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MIN XIN HOLDINGS LIMITED

閩信集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 222)

ANNOUNCEMENT OF 2021 ANNUAL RESULTS

FINANCIAL HIGHLIGHTS

- Profit attributable to Shareholders amounted to HK\$495.93 million, an increase of 13.7%
- Basic earnings per share increased by 13.7% to 83.03 HK cents
- Total assets increased by 15.1% to HK\$9.67 billion
- Total equity attributable to Shareholders increased by 14.7% to HK\$8.71 billion
- Recommended a final dividend of 12 HK cents per ordinary share

The board (the “**Board**”) of directors (the “**Directors**”) of Min Xin Holdings Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021.

Financial information extracted from the audited consolidated financial statements for the year ended 31 December 2021 prepared in accordance with Hong Kong Financial Reporting Standards are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

		2021	2020
			(Restated)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net earned insurance premiums		156,160	126,901
Interest income calculated using the effective interest method		7,153	4,509
Rental income from investment properties		9,935	8,671
Dividend income from financial assets at fair value through other comprehensive income		14,686	10,054
Total revenues	2(a)	187,934	150,135
Other income	2(b)	29,920	42,927
Operating income		217,854	193,062
Other gains/(losses) – net	3	23,863	(6,085)
Net insurance claims incurred and commission expenses incurred on insurance business	4	(132,184)	(102,165)
Write back of impairment loss on credit-impaired loans to customers and interest receivable		5,750	9,404
Administrative expenses		(54,903)	(54,634)
Operating profit	5	60,380	39,582
Finance costs	6	(11,632)	(14,326)
Share of results of associates		461,225	446,931
Profit before taxation		509,973	472,187
Income tax expense	7	(14,042)	(36,125)
Profit for the year		495,931	436,062
Dividend			
Final dividend		71,671	59,726
		<i>HK CENTS</i>	<i>HK CENTS</i>
Earnings per share			
Basic and diluted	8	83.03	73.01
Dividend per share			
Final dividend		12	10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
		(Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	495,931	436,062
Other comprehensive income		
Items that will not be reclassified to income statement:		
Equity investments at fair value through other comprehensive income		
Net movement in fair value reserve (non-recycling)	444,913	(62,342)
Share of other comprehensive income of associates	(1,010)	(28)
	443,903	(62,370)
Items that may be reclassified subsequently to income statement:		
Debt investments at fair value through other comprehensive income		
Released on dilution of interest in an associate	–	8,469
Exchange translation reserve		
Exchange differences arising on translation of the financial statements of foreign subsidiaries and associates	225,409	409,034
Released on dilution of interest in an associate	–	(1,266)
	225,409	407,768
Share of other comprehensive income of associates	10,973	(175,449)
	236,382	240,788
Other comprehensive income for the year, net of tax	680,285	178,418
Total comprehensive income for the year	1,176,216	614,480

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		2021	2020
			(Restated)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		14,849	12,396
Right-of-use assets		14,158	13,483
Investment properties		175,626	173,113
Associates		6,778,417	6,117,020
Financial assets at fair value through other comprehensive income		805,914	361,001
Reinsurance assets		3,722	2,158
Other debtors		–	16,826
Bank balances		–	299,977
Deferred income tax assets		19	170
		<u>7,792,705</u>	<u>6,996,144</u>
Current assets			
Deferred acquisition costs		49,958	40,440
Insurance receivable	9	110,538	63,218
Reinsurance assets		9,043	5,977
Credit-impaired loans to customers and interest receivable	10	17,979	21,034
Dividend receivable from an associate		–	4,754
Other debtors, prepayments and deposits		45,854	28,788
Current income tax recoverable		35	–
Financial assets at fair value through profit or loss		742,997	369,978
Cash and bank balances		904,146	875,531
		<u>1,880,550</u>	<u>1,409,720</u>
Current liabilities			
Insurance contracts		121,697	94,318
Insurance payable	11	59,366	31,135
Other creditors and accruals		25,531	36,450
Lease liabilities		230	65
Bank borrowings		497,308	371,583
Loan from the controlling shareholder		99,985	49,958
Current income tax payable		29,584	28,340
		<u>833,701</u>	<u>611,849</u>
Net current assets		<u>1,046,849</u>	<u>797,871</u>
Total assets less current liabilities		<u>8,839,554</u>	<u>7,794,015</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31 December 2021*

		2021	2020
			(Restated)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Insurance contracts		60,678	34,898
Lease liabilities		833	–
Loan from the controlling shareholder		–	99,985
Deferred income tax liabilities		63,462	61,041
		<u>124,973</u>	<u>195,924</u>
Net assets		<u>8,714,581</u>	<u>7,598,091</u>
Equity			
Share capital		1,715,377	1,715,377
Other reserves		2,285,582	1,512,068
Retained profits		4,713,622	4,370,646
Total equity attributable to shareholders of the Company		<u>8,714,581</u>	<u>7,598,091</u>

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 Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Companies Ordinance**”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing 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:

- financial assets at fair value through other comprehensive income
- financial assets (including derivative financial instruments) at fair value through profit or loss
- investment properties

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based

payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

The financial information relating to the years ended 31 December 2021 and 2020 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 Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Group's consolidated financial statements for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on 24 March 2021. The Company will deliver the consolidated financial statements for the year ended 31 December 2021 in due course.

