of the Group in an independently administered fund. Contributions to the scheme by the Group and employees were calculated at 15% of the employees' basic salary until 30 November 2000 when the DC Scheme was replaced by a mandatory provident fund scheme ("MPF Scheme") set up under the Hong Kong Mandatory Provident Fund Schemes Ordinance.

The Group's monthly contributions (mandatory and voluntary) to the MPF Scheme for each employee are calculated at the higher of 10% (or 6% for employees who joined after 30 September 2000) of the monthly basic salary and 5% of the monthly total income, subject to a maximum contributions of HK$4,000. The Group's contributions to the DC Scheme and MPF Scheme can be reduced by the Group's voluntary contributions forfeited in relation to those employees who leave the schemes prior to vesting fully in the contributions. At 31 December 2015 and 2014, there were no material unutilised forfeited contributions.

For Mainland China employees, the Group participates in the employee pension schemes administered by the respective municipal government in various locations in Mainland China where the Group operates. The Group makes monthly contributions calculated at a percentage of the monthly payroll costs to these schemes and the respective municipal government undertakes to assume the retirement benefit obligations of the employees of the Group.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

9 FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on bank loans	12,869	7,016
Interest on margin loans	89	–
	12,958	7,016

10 SENIOR EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

	As director (i)	As management (ii)	
	Directors' fees	Salaries, housing, other allowances and benefits in kind	2015 Total
	HK$'000	*HK$'000*	*HK$'000*
Executive Directors			
Mr Weng Ruo Tong *(Chairman)*	60	–	60
Mr Wang Fei *(Vice Chairman)*	60	–	60
Mr Liu Cheng	100	1,328	1,428
Mr Li Jin Hua[1]	58	–	58
Mr Zhang Rong Hui[2]	14	–	14
Non-executive Director			
Mr Yang Fang[3]	46	–	46
Mr Liu Lun[4]	2	–	2
Independent Non-executive Directors			
Mr Ip Kai Ming	250	–	250
Mr Sze Robert Tsai To	350	–	350
Mr So Hop Shing	250	–	250
	1,190	1,328	2,518

1 Resigned as Executive Director on 18 December 2015
2 Resigned as Executive Director on 26 March 2015
3 Appointed as Non-executive Director on 26 March 2015
4 Appointed as Non-executive Director on 18 December 2015

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

10 SENIOR EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' emoluments *(Continued)*

	As director (i)	As management (ii)	
	Directors' fees	Salaries, housing, other allowances and benefits in kind	2014 Total
	HK$'000	*HK$'000*	*HK$'000*
Executive Directors			
Mr Weng Ruo Tong *(Chairman)*	60	–	60
Mr Wang Fei *(Vice Chairman)*[1]	21	–	21
Mr Peng Jin Guang *(Vice Chairman)*[2]	39	–	39
Mr Liu Cheng[3]	71	388	459
Mr Li Jin Hua	89	934	1,023
Mr Zhang Rong Hui	60	–	60
Independent Non-executive Directors			
Mr Ip Kai Ming	250	–	250
Mr Sze Robert Tsai To	350	–	350
Mr So Hop Shing	250	–	250
	1,190	1,322	2,512

1 Appointed as Vice Chairman and Executive Director on 26 August 2014
2 Resigned as Vice Chairman and Executive Director on 26 August 2014
3 Re-designated as Executive Director on 26 August 2014

(i) The amounts represented emoluments paid or payable for the services as a director of the Company or its subsidiaries.

(ii) The amounts represented emoluments paid or payable for other services in connection with the management of the affairs of the Company.

(iii) An amount of HK$1.88 million (2014: HK$1.88 million) was paid to Vigour Fine, a controlling shareholder of the Company, for the provision of certain management services which include the provision of directors to the Board of Directors of the Company pursuant to a management agreement.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

10 SENIOR EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals

The analysis in note (a) above does not include those individuals who are not directors but whose emoluments are among the five highest in the Group. Details of the emoluments paid to those individuals are as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Salaries, housing and other allowances, and benefits in kind	4,430	5,415
Contributions to retirement benefit scheme	48	72
Bonus	5,950	5,840
	10,428	11,327

Emoluments Band	**2015**	**2014**
	Number of Individuals	*Number of Individuals*
HK$1,000,001 – HK$1,500,000	–	2
HK$1,500,001 – HK$2,000,000	1	–
HK$2,000,001 – HK$2,500,000	–	1
HK$2,500,001 – HK$3,000,000	1	–
HK$3,000,001 – HK$3,500,000	2	2

(c) Senior management

Details of the emoluments payable to senior management of the Company by band are as follows:

Emoluments Band	**2015**	**2014**
	Number of Individuals	*Number of Individuals*
HK$1 – HK$500,000	1	–
HK$500,001 – HK$1,000,000	–	1
HK$1,000,001 – HK$1,500,000	–	2
HK$1,500,001 – HK$2,000,000	1	–
HK$3,000,001 – HK$3,500,000	2	2

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

11 INCOME TAX EXPENSE

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

	2015	**2014**
	HK$'000	*HK$'000*
Current tax		
Hong Kong profits tax	464	441
Mainland China corporate income tax	2,085	5,327
Mainland China withholding tax	15,344	13,809
Macau taxation	138	210
	18,031	19,787
Under/(over) provision in prior years		
Mainland China corporate income tax	227	–
Macau taxation	(53)	–
	174	–
Deferred tax		
Relating to the origination and reversal of temporary differences	(9,524)	(1,272)
Income tax expense	8,681	18,515

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the year.

Mainland China corporate income tax has been calculated at the rate of 25% (2014: 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.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

11 INCOME TAX EXPENSE *(Continued)*

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate in Hong Kong as follows:

	2015 *HK$'000*	2014 *HK$'000*
Profit before taxation	486,020	491,202
Calculated at a taxation rate of 16.5%	80,193	81,048
Effect of different taxation rates in other tax jurisdictions	(4,159)	580
Income not subject to taxation	(103,437)	(72,606)
Expenses not deductible for taxation purposes	9,560	6,731
Increase in unrecognised tax losses and deductible temporary differences	26,388	4,046
Recognition of prior year's unrecognised deductible and taxable temporary difference	5,178	–
Utilisation of tax losses previously not recognised	(5,196)	(1,274)
Under provision in prior years	174	–
Others	(20)	(10)
Income tax expense	8,681	18,515

12 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company includes a loss of HK$1.83 million (2014: profit of HK$111.55 million) which has been dealt with in the financial statements of the Company.

13 DIVIDEND

	2015 *HK$'000*	2014 *HK$'000*
Final dividend proposed after the reporting date of 5 HK cents (2014: 5 HK cents) per share	22,971	22,971

The dividend proposed after the reporting date has not been recognised as a liability in these consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31 December 2016.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

14 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the year ended 31 December 2015 of HK$477,339,000 (2014: HK$472,687,000) and the weighted average of 459,428,656 (2014: 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.

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and land use rights	Buildings held for own use	Furniture, fixtures, office and computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014					
Cost	29,313	8,727	9,273	2,914	50,227
Accumulated depreciation and impairment losses	(13,406)	(7,489)	(7,139)	(1,789)	(29,823)
Net book value	15,907	1,238	2,134	1,125	20,404
Year ended 31 December 2014					
Opening net book value	15,907	1,238	2,134	1,125	20,404
Translation differences	–	–	(24)	(19)	(43)
Additions	–	–	652	460	1,112
Charge for the year	(321)	(81)	(568)	(373)	(1,343)
Disposals	–	–	(8)	–	(8)
Closing net book value	15,586	1,157	2,186	1,193	20,122
At 31 December 2014 and 1 January 2015					
Cost	29,313	8,727	9,436	3,352	50,828
Accumulated depreciation and impairment losses	(13,727)	(7,570)	(7,250)	(2,159)	(30,706)
Net book value	15,586	1,157	2,186	1,193	20,122

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold land and land use rights	Buildings held for own use	Furniture, fixtures, office and computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2015					
Opening net book value	15,586	1,157	2,186	1,193	20,122
Translation differences	–	–	(31)	(32)	(63)
Additions	–	–	310	753	1,063
Charge for the year	(314)	(79)	(626)	(398)	(1,417)
Disposals	–	–	(118)	(103)	(221)
Fair value gains credited to leasehold buildings revaluation reserve (a)	1,688	1,164	–	–	2,852
Reclassified to investment properties (a)	(2,111)	(1,164)	–	–	(3,275)
Closing net book value	14,849	1,078	1,721	1,413	19,061
At 31 December 2015					
Cost	28,621	8,511	8,915	3,044	49,091
Accumulated depreciation and impairment losses	(13,772)	(7,433)	(7,194)	(1,631)	(30,030)
Net book value	14,849	1,078	1,721	1,413	19,061

(a) The amount represents the fair value gain on revaluation of an owner-occupied property located in Mainland China immediately before the reclassification from owner-occupied property to investment properties during the year. The fair value gain was recognised in leasehold buildings revaluation reserve.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) The net book value of leasehold land and land use rights is analysed as follows:

	2015	2014
	HK$'000	*HK$'000*
Leases held in Hong Kong		
Over 50 years	4,382	4,404
Between 10 and 50 years	10,441	10,699
Leases held outside Hong Kong		
Between 10 and 50 years	26	483
	14,849	15,586

The cost of the leasehold land and land use rights of the Group was HK$28.62 million (2014: HK$29.31 million).

16 INVESTMENT PROPERTIES

	2015	2014
	HK$'000	*HK$'000*
At fair value		
At 1 January	165,762	154,825
Reclassified from property, plant and equipment *(Note 15(a))*	3,275	–
Fair value gains	10,178	10,937
At 31 December	179,215	165,762

The analysis of the Group's interests in investment properties at their carrying amount is as follows:

	2015	2014
	HK$'000	*HK$'000*
Leases held in Hong Kong		
Between 10 and 50 years	82,000	60,000
Leases held outside Hong Kong		
Between 10 and 50 years	97,215	105,762
	179,215	165,762

The title deeds in respect of an investment property in Hong Kong with a fair value of HK$82 million (2014: HK$60 million) held by a subsidiary are placed in the custody of the HKOCI pursuant to the relevant regulatory requirements.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

16 INVESTMENT PROPERTIES *(Continued)*

Fair value measurement of investment properties

(a) Fair value hierarchy

The following table presents the fair value of investment properties held by the Group measured at 31 December 2015 on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique.

	2015	**2014**
	HK$'000	*HK$'000*
Recurring fair value measurement		
Level 3		
Mainland China		
Commercial properties	92,687	100,959
Residential properties	1,700	1,779
Car parks	2,828	3,024
	97,215	105,762
Hong Kong		
Commercial properties	82,000	60,000
	179,215	165,762

All the investment properties carried at fair value held by the Group were measured using Level 3 of the fair value hierarchy. During the year there was no transfer into or out of Level 3 of the fair value hierarchy. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

(b) Information about Level 3 of the fair value hierarchy

The investment properties were revalued based on their fair values at 31 December 2015 by independent professional valuers, namely Savills Valuation and Professional Services Limited and Vigers Appraisal & Consulting Limited. The Group has discussed with the independent professional valuers on the valuation assumptions and valuation results at each interim and annual reporting date.

The fair value of commercial properties and car parks located in Mainland China was determined by income capitalisation approach. The significant unobservable inputs are capitalisation rates of 5% (2014: 5.5%) and market monthly rent ranged from RMB58 to RMB110 (2014: RMB123) per square meter for commercial properties and 3% (2014: 3%) and RMB880 (2014: RMB880) per unit for car parks were applied in valuation measurement respectively. The fair value measurement is negatively correlated to the capitalisation rate and positively correlated to the market monthly rent.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

16 INVESTMENT PROPERTIES *(Continued)*

Fair value measurement of investment properties *(Continued)*

(b) Information about Level 3 of the fair value hierarchy *(Continued)*

The fair value of residential properties located in Mainland China was determined by market comparison approach by reference to recent sales price of comparable properties on a price per square meter basis, adjusted for a premium or a discount specific to the factors such as the location and quality of the Group's property while compared to the comparable properties. The unobservable input for discount applied in valuation measurement was immaterial.

The fair value of commercial properties located in Hong Kong was determined by market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the factors such as the longer period of tenancy and the larger floor area of the Group's properties while compared to the comparable properties. Larger discount will result in a lower fair value measurement. The significant unobservable input for discount applied in valuation measurement was approximately 20% (2014: approximately 32.3%).

The movements in the balance of the Level 3 fair value hierarchy during the year are as follows:

	2015				2014			
	Commercial properties	Car parks	Residential properties	Total	Commercial properties	Car parks	Residential properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	160,959	3,024	1,779	165,762	150,266	2,844	1,715	154,825
Reclassified from property, plant and equipment	3,275	–	–	3,275	–	–	–	–
Fair value gains/(losses)	10,453	(196)	(79)	10,178	10,693	180	64	10,937
At 31 December	174,687	2,828	1,700	179,215	160,959	3,024	1,779	165,762
Total unrealised fair value gains/(losses) for the year recognised in the consolidated income statement as part of "Other gains-net"	10,453	(196)	(79)	10,178	10,693	180	64	10,937

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

17 ASSOCIATES

	2015	2014
	HK$'000	*HK$'000*
Loan to an associate (b)	10,717	16,334
Share of net assets	3,266,559	2,929,556
	3,277,276	2,945,890
Reclassified to assets classified as held for sale *(Note 25)*	(13,299)	–
Total investments (a)	3,263,977	2,945,890
Unlisted investments, at cost	178,950	188,546

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

17 ASSOCIATES *(Continued)*

(a) The Group's investments in associates are analysed below:

	XIB Group	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2014	2,388,228	80,435	2,468,663
Translation difference	(64,334)	(1,023)	(65,357)
Share of profit after taxation			
Profit before taxation	590,370	6,968	597,338
Income tax expense	(143,569)	(1,549)	(145,118)
Dividend declared	(104,860)	–	(104,860)
Increase/(decrease) in investment revaluation reserve	198,324	(4,638)	193,686
Dilution of interest			
Gain on dilution recognised in consolidated income statement	11,737	–	11,737
Release of exchange translation reserve and investment revaluation reserve	(10,199)	–	(10,199)
At 31 December 2014 and 1 January 2015	2,865,697	80,193	2,945,890
Translation difference	(132,382)	(1,211)	(133,593)
Formation of an associate	–	1,150	1,150
Share of profit after taxation			
Profit before taxation	710,844	3,267	714,111
Income tax expense	(192,871)	(340)	(193,211)
Dividend declared	(120,227)	(22,325)	(142,552)
Increase/(decrease) in investment revaluation reserve	48,908	(2,206)	46,702
Dilution of interest			
Gain on dilution recognised in consolidated income statement	73,037	296	73,333
Release of exchange translation reserve and investment revaluation reserve	(40,289)	(320)	(40,609)
Dilution of interest in a subsidiary held by an associate	11,672	–	11,672
Loan partially repaid	–	(5,617)	(5,617)
Reclassified to assets classified as held for sale	–	(13,299)	(13,299)
At 31 December 2015	3,224,389	39,588	3,263,977

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

17 ASSOCIATES *(Continued)*

(b) The loan represented the Group's investments in that associate and was unsecured, interest free and had no fixed repayment terms.

(c) XIB completed the issuance of new shares to third parties to enlarge its share capital in August 2014, which resulted in the dilution of the Company's shareholding in XIB from approximately 16.9333% to approximately 14.8005%. Accordingly, the Group recorded a gain on dilution of approximately HK$11.74 million (Note 6). The Group also transferred directly to retained profits in total of approximately HK$121.71 million from statutory reserve, general reserve and capital reserve attributable to the dilution of the shareholding in XIB to approximately 14.8005%.

The Company has evaluated the applicable accounting treatment in respect of its approximately 14.8005% shareholding in XIB immediately after the completion of the issuance of the new shares and considered that the Company will continue to have the ability to exercise significant influence over the financial and operating policy decisions of XIB. Accordingly, the Company considers that XIB will continue to be classified as an associate of the Company and the Company's interest in XIB will continue to be accounted for using equity method in accordance with the HKFRSs.

(d) XIB completed the issuance of new shares to third parties to further enlarge its share capital in June 2015, which resulted in the dilution of the Company's shareholding in XIB from approximately 14.8005% to approximately 10.6289%. Accordingly, the Group recorded a gain on dilution of approximately HK$73.04 million (Note 6) during the year based on the unaudited consolidated financial information of the Group for the period ended 30 June 2015 and the unaudited consolidated financial information of XIB for the period ended 30 June 2015 as adjusted to conform with the Group's accounting policies. The Group also transferred directly to retained profits in total of approximately HK$307.97 million from statutory reserve, general reserve and capital reserve attributable to the dilution of the shareholding in XIB to approximately 10.6289%.

The Company has evaluated the applicable accounting treatment in respect of its approximately 10.6289% shareholding in XIB immediately after the completion of the issuance of the new shares and considered that the Company will continue to have the ability to exercise significant influence over the financial and operating policy decisions of XIB. Accordingly, the Company considers that XIB will continue to be classified as an associate of the Company and the Company's interest in XIB will continue to be accounted for using equity method in accordance with the HKFRSs.

(e) In December 2015, LIB, a subsidiary of XIB, completed the issuance of new shares to enlarge its share capital, which resulted in the dilution of XIB's shareholding in LIB from 100% to approximately 49.04% without losing its control in LIB. Accordingly, the Group's share of the gain on dilution of XIB's interest in LIB of HK$11.67 million was credited to capital reserve in the consolidated statement of changes in equity.

(f) In December 2015, XIB completed the issuance of bonus shares on the basis of 10 new shares for every 10 existing shares with nominal value of RMB1 per share, an amount of approximately RMB3,193.13 million (equivalent to approximately HK$3,810.52 million) was transferred from capital reserve to issued share capital.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

17 ASSOCIATES *(Continued)*

(g) In February 2015, Fujian Hua Yuan City Construction Environment Protection Co., Ltd. ("Hua Yuan") completed the issuance of new shares to enlarge its share capital, which resulted in the dilution of the Company's shareholding in Hua Yuan from 25% to 21.05%. Accordingly, the Group recorded a gain on dilution of approximately HK$0.3 million (Note 6) during the year based on the unaudited consolidated financial information of the Group and Hua Yuan for the period ended 31 January 2015. The Group also transferred directly to retained profits of HK$0.01 million from statutory reserve attributable to the dilution of the shareholding in Hua Yuan to 21.05%.

(h) Bank deposits placed by the Group with associated financial institutions in the normal course of business are included in cash and bank balances (Note 34(a)).

The following list contains the particulars of those associates at 31 December 2015 which principally affected the results or assets of the Group. All of these entities are unlisted corporates and are accounted for using equity method.

Name of associates	Place of incorporation and operations	Particulars of issued and paid up capital	Group's effective interest	Principal activities
Directly held				
Xiamen International Bank, and its subsidiaries	The People's Republic of China	6,386.26 million shares of RMB1 each	10.6289%	Banking and investment holding
Luso International Banking Limited	Macau	2.61 million shares of MOP1,000 each	5.2126%	Banking
Xiamen International Investment Limited	Hong Kong	10,000 shares (HK$10,000)	10.6289%	Investment holding
Indirectly held				
Min Faith Investments Limited (1)	Hong Kong	100 shares (HK$100)	40%	Investment holding
深圳前海維盟網絡科技有限公司 (1)&(2)	The People's Republic of China	Registered capital of RMB50 million Paid-in capital of RMB2.5 million	19%	Development and distribution of intelligent access door control system

(1) These associates are not audited by PricewaterhouseCoopers. The aggregate net assets and profit before taxation attributable to these associates represent approximately 0.8% and 0.6% respectively of the Group's consolidated totals.

(2) The Group has the ability to exercise significant influence over the financial and operating policy decisions of this associate through its representative on the board of directors of this associate.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

17 ASSOCIATES *(Continued)*

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	XIB Group	
	2015	**2014**
	HK$'000	*HK$'000*
Gross amount of the associate's		
Assets	548,051,749	436,113,945
Liabilities	(514,826,229)	(416,751,779)
Non-controlling interests	(2,889,469)	–
Equity attributable to equity holders of the associate	30,336,051	19,362,166
Revenue	25,719,259	20,602,380
Profit from continuing operations	4,098,965	2,803,574
Other comprehensive income	527,303	1,205,736
Total comprehensive income	4,626,268	4,009,310
Dividend declared	120,227	104,860
Reconciled to the Group's interest in the associate		
Gross amount of net assets of the associate	30,336,051	19,362,166
Group's effective interest	10.6289%	14.8005%
Carrying amount in the consolidated financial statements	3,224,389	2,865,697

Aggregate information of associates that are not individually material is disclosed below:

	2015	**2014**
	HK$'000	*HK$'000*
Aggregate carrying amount of individually immaterial assocates in the consolidated financial statements	39,588	80,193
Aggregate amounts of the Group's share of those associates'		
Profit from continuing operations	3,138	5,419
Other comprehensive income	(3,407)	(5,305)
Total comprehensive income	(269)	114

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015	2014
	HK$'000	*HK$'000*
At 1 January	770,129	452,522
Additions (b)	864	156,206
Fair value (loss)/gain recognised in investment revaluation reserve	(42,280)	318,453
Disposal (b)	–	(157,052)
At 31 December	728,713	770,129
At fair value:		
Equity securities listed		
– in Mainland China (a)	727,920	770,129
– in Hong Kong	793	–
At 31 December	728,713	770,129

(a) The equity securities listed in Mainland China held by the Group at 31 December 2015 and 2014 represented equity securities listed on the Shanghai Stock Exchange as follows:

Company name	Place of incorporation	Principal activities	Group's effective interest
Huaneng Power International, Inc. (“Huaneng”)	The People's Republic of China	Generation and sale of electric power	0.5% (approximately 69.95 million A-Share)

The tax bureau in Beijing, Mainland China had issued certificate of tax exemption for the gain from the disposal of A-Share of Huaneng by the Company in previous year. Accordingly, the Group has not provided any tax provision against the fair value movements recognised in other comprehensive income and accumulated separately in the investment revaluation reserve.

(b) During 2014, the Group acquired and disposed unlisted open-ended funds in Mainland China. The Group recorded a gain on disposal of approximately HK$1.31 million (Note 6).

19 DEFERRED ACQUISITION COSTS

	2015	2014
	HK$'000	*HK$'000*
At 1 January	12,738	9,983
Increase during the year	26,441	12,336
Release during the year	(24,118)	(9,581)
At 31 December	15,061	12,738

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

20 INSURANCE RECEIVABLE

	2015	2014
	HK$'000	*HK$'000*
Due from agents, brokers and intermediates	15,354	10,641
Less: Impairment losses	–	(7)
	15,354	10,634
Due from contract holders	108	9
Due from reinsurers	129	1
	15,591	10,644

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 2015, the ageing analysis of insurance receivable by invoice date was as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	7,927	4,814
31-60 days	2,793	2,501
61-90 days	2,612	2,352
Over 90 days	2,259	977
	15,591	10,644

At 31 December 2015, the ageing analysis of the past due but not impaired insurance receivable was as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 90 days	3,351	2,249
Over 90 days	59	110
	3,410	2,359

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21 REINSURANCE ASSETS

	2015	**2014**
	HK$'000	*HK$'000*
Reinsurers' share of insurance liabilities *(Note 26)*	4,855	5,667

The amounts due from reinsurers in respect of claims already paid by the Group on the contracts that are reinsured are not recognised in the reinsurance assets. They are included in insurance receivable (Note 20).

22 LOANS TO CUSTOMERS AND INTEREST RECEIVABLE

	2015	**2014**
	HK$'000	*HK$'000*
Micro credit business		
– guaranteed micro loans	161,828	155,116
– secured micro loans	162,057	149,223
– pledged and guaranteed micro loans	11,456	6,942
– secured, pledged and guaranteed micro loans	6,918	–
Loans to customers	342,259	311,281
Interest receivable	12,053	2,883
	354,312	314,164
Impairment allowances		
– individually assessed	(159,602)	(33,512)
– collectively assessed	(2,532)	(5,165)
	(162,134)	(38,677)
	192,178	275,487
Analysed for reporting purposes as:		
– Non-current assets	1,519	–
– Current assets	190,659	275,487
	192,178	275,487

Loans to customers arising from the micro credit business are in Renminbi and bore a fixed interest rate ranged from 9% to 21.6% per annum (2014: ranged from 18% to 22.4% per annum).

The Group has a credit policy in place and the exposures to credit risks are monitored on an ongoing basis. The Group has reviewed the outstanding loans to customers and interest receivable at the reporting date to assess whether there is objective evidence that an impairment on loans to customers and interest receivable has been incurred. The evaluation is focused on the information specific to the customers (such as the financial background and ability to repay) as well as the economic environment in which the customers operate and management's judgement on the creditworthiness of individual customer.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

22 LOANS TO CUSTOMERS AND INTEREST RECEIVABLE *(Continued)*

The movement of impairment allowances on loans to customers and interest receivable during the year was as follows:

	2015			2014		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	33,512	5,165	38,677	–	835	835
Translation difference	(6,362)	(141)	(6,503)	(170)	(43)	(213)
Charged/(credited) to current year's income statement	139,277	(2,492)	136,785	33,682	4,373	38,055
Unwinding of discount on allowance	(6,825)	–	(6,825)	–	–	–
At 31 December	159,602	2,532	162,134	33,512	5,165	38,677

At 31 December 2015, the loan contract period of the loans to customers by date of loans granted was as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	2,172	–
31-90 days	15,824	13,496
91-180 days	121,945	168,571
181-365 days	200,766	129,214
Over 365 days	1,552	–
	342,259	311,281

At 31 December 2015, the credit quality of the loans to customers was summarised as follows:

	2015	2014
	HK$'000	*HK$'000*
Neither past due nor impaired	48,615	217,508
Past due but not impaired	25,075	23,743
Individually impaired	268,569	70,030
	342,259	311,281

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

22 LOANS TO CUSTOMERS AND INTEREST RECEIVABLE *(Continued)*

At 31 December 2015, the ageing analysis of the past due but not impaired loans to customers was as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	149	13,746
31-60 days	164	9,997
61-90 days	1,790	–
Over 90 days	22,972	–
	25,075	23,743

At 31 December 2015, the ageing analysis of individually impaired loans to customers was as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 90 days	42,838	36,290
91-180 days	24,046	33,740
181-365 days	141,659	–
Over 365 days	60,026	–
	268,569	70,030

At 31 December 2015, the ageing analysis of overdue interest receivable arising from the loans to customers by due date was as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	410	565
31-60 days	583	886
61-90 days	642	745
Over 90 days	10,418	687
	12,053	2,883

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

22 LOANS TO CUSTOMERS AND INTEREST RECEIVABLE *(Continued)*

At 31 December 2015, the ageing analysis of the past due but not impaired interest receivable arising from the loans to customers was as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	25	285
31-60 days	95	144
61-90 days	93	–
Over 90 days	836	–
	1,049	429

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015	2014
	HK$'000	*HK$'000*
Equity securities held for trading, listed in Hong Kong – at market value	8,095	7,194

24 CASH AND BANK BALANCES

Included in cash and bank balances are deposits of approximately RMB1,136.53 million (equivalent to approx ima te l y HK$1,356.28 million) (2014: approximately RMB971.26 million, equivalent to approximately HK$1,213.73 million) placed with certain banks in Mainland China, Hong Kong and Macau by the Group.

Pursuant to the requirements from the HKOCI in Hong Kong, 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 2015, that subsidiary has placed a fixed deposit of RMB13.9 million (equivalent to approximately HK$16.59 million) and HK$1 million (2014: HK$16 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 MOP13.4 million (equivalent to approximately HK$13.01 million) and approximately RMB3.68 million (equivalent to approximately HK$4.39 million) (2014: approximately MOP11.9 million, equivalent to approximately HK$11.55 million) for fulfilling cer tain requirements under the Macau Insurance Companies Ordinance.

Pursuant to the requirements of the loan facilities (Note 28) entered into by the Company, the Company had charged its bank deposits of RMB41 million (equivalent to approximately HK$48.93 million) (2014: RMB324 million, equivalent to approximately HK$404.89 million) to the lending banks as collaterals for the fulfillment of the Company's repayment obligations.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

25 ASSETS CLASSIFIED AS HELD FOR SALE

In June 2015, the Company entered into a sale and purchase agreement with Vigour Fine, a controlling shareholder of the Company, for the sale of its 21.05% equity interest ("Equity Interest") in Hua Yuan, an associate of the Company, at a cash consideration of approximately RMB10.95 million (equivalent to approximately HK$13.06 million).

Based on the above fact, the Company considered that the Equity Interest met the criteria to be classified as held for sale because the carrying amount was recovered principally through a sale transaction rather than through a continuing use and the Equity Interest was available for sale in its present condition. Accordingly, the Equity Interest was reclassified as held for sale and the carrying amount of approximately RMB10.64 million (equivalent to approximately HK$12.7 million) was presented separately in the consolidated statement of financial position at 31 December 2015.

The completion of the transaction is subject to the registration of the transfer of the Equity Interest with the relevant approval authority in Mainland China.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

26 INSURANCE CONTRACTS AND REINSURANCE ASSETS

	2015	2014
	HK$'000	*HK$'000*
Gross		
Claims reported and loss adjustment expenses	25,415	16,467
Claims incurred but not reported	24,727	23,370
	50,142	39,837
Unearned premiums	36,106	31,357
Unexpired risks provision	1,402	992
Total insurance liabilities, gross	87,650	72,186
Recoverable from reinsurers		
Claims reported and loss adjustment expenses	(22)	(254)
Claims incurred but not reported	(3,782)	(4,812)
	(3,804)	(5,066)
Unearned premiums	(1,051)	(601)
Total reinsurers' share of insurance liabilities *(Note 21)*	(4,855)	(5,667)
Net		
Claims reported and loss adjustment expenses	25,393	16,213
Claims incurred but not reported	20,945	18,558
	46,338	34,771
Unearned premiums	35,055	30,756
Unexpired risks provision	1,402	992
Total insurance liabilities, net	82,795	66,519

The liabilities for gross claims reported, loss adjustment expenses and claims incurred but not reported are net of expected recoveries from salvage and subrogation.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

26 INSURANCE CONTRACTS AND REINSURANCE ASSETS *(Continued)*

(a) Movement in claims and loss adjustment expenses

	2015			2014		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Notified claims	16,467	(254)	16,213	13,365	(242)	13,123
Incurred but not reported	23,370	(4,812)	18,558	20,050	(4,115)	15,935
At 1 January	39,837	(5,066)	34,771	33,415	(4,357)	29,058
Cash paid for claims settled during the year	(9,872)	804	(9,068)	(9,377)	(780)	(10,157)
Increase/(decrease) in liabilities						
arising from current year claims	11,033	(393)	10,640	9,003	(27)	8,976
arising from prior year claims	7,787	(179)	7,608	3,476	795	4,271
movement of provision for claims incurred but not reported	1,357	1,030	2,387	3,320	(697)	2,623
At 31 December	50,142	(3,804)	46,338	39,837	(5,066)	34,771
Notified claims	25,415	(22)	25,393	16,467	(254)	16,213
Incurred but not reported	24,727	(3,782)	20,945	23,370	(4,812)	18,558
At 31 December	50,142	(3,804)	46,338	39,837	(5,066)	34,771

(b) Movement in provision for unearned premiums

	2015			2014		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	31,357	(601)	30,756	28,388	(818)	27,570
Increase during the year	33,313	(1,051)	32,262	28,313	(599)	27,714
Release during the year	(28,564)	601	(27,963)	(25,344)	816	(24,528)
At 31 December	36,106	(1,051)	35,055	31,357	(601)	30,756

Provision for unearned premiums represents the liabilities for short-term insurance contracts for which the Group's obligations are not expired at the reporting date.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

26 INSURANCE CONTRACTS AND REINSURANCE ASSETS *(Continued)*

(c) Movement in provision for unexpired risks

	2015			2014		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	992	–	992	–	–	–
Increase during the year	410	–	410	992	–	992
At 31 December	1,402	–	1,402	992	–	992

The provision for unexpired risk relates to the insurance contracts for which the Group expects to pay claims in excess of the related provision for unearned premiums.

27 INSURANCE PAYABLE

At 31 December 2015, the ageing analysis of the insurance payable by invoice date was as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Within 30 days	3,880	3,010
31-60 days	1,915	1,362
61-90 days	1,801	1,339
Over 90 days	1,222	348
	8,818	6,059

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

28 BANK BORROWINGS

	2015	2014
	HK$'000	*HK$'000*
Long-term bank loans		
Secured, in HK Dollars (a)	615,850	199,097
Short-term bank loans		
Secured, in HK Dollars (b)	–	380,000
	615,850	579,097
Less: Amounts due within one year included in current liabilities	(113,734)	(429,567)
Portion of term loan due for repayment after one year which contain a repayment on demand clause (c)	–	(149,530)
	502,116	–

The maturity profile of the bank loans based on the scheduled repayment dates set out in the loan facilities is as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 1 year	113,734	429,567
More than 1 year but within 2 years	147,968	69,683
More than 2 years but within 5 years	354,148	79,847
	615,850	579,097

(a) In 2014, the Company drew down a floating rate term loan of HK$200 million payable within three years under a loan facility obtained from a bank in Hong Kong. Transaction costs directly attributable to the bank loan of approximately HK$0.99 million were deducted by the bank when the loan was drawn down. The Company has repaid the principal of HK$50 million during the year.

During the year, the Company drew down a floating rate term loan of HK$475.84 million payable within three years under another loan facility obtained from the above bank in Hong Kong. Transaction costs directly attributable to the bank loan of approximately HK$9.61 million were deducted by the bank when the loan was drawn down.

Both of these bank loans were secured by the self-use office building owned by a wholly-owned subsidiary in Hong Kong with a net book value of approximately HK$10.44 million at 31 December 2015 (2014: approximately HK$10.7 million) and the bank loan drew down during the year was also secured by bank deposits of RMB41 million (equivalent to approximately HK$48.93 million) placed with the lending bank for the fulfillment of the Company's repayment obligations.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

28 BANK BORROWINGS *(Continued)*

Pursuant to the loan facility obtained during the year, the Company undertook to procure FIDG, a controlling shareholder of the Company, to maintain (whether directly or indirectly) not less than 35% beneficial interests in the issued share capital of the Company during the term of the loan facility.

These bank loans bore interest at a spread over Hong Kong Interbank Offered Rate and the effective interest rate at 31 December 2015 ranged from 3.1% to 3.4% per annum (2014: 3.1% per annum).

(b) During the year, the Company drew down a short term revolving bank loan of HK$20 million from a bank in Hong Kong and fully repaid the outstanding short term revolving bank loans of HK$400 million subsequently prior to the reporting date.

These short term revolving bank loans were secured by Renminbi bank deposits placed with the lending banks for the fulfillment of the Company's repayment obligations (2014: RMB324 million, equivalent to approximately HK$404.89 million).

These short term revolving bank loans bore interest at a spread over Hong Kong Interbank Offered Rate and were repayable within three months from the drawdown date. The effective interest rate ranged from 2% to 2.2% per annum (2014: ranged from 2% to 2.2% per annum).

(c) The lender had cancelled the repayment on demand clause contained in the loan facility during the year.

29 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using a taxation rate of 16.5% (2014: 16.5%) for Hong Kong taxation and 25% (2014: 25%) for Mainland China taxation. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on the same taxable entity.

The movement on the deferred income tax assets/(liabilities) is as follows:

	2015	**2014**
	HK$'000	*HK$'000*
At 1 January	(43,949)	(45,201)
Translation differences	(280)	(20)
Deferred income tax credited to current year's income statement	9,524	1,272
Deferred income tax credited to investment revaluation reserve	12	–
Deferred income tax charged to leasehold buildings revaluation reserve	(521)	–
At 31 December	(35,214)	(43,949)

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

29 DEFERRED INCOME TAX *(Continued)*

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. At 31 December 2015, the Group did not recognise tax losses of approximately HK$330 million (2014: approximately HK$344 million) that can be carried forward against future taxable income and have no expiry date.

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax liabilities

	Accelerated tax depreciation and revaluation of investment properties	
	2015	**2014**
	HK$'000	*HK$'000*
At 1 January	48,912	46,157
Charged to current year's income statement	1,443	2,755
Charged to leasehold buildings revaluation reserve	521	–
At 31 December	50,876	48,912

Deferred income tax assets

	Accrued expenses		Fair value adjustment for available-for-sale financial assets		Loans and interest receivable impairment allowances		Tax losses		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	(326)	(256)	–	–	(3,930)	–	(707)	(700)	(4,963)	(956)
Translation differences	–	–	–	–	280	20	–	–	280	20
Charged/(credited) to current year's income statement	27	(70)	–	–	(2,788)	(3,950)	(8,206)	(7)	(10,967)	(4,027)
Credited to investment revaluation reserve	–	–	(12)	–	–	–	–	–	(12)	–
At 31 December	(299)	(326)	(12)	–	(6,438)	(3,930)	(8,913)	(707)	(15,662)	(4,963)

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

29 DEFERRED INCOME TAX *(Continued)*

The following amounts, determined after appropriate offsetting of deferred income tax assets and liabilities, are shown in the consolidated statement of financial position:

	2015	2014
	HK$'000	*HK$'000*
Deferred income tax assets		
To be recovered after 12 months	6,440	4,156
To be recovered within 12 months	306	125
	6,746	4,281
Deferred income tax liabilities		
To be settled after 12 months	(41,960)	(48,230)
	(35,214)	(43,949)

30 CAPITAL AND RESERVES

(a) Share capital

	2015		2014	
	No. of shares	*HK$'000*	*No. of shares*	*HK$'000*
Ordinary shares, issued and fully paid				
At 1 January	459,428,656	891,135	459,428,656	459,429
Transition to no-par value regime on 3 March 2014 (i)	–	–	–	431,706
At 31 December	459,428,656	891,135	459,428,656	891,135

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All ordinary shares rank equally with regard to the Company's residual assets.

(i) The Hong Kong Companies Ordinance (Chapter 622) came into effect on 3 March 2014 and the concept of par or nominal value for shares of Hong Kong incorporated companies is no longer exist. On that date, the amounts standing to the credit of the share premium account and the capital redemption reserve account had become part of the Company's share capital in accordance with the transitional provisions set out in Section 37 of Schedule 11 to the Hong Kong Companies Ordinance. These changes had no impact on the number of shares in issue or the relative entitlement of any of the members.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

30 CAPITAL AND RESERVES *(Continued)*

(b) Nature and purpose of reserves

(i) Statutory reserve

The statutory reserve mainly comprises the following:

– Non-distributable reserve set aside by an associated financial institution from its retained profits in accordance with the Financial System Act of Macau.

– General reserve established and maintained within equity holders' equity of an associated financial institution pursuant to Caijin [2005] No. 49 "Measures on General Provision for Bad and Doubtful Debts for Financial Institutions" issued by Ministry of Finance. The general reserve was established through the appropriation of income to cover unidentified potential impairment losses.

(ii) General reserve

The general reserve is transferred from retained profits and is available for general use.

(iii) Capital reserve

The capital reserve comprises the following:

– goodwill and the excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of business combination and the investments in associates prior to 1 January 2001;

– capitalisation of retained profits and reserves for the purpose of increasing the share capital and capital reserve of associates and their subsidiaries;

– share of movement in reserves recorded in equity of associates for the change in the interest in their subsidiaries that do not result in a loss of control.

(iv) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets (less related deferred tax charge) held at the end of the reporting period.

(v) Leasehold buildings revaluation reserve

The leasehold buildings revaluation reserve comprises the net change in the fair value of leasehold buildings at the date of reclassification from owner-occupied property to investment property.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

30 CAPITAL AND RESERVES *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(vi) Exchange translation reserve

The exchange translation reserve comprises all foreign exchange differences arising on translation of the financial statements of foreign subsidiaries and associates into the reporting currency of the Company.

31 COMMITMENTS

At 31 December 2015, the Group had commitments as follows:

	2015 *HK$'000*	2014 *HK$'000*
Contracted but not provided for		
– property, plant and equipment/investment properties	198	207
– intangible assets – computer systems	1,632	–
– investment in an associate	10,203	–
	12,033	207

32 LEASE COMMITMENTS

(a) As lessee

At 31 December 2015, the Group had future aggregate minimum lease payments payable under non-cancellable operating leases as follows:

	2015 *HK$'000*	2014 *HK$'000*
Land and buildings		
Within one year	677	246
In the second to fifth year inclusive	801	560
	1,478	806

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

32 LEASE COMMITMENTS *(Continued)*

(b) As lessor

At 31 December 2015, the Group had future aggregate minimum lease payments receivable under non-cancellable operating leases as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Land and buildings		
Within one year	9,475	8,747
In the second to fifth year inclusive	22,539	21,108
In the sixth year and thereafter	–	3,840
	32,014	33,695

The lease terms for commercial properties leased out by the Group range from one to eight years and with unfixed rentals throughout the lease periods.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before taxation to net cash outflow from operations

	2015	2014
	HK$'000	*HK$'000*
Profit before taxation	486,020	491,202
Adjustments for:		
Share of results of associates	(520,900)	(452,220)
Gains on dilution of interest in associates	(73,333)	(11,737)
Fair value gains on revaluation of investment properties	(10,178)	(10,937)
Depreciation	1,417	1,343
Impairment loss on loans to customers and interest receivable	136,785	38,055
Written back of impairment loss on insurance receivable	(7)	(16)
Loss/(gain) on disposal of property, plant and equipment	174	(91)
Interest income	(33,868)	(33,252)
Interest income from impaired loans to customers	(6,825)	–
Interest expenses	12,958	7,016
Net exchange losses	29,509	20,521
Changes in working capital:		
Increase in deferred acquisition costs	(2,323)	(2,755)
Increase in insurance receivable	(4,940)	(256)
Decrease/(increase) in reinsurance assets	812	(492)
Increase in loans to customers and interest receviable	(54,171)	(273,425)
Increase in other debtors	(44)	(5)
(Increase)/decrease in other prepayments and deposits	(3,250)	433
(Increase)/decrease in financial assets at fair value through profit or loss	(901)	895
Increase in insurance contracts	15,464	10,383
Increase in insurance payable	2,759	1,350
(Decrease)/increase in other creditors and accruals	(3,317)	3,149
Net cash outflow from operations	(28,159)	(210,839)

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

34 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the consolidated financial statements, significant related party transactions which were carried out in the normal course of the Group's business are as follows:

(a) At 31 December 2015, the Group had deposits with XIB and LIB, associates of the Group, totaling HK$610.53 million (2014: HK$471.55 million). These deposits carried interest at normal commercial rates and had generated interest income of HK$11.25 million (2014: HK$10.62 million) to the Group during the year.

(b) A subsidiary of the Group underwrote insurance policies with gross insurance premium less discount of HK$3.78 million (2014: HK$2.49 million) to an associate of the Group at prices and terms not less favourable than those contracted with other third party customers of the Group during the year. That subsidiary also paid commission of HK$4.85 million (2014: HK$4.55 million) to the aforementioned associate for business referred to the Group during the year.

(c) The Company has leased office space in Mainland China to a company with 30% equity interest held by FIDG, a controlling shareholder of the Company in prior year. A renewal tenancy agreement was entered into by the Company in June 2015 with term of lease of two months commenced from 1 June 2015 with monthly rental of RMB71,280 and it was not further renewed upon expiry. A rental income of approximately RMB0.53 million (equivalent to approximately HK$0.66 million) (2014: approximately RMB0.78 million, equivalent to approximately HK$0.99 million) was received by the Company during the year.

(d) Key management personnel

The senior executives' emolument for the year ended 31 December 2015 and 2014 are detailed as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Directors' fees	1,190	1,190
Salaries, housing and other allowances, and benefits in kind	5,136	6,562
Contributions to retirement benefit scheme	52	96
Bonus	4,220	4,270
	10,598	12,118

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

35 COMPANY STATEMENT OF FINANCIAL POSITION

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		4,033	4,121
Investment properties		95,515	103,983
Subsidiaries		1,423,985	820,915
Associates		177,800	188,546
Available-for-sale financial assets		727,920	770,129
		2,429,253	1,887,694
Current assets			
Other debtors		1,480	3,641
Prepayments and deposits		670	459
Financial assets at fair value through profit or loss		303	348
Cash and bank balances		287,579	874,642
		290,032	879,090
Assets classified as held for sale		10,746	–
		300,778	879,090
Current liabilities			
Other creditors and accruals		17,518	18,049
Bank borrowings		113,734	579,097
Current income tax payable		24,976	26,154
		156,228	623,300
Net current assets		144,550	255,790
Total assets less current liabilities		2,573,803	2,143,484

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

35 COMPANY STATEMENT OF FINANCIAL POSITION *(Continued)*

	Note	**2015** *HK$'000*	**2014** *HK$'000*
Non-current liabilities			
Bank borrowings		502,116	–
Deferred income tax liabilities		40,551	47,664
		542,667	47,664
Net assets		2,031,136	2,095,820
Share capital		891,135	891,135
Other reserves	*(a)*	500,299	540,853
Retained profits			
Proposed dividend		22,971	22,971
Others		616,055	640,861
Amount recognised in other comprehensive income and accumulated in equity relating to assets held for sale		676	–
Total equity		2,031,136	2,095,820

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

35 COMPANY STATEMENT OF FINANCIAL POSITION *(Continued)*

(a) The movement of other reserves during the year was as follows:

		Other reserves						
	Share capital	Share premium	Capital redemption reserve	Investment revaluation reserve	Leasehold buildings revaluation reserve	Total other reserves	Retained profits	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	459,429	384,620	47,086	223,237	9	654,952	575,257	1,689,638
Transition to no-par value regime on 3 March 2014 *(Note 30(a)(i))*	431,706	(384,620)	(47,086)	–	–	(431,706)	–	–
Total comprehensive income for the year	–	–	–	317,607	–	317,607	111,546	429,153
Dividend	–	–	–	–	–	–	(22,971)	(22,971)
At 31 December 2014	891,135	–	–	540,844	9	540,853	663,832	2,095,820
Representing:								
2014 proposed dividend	–	–	–	–	–	–	22,971	22,971
Others	891,135	–	–	540,844	9	540,853	640,861	2,072,849
At 31 December 2014	891,135	–	–	540,844	9	540,853	663,832	2,095,820
At 1 January 2015	891,135	–	–	540,844	9	540,853	663,832	2,095,820
Total comprehensive income for the year	–	–	–	(42,209)	2,331	(39,878)	(1,835)	(41,713)
Dividend	–	–	–	–	–	–	(22,971)	(22,971)
At 31 December 2015	891,135	–	–	498,635	2,340	500,975	639,026	2,031,136
Representing:								
Amount recognised in other comprehensive income and accumulated in equity relating to assets held for sale	–	–	–	676	–	676	–	676
2015 proposed dividend	–	–	–	–	–	–	22,971	22,971
Others	891,135	–	–	497,959	2,340	500,299	616,055	2,007,489
At 31 December 2015	891,135	–	–	498,635	2,340	500,975	639,026	2,031,136

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

36 SUBSIDIARIES

The following list contains the particulars of those subsidiaries at 31 December 2015 which principally affected the results, assets or liabilities of the Group.

Name of company	Place of incorporation and operations	Particulars of issued and paid up capital	Group's equity interest	Principal activities
Directly held				
Dorfine Development Limited	Hong Kong	2 shares (HK$2)	100%	Property investment
Fujian Minxin Investments Co., Ltd.	The People's Republic of China	Registered capital of HK$1,200 million Paid-in capital of HK$1,011 million	100%	Investment holding
Min Xin (China) Investment Limited	British Virgin Islands	1 share of US$1	100%	Investment holding
Min Xin Insurance Company Limited	Hong Kong	55 million shares (HK$100 million)	100%	Writing of general insurance business
Sanming Sanyuan District Minxin Micro Credit Company Limited	The People's Republic of China	Paid-in capital of RMB300 million	100%	Provision of micro credit and entrusted loans
Take Chance Company Limited	Hong Kong	2 shares (HK$2)	100%	Property investment
Thousand Limited	Hong Kong	1 share (HK$1)	100%	Investment holding
Welljet Development Limited	Hong Kong	2 shares (HK$2)	100%	Property investment
Indirectly held				
Min Xin Properties Limited	Hong Kong	5 million shares (HK$5 million)	100%	Investment holding

3. AUDITED CONSOLIDATED FINANCIAL INFORMATION

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2016 as extracted from the annual results announcement of the Company for the year ended 31 December 2016:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2016

	Note	**2016** *HK$'000*	**2015** *HK$'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

3. AUDITED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 *HK$'000*	2015 *HK$'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

3. AUDITED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'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

3. AUDITED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31 December 2016

	Note	**2016** *HK$'000*	**2015** *HK$'000*
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
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

3. AUDITED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

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

3. AUDITED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

Notes: (Continued)

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

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).

3. AUDITED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

Notes: (Continued)

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.

3. AUDITED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

Notes: (Continued)

2 TURNOVER AND SEGMENTAL INFORMATION *(Continued)*

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.

3. AUDITED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

Notes: (Continued)

2 TURNOVER AND SEGMENTAL INFORMATION *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

	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

3. AUDITED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

Notes: (Continued)

2 TURNOVER AND SEGMENTAL INFORMATION *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

	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. AUDITED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

Notes: (Continued)

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

3. AUDITED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

Notes: (Continued)

4 NET INSURANCE CLAIMS INCURRED AND COMMISSION EXPENSES INCURRED ON INSURANCE BUSINESS *(Continued)*

(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

3. AUDITED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

Notes: (Continued)

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

3. AUDITED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

Notes: (Continued)

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.

3. AUDITED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

Notes: (Continued)

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 *HK$'000*	2015 *HK$'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 *HK$'000*	2015 *HK$'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

3. AUDITED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

Notes: (Continued)

10 LOANS TO CUSTOMERS AND INTEREST RECEIVABLE *(Continued)*

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

3. AUDITED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

Notes: (Continued)

10 LOANS TO CUSTOMERS AND INTEREST RECEIVABLE *(Continued)*

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

4. INDEBTEDNESS AND BORROWINGS

(i) Borrowings and debts

As at the close of business on 28 February 2017, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding bank borrowings of HK$1,363.23 million. Bank borrowings of HK$508.25 million were secured by the Group's bank deposits of RMB41 million (equivalent to HK$46.34 million) placed with the lending bank and the self-use office building with a net book value of HK$10.14 million as at 28 February 2017. Bank borrowings of HK$854.98 million were unsecured as at 28 February 2017.

(ii) Contingent liabilities

As at the close of business on 28 February 2017, the Group did not have any material contingent liabilities.

(iii) General

Save as disclosed above, as at the close of business on 28 February 2017, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, bank overdrafts, charges or debentures, mortgages, loans or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, guarantees or other material contingent liabilities.

(iv) Material indebtedness change

Apart from a bank loan of HK$60 million subsequently repaid on 20 March 2017, the Directors confirmed that, up to the date of this circular, there has been no material change in the indebtedness and contingent liabilities of the Group since 28 February 2017 and up to and including the Latest Practicable Date.

5. WORKING CAPITAL

After due and careful enquiries, the Directors are of the opinion that, after taking into account the net proceeds arising from the Rights Issue and the financial resources presently available to the Group including internally generated funds from operations and available bank facilities, the Group has sufficient working capital to meet its present requirements for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances.

6. MATERIAL CHANGE

As disclosed in the announcement of the Company dated 29 December 2016 regarding the new business of trading in motor vehicles started to engage by Fujian Minxin Investments Co., Ltd. by entering into an agreement for the acquisition of 50 motor vehicles at a total consideration of RMB20.25 million from an independent third party. For the two months ended 28 February 2017, the Group has recognised the revenue from sale of motor vehicles of about RMB14.21 million (equivalent to approximately HK$16.04 million) and cost of sale of about RMB14.01 million (equivalent to approximately HK$15.82 million) respectively with a gross profit of about RMB0.2 million (equivalent to approximately HK$0.22 million).

Save as disclosed above and disclosed in the paragraph headed "Indebtedness and Borrowings" above regarding the repayment of a bank loan of HK$60 million by the Company on 20 March 2017, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

7. BUSINESS REVIEW AND PROSPECTS

Economic growth in Mainland China in 2016 was within the Central Government's target range amidst the success of policy measures designed to support economic stability and long-term economic transition. 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. The economic growth in 2017 is anticipated to maintain a similar pace of annual expansion.

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. For the year ended 31 December 2016, the Group has recognised an advance payment of RMB7.36 million (equivalent to approximately HK$8.22 million) for the acquisition of 50 motor vehicles from an independent third party. For the two months ended 28 February 2017, the Group has recognised the revenue from sale of motor vehicles of about RMB14.21 million (equivalent to approximately HK$16.04 million) and cost of sale of about RMB14.01 million (equivalent to approximately HK$15.82 million) respectively with a gross profit of about RMB0.2 million (equivalent to approximately HK$0.22 million).

We achieved satisfactory results in our banking business under the challenging and highly competitive operating conditions. 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. We had successfully obtained the approval from China Banking Regulatory Commission for the subscription of 140 million new shares of XIB in December 2016. 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 Bank 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. XIB will serve its customers better supported by the networks established in Mainland China, Hong Kong and Macau and generate substantial value for shareholders. Pursuant to the requirements of the approval for the acquisition of the majority shareholding in Chiyu Bank by XIB, the Company had submitted an application to the Hong Kong Monetary Authority in respect of the minority shareholder controller of Chiyu Bank. The Company became one of the minority shareholder controllers of Chiyu Bank on 27 March 2017 according to the approval from Hong Kong Monetary Authority.

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. 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.

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. We expect the outlook for our insurance operation in Macau is generally positive and the outlook for our insurance operation in Hong Kong possibly less advantageous due to competitive operating conditions. Min Xin Insurance will aim to continue developing the insurance products while maintaining the quality of the client base. The Company will remain alert to possible new opportunities in Hong Kong. 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.

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"). 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. We expect the market rental rate in Fuzhou will remain relatively stable in the year ahead and the Fuzhou Property will continue to contribute a satisfactory market rental income.

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). The fair value loss of HK$177.38 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. Huaneng has announced its 2016 annual results under the PRC Accounting Standards. 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. Huaneng has proposed a final dividend of RMB0.29 per ordinary share (inclusive of tax). Hence, the Group will record a dividend income totaling RMB20.29 million for the year ending 31 December 2017 if such proposed final dividend is approved by the shareholders of Huaneng. The Group will not consider other long-term available-for-sale investments in the year ahead.

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.

1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2016 (the "Unaudited Pro Forma Financial Information") which has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effects of the Rights Issue on the audited consolidated net tangible assets of the Group attributable to shareholders of the Company as if the Rights Issue had taken place on 31 December 2016.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated net tangible assets of the Group attributable to shareholders of the Company as at 31 December 2016, as extracted from the published annual results announcement of the Company for the year ended 31 December 2016, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only, based on the judgments and assumptions of the Directors, and because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of the Group attributable to shareholders of the Company had the Rights Issue been completed as at 31 December 2016 or at any future date.

	Audited consolidated net tangible assets of the Group attributable to shareholders of the Company as at 31 December 2016	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangbile assets of the Group attributable to shareholders of the Company immediately after completion of the Rights Issue	Audited consolidated net tangbile assets per share attributable to shareholders of the Company as at 31 December 2016	Unaudited pro forma adjusted consolidated net tangbile assets per share attributable to shareholders of the Company immediately after completion of the Rights Issue
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*	*HK$*
Based on 137,828,596 Rights Shares to be issued at the Subscription Price of HK$6 per Rights Share	4,787,097	824,242	5,611,339	10.42	9.40

Notes:

1 The audited consolidated net tangible assets of the Group attributable to shareholders of the Company as at 31 December 2016 is based on the audited consolidated net assets of the Group attributable to shareholders of the Company as at 31 December 2016 of HK$4,787,097,000 as extracted from the annual results announcement of the Company for the year ended 31 December 2016.

2 The estimated net proceeds from the Rights Issue are based on 137,828,596 Rights Shares to be issued on the basis of three Rights Shares for every ten existing Shares at the Subscription price of HK$6 per Rights Share, after deduction of the related expenses of approximately HK$2,730,000.

3 The audited consolidated net tangible assets per share attributable to shareholders of the Company as at 31 December 2016 was HK$10.42, which was based on the audited consolidated net tangible assets of the Group attributable to shareholders of the Company as at 31 December 2016 of HK$4,787,097,000 and 459,428,656 shares in issue as at 31 December 2016.

4 The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to shareholders of the Company as adjusted for the Rights Issue per share is arrived at after aggregating the audited consolidated net tangible assets of the Group attributable to shareholders of the Company of HK$4,787,097,000 and the estimated net proceeds of HK$824,242,000 from the Rights Issue (Note 2 above) and on the basis that 459,428,656 shares were in issue as at 31 December 2016 and 137,828,596 Rights Shares were issued under the Rights Issue, assuming the Rights Issue had been completed on 31 December 2016.

5 No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to shareholders of the Company to reflect any trading results, a final dividend of HK$22,971,433 for the year ended 31 December 2016 as recommended by the Board of the Company on 30 March 2017 or other transactions of the Group entered into subsequent to 31 December 2016.

2. ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular:

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Min Xin Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Min Xin Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2016, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages 188 to 189 of the Company's circular dated 12 April 2017, in connection with the proposed rights issue of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages 188 to 189.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed rights issue on the Group's financial position as at 31 December 2016 as if the proposed rights issue had taken place at 31 December 2016. As part of this process, information about the Group's financial position has been extracted by the directors from the Company's annual results announcement for the year ended 31 December 2016 which was published on 30 March 2017.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

羅兵咸永道

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed rights issue at 31 December 2016 would have been as presented.

pwc 羅兵咸永道

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 12 April 2017

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than the information relating to the Concert Group) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein (other than the information relating to the Concert Group) or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Concert Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Concert Group) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of the Vigour Fine, namely Mr. Wang Fei, Mr. Liu Cheng and Ms. Cai Mingfang, accept full responsibility for the accuracy of the information relating to the Concert Group contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by the Concert Group in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of FIDG, namely Mr. Yan Zheng, Mr. Peng Jin Guang and Mr. Chen Guo Fa, accept full responsibility for the accuracy of the information relating to the Concert Group contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by the Concert Group in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

Under the Companies Ordinance, the Company, a company incorporated in Hong Kong, does not have an authorised share capital and the Shares do not have a nominal value. The issued share capital of the Company as at the Latest Practicable Date and immediately after completion of the Rights Issue (assuming no issue of new Shares other than the Rights Shares and no repurchases of Share in the period from the Latest Practicable Date to the date of completion of the Rights Issue) are as follows:

	Number of Shares
Shares in issue as at the Latest Practicable Date	459,428,656
Rights Shares to be allotted and issued pursuant to the Rights Issue	137,828,596
Shares in issue immediately after completion of the Rights Issue	597,257,252

All of the Rights Shares when allotted, issued and fully paid will rank pari passu in all respects with all the Shares then in issue as at the date of allotment and issue of the Rights Shares. The Rights Shares will be listed and traded on the Stock Exchange.

No part of the equity of the Company is listed or dealt in, nor is listing or permission to deal in the Shares of the Company being, or proposed to be, sought on any other stock exchange.

There are no arrangements under which future dividends will be waived or agreed to be waived. As at the Latest Practicable Date, no capital of any member of the Group was under option or agreed conditionally or unconditionally to be put under option.

No Shares have been issued since 31 December 2016, being the date on which the latest audited financial statements of the Group were made up. Except for the Rights Shares contemplated under the Underwriting Agreement, as at the Latest Practicable Date, no Shares, options, warrants, conversion rights or any equity or debt securities of the Company was outstanding or was proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in Shares, debentures or underlying Shares and its associated corporations

As at the Latest Practicable Date, save as disclosed below, none of the Directors or the chief executive of the Company and their respective associates had or was deemed to have any interests in the long or short positions in the Shares, underlying shares and debentures or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or any associated corporation (within the meaning of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "Model Code") adopted by the Company, to be notified to the Company and the Stock Exchange.

Name of Director	Capacity	Total number of Shares interested	Approximate percentage of the existing issued share capital of the Company
Mr. Ip Kai Ming	Beneficial owner	666,000	0.14%

(b) Substantial Shareholders' and other person's interests in Shares and underlying Shares

As at the Latest Practicable Date so far as is known to any Director or chief executive of the Company, other than the interests disclosed above in respect of certain directors and chief executive of the Company, the interests and short positions of persons in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or any member of the Group were as follows:

Name of Shareholders	Capacity	Total number of Shares interested	Approximate percentage of the existing issued share capital of the Company
Vigour Fine *(Note 1)*	Beneficial owner	148,348,216 (L)	32.29%
	Interest of a controlled corporation	144,885,000 (L)	31.54%
Samba *(Note 2)*	Beneficial owner	144,885,000 (L)	31.54%
FIDG *(Note 1)*	Interest of a controlled corporation	293,233,216 (L)	63.83%
Citychamp Watch & Jewellery Group Limited ("Citychamp") *(Note 3)*	Beneficial owner	24,312,000 (L)	5.29%
Sincere View International Limited ("Sincere View") *(Note 3)*	Beneficial owner	8,056,000 (L)	1.75%
	Interest of a controlled corporation	24,312,000 (L)	5.29%
Full Day Limited ("Full Day") *(Note 3)*	Interest of a controlled corporation	24,312,000 (L)	5.29%
Hon Kwok Lung ("Mr. Hon") *(Note 4)*	Interest of a controlled corporation	32,368,000 (L)	7.05%
Lam Suk Ying ("Ms. Lam") *(Note 4)*	Interest of spouse	32,368,000 (L)	7.05%
CITIC Securities Co., Ltd	Beneficial owner	12,836,000 (L)	2.79%
	Beneficial owner	12,836,000 (S)	2.79%
	Person having a security interest in shares	55,500,000 (L)	12.08%
	Person having a security interest in shares	55,500,000 (S)	12.08%
	Derivatives interest	55,500,000 (L)	12.08%
	Derivatives interest	55,500,000 (S)	12.08%

Name of Shareholders	Capacity	Total number of Shares interested	Approximate percentage of the existing issued share capital of the Company
Fuzhou Jingke Investment Co., Ltd	Person having a security interest in shares	55,500,000 (L)	12.08%
	Derivatives interest	55,500,000 (L)	12.08%
JPMorgan Chase & Co.	Beneficial owner	55,500,000 (L)	12.08%
	Beneficial owner	55,500,000 (S)	12.08%
	Custodian corporation/ approved lending agent	22,000 (P)	0.005%
	Derivatives interest	55,500,000 (S)	12.08%

(L) denotes long position
(S) denotes short position
(P) denotes lending pool

Notes:

1. Vigour Fine is a wholly owned subsidiary of FIDG. An aggregate of 40,850,000 Shares held by Vigour Fine were pledged in favour of The Hongkong and Shanghai Banking Corporation Limited on 28 December 2016 as security for a loan. Such loan is not related to the Rights Issue.

2. Samba is a 97.39% owned subsidiary of Vigour Fine.

3. Citychamp was the controlled corporation of each of Sincere View and Full Day and each of Sincere View and Full Day was deemed to be interested in the 24,312,000 Shares held by Citychamp.

4. Mr. Hon held the entire issued share capital of Full Day and was the controlling shareholder of Sincere View, Mr. Hon was deemed to be interested in the 32,368,000 Shares of the Company. Ms. Lam, the spouse of Mr. Hon, was deemed to be interested in the 32,368,000 Shares of the Company.

4. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALING IN SHARES

As at the Latest Practicable Date,

(a) save for the Underwriting Agreement and the Irrevocable Undertakings, there was no agreement, arrangement or understanding between the Concert Group and other persons in relation to the transfer, charge or pledge of the Shares that will be issued and allotted to Vigour Fine pursuant to the Irrevocable Undertakings or may be issued and allotted to Vigour Fine pursuant to the fulfillment of its obligations under the Underwriting Agreement;

(b) save as disclosed in the section headed "Changes in the Shareholding Structure of the Company arising from the Rights Issue" in the Letter from the Board of this circular, none of the parties to the Underwriting Agreement or any parties acting in concert with any of them held, owned or controlled any other Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company. In addition, none of the parties to the Underwriting Agreement and parties acting in concert with any of them had dealt for value in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(c) save as disclosed in paragraph headed "3. Disclosure of Interests" in this appendix, the directors of Vigour Fine were not interested in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, the directors of Vigour Fine had not dealt in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(d) no person had irrevocably committed themselves to vote for or against the resolution(s) to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement and the Whitewash Waiver;

(e) the Concert Group did not have any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons;

(f) none of the members of the Concert Group or the directors of Vigour Fine had borrowed or lent any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into Shares;

(g) save as disclosed in the paragraph headed "3. Disclosure of Interests" in this appendix, none of the Directors was interested in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the Directors had dealt for value in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(h) none of the Company and the Directors held any shares, convertible securities, warrants, options or derivatives of Vigour Fine or similar rights which are convertible or exchangeable into shares of Vigour Fine. None of them had dealt for value in any shares, convertible securities, warrants, options or derivatives of Vigour Fine during the Relevant Period;

(i) none of (i) the subsidiaries of the Company, (ii) the pension fund of the Company or of any of its subsidiaries, nor (iii) any advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (other than persons enjoying exempt principal trader status under the Takeovers Code), had any interest in the Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company and none of them had dealt for value in any securities of the Company during the period from the Last Trading Day to the Latest Practicable Date;

(j) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code and none of them had dealt for value in any securities of the Company during the period from the Last Trading Day to the Latest Practicable Date;

(k) no Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and none of them had dealt for value in any securities of the Company during the period from the Last Trading Day to the Latest Practicable Date;

(l) none of the Company nor any Directors had borrowed or lent any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into Shares;

(m) there was no benefit to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with the Rights Issue, the Underwriting Agreement and the Whitewash Waiver;

(n) save for the Underwriting Agreement and the Irrevocable Undertakings, there was no agreement, arrangement or understanding (including any compensation arrangement) (i) between Vigour Fine, the Concert Group and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; and (ii) between any Directors and any other persons having any connection with or dependence upon the Rights Issue, the Underwriting Agreement and the Whitewash Waiver;

(o) as at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group;

(p) as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2016 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and

(q) as at the Latest Practicable Date, except for Mr. Ip Kai Ming's interests in the Shares as disclosed under the Section headed "3. Disclosure of Interests" of this appendix, none of the Directors were interested in any Shares, and hence no Director (other than Mr. Ip Kai Ming) would be entitled to vote for or against any of the resolutions to be proposed at the EGM. The Concert Group will abstain from voting on the resolutions set out in the Notice of the EGM at the EGM.

5. MARKET PRICES

The table below shows the closing prices of the Shares on the Stock Exchange (i) at the end of each of the six calendar months immediately preceding the date of the Announcement and ending on the Latest Practicable Date, (ii) 16 March 2017, the last business day prior to the issue of the Announcement; (iii) 17 March 2017, being the Last Trading Day, (iv) as at the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
30 September 2016	8.13
31 October 2016	8.33
30 November 2016	7.77
30 December 2016	7.65
27 January 2017	6.93
28 February 2017	6.72
16 March 2017	6.77
17 March 2017 (the Last Trading Day)	6.98
31 March 2017	6.29
7 April 2017 (the Latest Practicable Date)	6.28

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK$6.28 on 7 April 2017 and HK$8.41 on 15 September 2016 respectively.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into under the ordinary course of business of the Group) have been entered into by the Company within two years immediately preceding the date of the Announcement and up to the Latest Practicable Date and are or may be material:

1. the agreement entered into between the Company (as seller) and Vigour Fine (as buyer) dated 18 June 2015 for the disposal of 21.05% equity interest in 福建省華源城建環保股份有限公司 (Fujian Hua Yuan City Construction Environment Protection Co., Ltd.) at a consideration of RMB10,947,700;

2. the contract entered into between Fujian Minxin Investments Co., Ltd. ("Fujian Minxin") and other three joint venture partners independent of the Group dated 25 September 2015 for the formation of 深圳前海維盟網絡科技有限公司 (Shenzhen Qianhai Weimeng Network Technology Co., Ltd., a transliteration for reference only) with a registered capital of RMB50 million, the shareholding percentage of Fujian Minxin in 深圳前海維盟網絡科技有限公司 (Shenzhen Qianhai Weimeng Network Technology Co., Ltd., a transliteration for reference only) amounted to 19%;

3. the supplemental agreement entered into between the Company (as seller) and Vigour Fine (as buyer) dated 21 April 2016 to revise the consideration for the disposal of 21.05% equity interest in 福建省華源城建環保股份有限公司 (Fujian Hua Yuan City Construction Environment Protection Co., Ltd.) to RMB10,941,500;

4. the capital contribution agreement entered into between the Company and XIB dated 21 June 2016 pursuant to which the Company agreed to conditionally subscribe for 140,000,000 XIB Shares at the issue price of RMB4.8 per XIB Share for a total consideration of RMB672,000,000;

5. the sale and purchase agreement entered into between Fujian Minxin and other two joint venture partners independent of the Group dated 24 October 2016 for the disposal of its 19% interest in 深圳前海維盟網絡科技有限公司 (Shenzhen Qianhai Weimeng Network Technology Co., Ltd., a transliteration for reference only) to an independent third party at a consideration of RMB1.9 million;

6. the Underwriting Agreement.

7. SERVICE CONTRACTS

As at the Latest Practicable Date:

(a) none of the Directors had entered or proposed to enter into a service contract with the Company or any of its subsidiaries or associated companies which is not determinable by the Company within one year without payment of compensation, other than statutory compensation;

(b) none of the Directors had entered into or amended any service contracts (including both continuous and fixed term contracts) with the Company or any of its subsidiaries or any of its associated companies within six months before the Latest Practicable Date;

(c) none of the Directors had any continuous service contracts with the Company or any of its subsidiaries or associated companies with a notice period of 12 months or more; and

(d) none of the Directors had any fixed term service contracts with the Company or any of its subsidiaries or associated companies with more than 12 months to run irrespective of the notice period.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and there is no litigation or claims of material importance known to the Directors to be pending or threatened by or against any member of the Group.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualifications
Goldin Financial Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers (“PwC”)	Certified Public Accountants

Each of Goldin Financial Limited and PwC have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their letter or their name in the form and context in which they respective appear.

Each of Goldin Financial Limited and PwC do not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Goldin Financial Limited and PwC do not have any direct or indirect interests in any assets which have been, since 31 December 2016 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

10. COMPETING INTERESTS

None of the Directors or their respective close associates was interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the Group's business as at the Latest Practicable Date.

11. DIRECTOR'S INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2016 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

12. MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position or outlook of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

13. EXPENSES

The expenses in connection with the Rights Issue, including financial, legal, other professional advisory fees, printing and translation expenses, registration and statutory fees are estimated to be approximately HK$3 million, which are payable by the Company. No underwriting commission is payable to the Underwriter.

14. CORPORATE INFORMATION

Registered Office	17th Floor, Fairmont House 8 Cotton Tree Drive Central, Hong Kong
Authorised Representatives	Peng Jin Guang 17th Floor, Fairmont House 8 Cotton Tree Drive Central, Hong Kong
	Hau Po Ping 17th Floor, Fairmont House 8 Cotton Tree Drive Central, Hong Kong
	Ip Kai Ming (alternate to Peng Jin Guang) 17th Floor, Fairmont House 8 Cotton Tree Drive Central, Hong Kong
Company Secretary	Hau Po Ping 17th Floor, Fairmont House 8 Cotton Tree Drive Central, Hong Kong
Legal Adviser to the Company	Deacons 5/F, Alexandra House 18 Charter Road Central, Hong Kong
Auditor and Reporting Accountant	PricewaterhouseCoopers 22/F Prince's Building Central, Hong Kong
Underwriter	Vigour Fine Company Limited 17th Floor, Fairmont House 8 Cotton Tree Drive Central, Hong Kong
	Fujian Investment & Development Group Co., Ltd. 中國福州市 湖東路169號 天鶩大廈14層

Share Registrar	Tricor Standard Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal Bankers	Xiamen International Bank Co., Ltd. 中國福建省福州市五一北路162號
	Luso International Banking Limited Av. Dr. Mario Soares, No. 47 Macau
	Chiyu Banking Corporation Limited 78 Des Voeux Road, Central, Hong Kong
	Bank of China (Hong Kong) Limited Bank of China Tower, 1 Garden Road, Hong Kong
	China Merchants Bank Co., Ltd. 中國福建省福州市鼓樓區湖東路288-1號
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Goldin Financial Limited Suites 2202-2209, 22/F Two International Finance Centre 8 Finance Street Central, Hong Kong

15. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

(a) Name and address

Name	**Correspondence address**
Executive Directors	
Mr. Peng Jin Guang	17th Floor, Fairmont House 8 Cotton Tree Drive Central, Hong Kong
Mr. Wang Fei	17th Floor, Fairmont House 8 Cotton Tree Drive Central, Hong Kong
Mr. Liu Cheng	17th Floor, Fairmont House 8 Cotton Tree Drive Central, Hong Kong

Name	Correspondence address
Non-executive Directors	
Mr. Liu Lun	17th Floor, Fairmont House 8 Cotton Tree Drive Central, Hong Kong
Mr. Hon Hau Chit	17th Floor, Fairmont House 8 Cotton Tree Drive Central, Hong Kong
Independent Non-executive Directors	
Mr. Ip Kai Ming	17th Floor, Fairmont House 8 Cotton Tree Drive Central, Hong Kong
Mr. Sze Robert Tsai To	17th Floor, Fairmont House 8 Cotton Tree Drive Central, Hong Kong
Mr. So Hop Shing	17th Floor, Fairmont House 8 Cotton Tree Drive Central, Hong Kong
Mr. Cheung Man Hoi	17th Floor, Fairmont House 8 Cotton Tree Drive Central, Hong Kong

(b) Biographical details of Directors and Senior Management

Executive Directors

Mr. Peng Jin Guang, aged 54, has been appointed as an Executive Director, the Chairman of the Board, the Chairman of the Executive Committee and Nomination Committee and an authorised representative of the Company with effect from 25 April 2016. Mr. Peng is a university graduate and holds a Bachelor's Degree in Economics. He is a Senior Accountant and Senior Lecturer in Mainland China. He has spent a substantial period of time in corporate management and has extensive experience in corporate, financial and capital management. He is currently the General Manager and Vice Chairman of Fujian Investment & Development Group Co., Ltd., a controlling shareholder of the Company. He has previously assumed the positions of the Director of the Teaching and Research Section and the Chief of the Academic Affairs Office of Fujian Ningde Finance and Economics School, Director of Accounting Center, Deputy Chief Accountant, Assistant General Manager and Chief Accountant of Fujian Investment and Development Corporation, the Financial Controller of CNOOC Fujian Natural Gas Co., Ltd., the Deputy General Manager and the Chief Accountant of Fujian Investment & Development Group Co., Ltd.. Mr. Peng has also assumed the positions of an Executive Director and the Vice Chairman of the Company for the period from 18 June 2012 to 26 August 2014.

Mr. Wang Fei, aged 50, has been appointed as an Executive Director, Vice Chairman and a member of the Executive Committee of the Company since August 2014. Mr. Wang holds a Master's Degree in Business Administration and a Doctorate Degree in Economics. He is a Senior Economist in Mainland China. Mr. Wang has extensive experience in corporate development and management, financial investment management as well as venture capital management. He has previously assumed the positions of the Deputy General Manager of Investment Management Department of Fujian Investment and Enterprise Corporation, Deputy General Manager of Development and Research Department of Fujian International Trust and Investment Corporation, General Manager of Development Department, General Manager of Financial Investment Management Department of Fujian Investment & Enterprise Holdings Corporation, Assistant to General Manager of Fujian Investment & Development Group Co., Ltd., and Chairman of various venture capital companies. Mr. Wang is currently the Deputy General Manager of Fujian Investment & Development Group Co., Ltd. and a Director and the Chairman of Vigour Fine Company Limited, both of which are substantial shareholders of the Company. Mr. Wang is currently a Director of Industrial Securities Co., Ltd. (Stock code: 601377) and Xiamen King Long Motor Group Co., Ltd. (Stock code: 600686), both of which are companies listed on the Shanghai Stock Exchange. Mr. Wang is also the Director of Xiamen International Bank, the Director and Vice-Chairman of Haixia Capital Management Co., Ltd., and the Chairman of Haixia Goldenbridge Insurance Co., Ltd..

Mr. Liu Cheng, aged 56, has been appointed as a Non-executive Director of the Company since June 2013 and has been re-designated as an Executive Director of the Company following his appointment as the Executive Deputy General Manager of the Company on 26 August 2014. He has been appointed as the General Manager, a member of the Executive Committee and the Remuneration Committee of the Company on 27 September 2014. Mr. Liu is a Senior Economist in Mainland China. He has extensive experience in investment management, corporate management and logistics management. Mr. Liu has previously assumed the positions of Assistant General Manager and Deputy General Manager of Fujian Zhong Min International Trade Development Company, General Manager of Fujian Zhi He Trading Co., Ltd., Director of the preparatory group for Fujian Zhong Min Natural Gas Vehicle Filling Station, Leader of the preparatory group for the urban natural gas project, General Manager of CNOOC Fujian Gas Co., Ltd., General Manager of the Gas Investment and Management Division and General Manager of the Energy Investment and Management Division of Fujian Investment & Development Group Co., Ltd.. Mr. Liu is currently the Chairman of Min Xin Insurance Company Limited and Fujian Minxin Investments Co., Ltd.. He is also a Director of Vigour Fine Company Limited and Samba Limited, both of which are substantial shareholders of the Company.

Non-executive Directors

Mr. Liu Lun, aged 44, has been appointed as a Non-executive Director of the Company with effect from 18 December 2015. Mr. Liu had completed a Postdoctoral research study in applied economics at Tehua Postdoctoral Programme and holds a Certificate of Postdoctoral of Tehua Postdoctoral Programme. Mr. Liu also holds a Doctorate Degree in Management of Agricultural Economics from China Agricultural University, a Master's Degree in Management of Agricultural Economics from Xinjiang Agricultural University and a Bachelor's Degree in Economics from Shihezi University. Mr. Liu is an Associate Researcher in Finance in Mainland China.

Mr. Liu is currently the Deputy General Manager of the Ministry of Finance Capital of Fujian Investment & Development Group Co., Ltd., a substantial shareholder of the Company. He has previously assumed the positions of Credit Manager of Credit Department (Project) of Industrial and Commercial Bank of China, Xinjiang Branch, the Senior Manager of Agro-Credit Risk Management Department of Head Office of Beijing Rural Commercial Bank, the Senior Researcher of Information Research Department of Yin Tong Investment Consultant Company, the Deputy County Mayor of the Government of Jinning Xian, Kunming City, Yunnan and the General Manager of Strategic Development Department of Yantai Bank.

Mr. Hon Hau Chit, aged 42, has been appointed as a Non-executive Director of the Company with effect from 30 March 2016. Mr. Hon is currently the Managing Director of Citychamp Dartong Company Limited ("Citychamp Dartong", Stock code: 600067), a company listed in the Shanghai Stock Exchange. Mr. Hon joined Citychamp Dartong in December 2004 as the Deputy Managing Director and then appointed as the Managing Director since April 2006. Mr. Hon is currently the Vice Chairman of Fujian Youth Chamber of Commerce, the Vice Chairman of Development Committee of Fujian Real Estate Association and a member of Fuzhou Municipal Committee of Chinese People's Political Consultative Conference.

Independent Non-executive Directors

Mr. Ip Kai Ming, aged 65, has been appointed as an Independent Non-executive Director of the Company since July 1998. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr. Ip is currently the Chairman of the Supervisory Board of Xiamen International Bank and the Senior Advisor to the Board of Directors of Luso International Banking Limited. He is a fellow member of both the Hong Kong Institute of Bankers and the Hong Kong Institute of Directors, and has over 40 years' extensive experience in banking and finance. He is also a Director of the Macao Chamber of Commerce and was the Vice Chairman of the Executive Board of the Macao Institute of Financial Services. Mr. Ip has a Master of Science Degree in Corporate Governance and Directorship from the Hong Kong Baptist University.

Mr. Sze Robert Tsai To, aged 76, has been appointed as an Independent Non-executive Director of the Company since May 1999. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants and was a partner of an international firm of accountants with which he practised for over 20 years. Mr. Sze is currently an Independent Non-executive Director of a number of Hong Kong listed companies including China Travel International Investment Hong Kong Limited (Stock Code: 308), Dah Sing Banking Group Limited (Stock Code: 2356), Dah Sing Financial Holdings Limited (Stock Code: 0440), Hop Hing Group Holdings Limited (Stock Code: 47), Nanyang Holdings Limited (Stock Code: 212) and Sunwah Kingsway Capital Holdings Limited (Stock Code: 188).

Mr. So Hop Shing, aged 69, has been appointed as an Independent Non-executive Director of the Company since September 2004. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. So is a practising solicitor and senior partner of Tang and So, Solicitors and Notaries. Mr. So is the holder of Bachelor of Laws Degree from the University of London, Master of Laws Degree from the City University of Hong Kong and The People's University of China, and Doctor of Laws Degree from Peking University.

Mr. Cheung Man Hoi, aged 46, FCCA, CPA, has been appointed as an Independent Non-executive Director of the Company since April 2017. He is the Chairman of the Audit Committee of the Company. He is currently the chief financial officer and the company secretary of Wuzhou International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code:1369). Mr. Cheung graduated from the Hong Kong Polytechnic University with a Bachelor of Arts (Hons) in Accountancy in 1993 and the Chinese University of Hong Kong with an Executive MBA degree in 2003. Mr. Cheung is also a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has accumulated over 20 years of experience in professional accounting, business consulting and corporate management.

Senior Management

Mr. ZHANG Fan, aged 44, joined the Company as the Deputy General Manager in August 2013. He graduated from the Xiamen University in International Finance, holds a Bachelor of Economics Degree. He is an Economist in Mainland China and has over 21 years' extensive experience in financial management and investment management. He is currently the Director of Min Xin Insurance Company Limited and Fujian Minxin Investments Co., Ltd. and the Chairman of Sanming Sanyuan District Minxin Micro Credit Company Limited. He is also the Director of Samba Limited, a substantial shareholder of the Company.

Mr. CHAN Kwong Yu, aged 46, is the Deputy General Manager and Financial Controller of the Company. Mr. Chan joined the Company in April 2000 and was appointed as Deputy Financial Controller in July 2004, Financial Controller in January 2008 and Deputy General Manager in March 2014 respectively. He holds a Bachelor of Commerce Degree in Accounting, and is a Certified Public Accountant, a Fellow of the Association of Chartered Certified Accountants and Senior Associate of Australian and New Zealand Institute of Insurance and Finance (ANZIIF). He is also a member of The Hong Kong Institute of Directors and Technical Specialist of the Institute of Risk Management. Before joining the Company, Mr. Chan has worked for various listed companies in Hong Kong. He is currently a member of the Remuneration Committee of the Company and the Chief Representative of the Fuzhou Representative Office of the Company and the Director of Min Xin Insurance Company Limited, Fujian Minxin Investments Co., Ltd. and Sanming Sanyuan District Minxin Micro Credit Company Limited, wholly-owned subsidiaries of the Company.

Ms. WU Yu Qi, aged 51, joined the Company as Group Chief Auditor in August 2013. She has a Master of Business Administration Degree from the Xiamen University. She is a Senior Accountant in Mainland China and a Certified Internal Auditor. She has over 26 years' extensive experience in risk management and control, audit, assets management and financial management. She is currently the Supervisor of Min Xin Insurance Company Limited and Sanming Sanyuan District Minxin Micro Credit Company Limited.

16. MISCELLANEOUS

(a) As at the Latest Practicable Date, there was no benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Rights Issue.

(b) This circular and the accompanying form of proxy have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

(c) The Executive Directors of the Company are Mr. Peng Jin Guang (Chairman), Mr. Wang Fei (Vice Chairman) and Mr. Liu Cheng. The Non-executive Directors are Mr. Liu Lun and Mr. Hon Hau Chit. The Independent Non-executive Directors are Mr. Ip Kai Ming, Mr. Sze Robert Tsai To, Mr. So Hop Shing and Mr. Cheung Man Hoi.

(d) The directors of Vigour Fine are Mr. Wang Fei, Mr. Liu Cheng and Ms. Cai Mingfang. The registered office of Vigour Fine is at Flat/Rm 1703, 17/F., Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.

(e) The directors of Samba are Mr. Liu Cheng, Mr. Zhang Fan and Mr. Guo Xiang. The registered office of Samba is at 17/F., Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.

(f) The directors of FIDG are Mr. Yan Zheng, Mr. Peng Jin Guang and Mr. Chen Guo Fa. The registered office of FIDG is at 中國福州市湖東路169號天鶩大廈14層.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business at 17th Floor, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. on any Business Day, and on the websites of the Company (www.minxin.com.hk) and the SFC (www.sfc.hk) between the period from the date of this circular up to and including the date of the EGM:

(a) the articles of association of the Company;

(b) the articles of association of Vigour Fine;

(c) the annual reports of the Company for the two years ended 31 December 2014 and 2015;

(d) the annual results announcement of the Company for the year ended 31 December 2016;

(e) the material contracts (including the Underwriting Agreement) as referred to in the paragraph headed "Material Contracts" in this appendix;

(f) the written consents referred to in the paragraph headed “Experts and Consents’’ in this appendix;

(g) the accountant’s report on the unaudited pro forma financial information of the Group from PricewaterhouseCoopers as set out in appendix II of this circular;

(h) the letter from the Board, the text of which is set out from pages 12 to 31 of this circular;

(i) the letter from the Independent Board Committee, the text of which is set out on pages 32 to 33 of this circular;

(j) the letter from Goldin Financial Limited, the text of which is set out on pages 34 to 59 of this circular;

(k) the Irrevocable Undertakings; and

(l) this circular.

MIN XIN HOLDINGS LIMITED
閩信集團有限公司

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Min Xin Holdings Limited (the "**Company**") will be held at Victoria Room, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 3 p.m. on Thursday, 4 May 2017 for the purposes of considering and, if thought fit, passing with or without modifications, the following resolutions which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT** subject to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any delegate of the Executive Director) (the "**Executive**"), the waiver of the obligation on the part of Vigour Fine Company Limited to make a mandatory general offer to shareholders of Company for all the issued ordinary shares of the Company not already owned or agreed to be acquired by the Concert Group (as defined in the circular of the Company dated 12 April 2017 ("**Circular**")) upon the Rights Issue (as defined in the Circular) pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Whitewash Waiver**") be and is hereby approved."

2. "**THAT** conditional upon (i) the grant of the Whitewash Waiver by the Executive and the fulfilment of all conditions (if any) attached to it; and (ii) the fulfilment of the conditions of the Underwriting Agreement (as defined in the Circular, a copy of which has been produced to this meeting marked "A" and signed by the chairperson of this meeting for the purpose of identification, and such agreement not being terminated in accordance with its terms,

    (a) the allotment and issue by way of rights issue of 137,828,596 Rights Shares (as defined in the Circular) at HK$6 per Rights Share to the Qualifying Shareholders (as defined in the Circular) whose names appear on the register of members of the Company on 17 May 2017 on the basis of three Rights Shares for every ten existing Shares held on the Record Date (as defined in the Circular) (the "**Rights Issue**") and otherwise on the terms and conditions as set out in the Circular be and is hereby approved;

(b) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue to the Qualifying Shareholders and, in particular, the Directors may make such exclusion or other arrangements in relation to the Non-Qualifying Shareholders (as defined in the Circular) as they deem necessary or expedient having regard to any restrictions or obligations under the laws and/or regulations of, or the rules and/or requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and

(c) any one Director be and is hereby authorised to sign and execute such documents (including but not limited to deeds) and do all such acts and things incidental to the Rights Issue as he considers necessary or otherwise expedient in connection with the implementation of or giving effect to the Rights Issue and the transactions contemplated thereunder or in this resolution."

3. "**THAT** subject to the passing of each of the resolutions numbered 1 and 2 set out in this notice of meeting:

(a) the entering into the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Rights Shares, if any, by Vigour Fine Company Limited, the sole underwriter) be and are hereby approved; and

(b) any one Director be and is hereby authorised to sign and execute such documents (including but not limited to deeds) and do all such acts and things incidental to the Underwriting Agreement as he considers necessary or otherwise expedient in connection with the implementation of or giving effect to the Underwriting Agreement (including without limitation entering into supplemental agreement(s) in relation to the Underwriting Agreement) and the transactions contemplated thereunder or in this resolution."

By order of the Board
MIN XIN HOLDINGS LIMITED
PENG Jin Guang
Chairman

Hong Kong, 12 April 2017

Registered Office:
17th Floor, Fairmont House
8 Cotton Tree Drive
Central
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. A form of proxy for use at the meeting is enclosed. To be valid, the form of proxy, together with the notarially certified power of attorney or other authority (if any) under which it is signed, must be lodged at the Company's share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof.

3. For the purpose of ascertaining shareholders who are entitled to attend and vote at the EGM to be held on Thursday, 4 May 2017 (or any adjournment thereof), the register of members of the Company will be closed from Thursday, 27 April 2017 to Thursday, 4 May 2017 (both days inclusive). In order to qualify for the right to attend and vote at the EGM (or any adjournment thereof), all transfers documents accompanied by the relevant share certificates should be lodged with the Company's share registrar, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 26 April 2017.

4. Where there are joint holders of any share, any one of such holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he were solely entitled to vote, but if more than one of such joint holders be present at the meeting in person or by proxy, the person so present whose name stands first in the register of member of the Company in respect of such share shall alone be entitled to vote in respect of it.

5. Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person at the meeting or any adjournment thereof if he so desires. If a member attends the meeting after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.

6. The votes to be taken at the meeting for the resolution will be by way of a poll.