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

Application of amendments to HKFRSs

During the year, the Group has adopted the following amendments to HKFRSs issued by the HKICPA:

- Amendment to HKFRS 16 Covid-19–Related Rent Concessions

- Amendments to HKFRS 9, Interest Rate Benchmark Reform – Phase 2
 HKAS 39, HKFRS 7,
 HKFRS 4 and HKFRS 16

None of the adoption has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. At 1 January 2021, the Group's financial assets and financial liabilities are bearing interest indexed to Hong Kong Inter-bank Offered Rate (“**HIBOR**”). Based on the assessment of the management, these financial assets or financial liabilities are not subject to the reform and HIBOR will continue to be used until maturity of the terms.

Up to the date of issuance of these consolidated financial statements, the HKICPA has issued a number of new standards and amendments to standards which are not yet effective for the accounting year ended 31 December 2021 and which have not been early adopted in these consolidated financial statements as follows:

- HKFRS 17 Insurance Contracts and the related Amendments³
- Amendments to HKAS 1 Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)³
- Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies³
- Amendments to HKAS 8 Definition of Accounting Estimates³
- Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction³
- Amendments to HKAS 16 Property, Plant and Equipment: Proceeds before Intended Use²
- Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract²
- Amendments to HKFRS 3 Reference to the Conceptual Framework²
- Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴
- Amendment to HKFRS 16 Covid-19-Related Rent Concessions Beyond 30 June 2021¹
- Annual Improvements to HKFRSs 2018 – 2020 Cycle²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

The nature and impact of the amendments are described below:

HKFRS 17 Insurance Contracts and the related Amendments

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 Insurance Contracts.

HKFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The implementation of HKFRS 17 is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and information technology.

The HKICPA issued Amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the HKICPA issued Amendments to HKFRS 4 Extension of the Temporary Exemption from HKFRS 9 that extends the fixed expiry date of the temporary exemption from applying HKFRS 9 in HKFRS 4 to annual reporting periods beginning on or after 1 January 2023.

HKFRS 17 is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The Group is in the process of conducting a detailed assessment of the impact of such new standard. It is impracticable to quantify the effect as at the date of issuance of this annual results announcement.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group, but may affect the disclosures of the Group’s significant accounting policies.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group.

2 REVENUE AND SEGMENTAL INFORMATION

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

	2021	2020 (Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net earned insurance premiums		
Gross insurance premiums	196,155	160,862
Movement in unearned insurance premiums	(21,235)	(19,872)
Reinsurance premiums ceded and reinsurers' share of movement in unearned insurance premiums	(18,760)	(14,089)
	<u>156,160</u>	<u>126,901</u>
Interest income calculated using the effective interest method		
Interest income from credit-impaired loans to customers	7,153	4,460
Interest income from other financial assets at amortised cost	–	49
	<u>7,153</u>	<u>4,509</u>
Rental income from investment properties	9,935	8,671
Dividend income from financial assets at fair value through other comprehensive income	14,686	10,054
Total revenues	<u>187,934</u>	<u>150,135</u>

(b) Other income

	2021	2020 (Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from bank deposits	27,824	38,183
Dividend income from financial assets at fair value through profit or loss	1,935	2,091
Government grants	4	2,438
Others	157	215
	<u>29,920</u>	<u>42,927</u>

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

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

The Group has the following reportable operating segments:

- Financial services: this segment includes the engagement of banking business through the Group’s major associate, XIB Group in Mainland China, Hong Kong and Macau respectively, and the provision of micro credit business in Mainland China.
- Insurance: this segment includes the general insurance business in Hong Kong and Macau.
- Property investment: this segment includes the leasing of high quality office space in Mainland China.
- Strategic investment: this segment includes the investment in A-Shares of Huaneng Power International, Inc. and high-tech investments of the Group.

Corporate activities: corporate treasury and other centralised functions which cannot be allocated to each reporting segment. It is not a reportable operating segment of the Group.

(c) 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 the strategic decision making and day-to-day management of the business of the Group and corporate activities that cannot be reasonably allocated to segments, products and services are grouped under “Corporate activities”. 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.

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

	Financial services		Insurance		Property investment		Strategic investment		Corporate activities		Inter-segment elimination		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Year ended 31 December														
Revenue from external customers														
Net earned insurance premiums	-	-	156,160	126,901	-	-	-	-	-	-	-	-	156,160	126,901
Interest income calculated using the effective interest method	7,153	4,460	-	49	-	-	-	-	-	-	-	-	7,153	4,509
Rental income	-	-	5,760	4,861	4,175	3,810	-	-	-	-	-	-	9,935	8,671
Dividend income	-	-	-	-	-	-	14,686	10,054	-	-	-	-	14,686	10,054
	7,153	4,460	161,920	131,811	4,175	3,810	14,686	10,054	-	-	-	-	187,934	150,135
Inter-segments	-	-	758	267	311	290	-	-	3,188	3,339	(4,257)	(3,896)	-	-
Reportable segment revenue	7,153	4,460	162,678	132,078	4,486	4,100	14,686	10,054	3,188	3,339	(4,257)	(3,896)	187,934	150,135
Other income	27	2,233	3,432	5,458	-	3	-	-	26,461	35,233	-	-	29,920	42,927
Operating income	7,180	6,693	166,110	137,536	4,486	4,103	14,686	10,054	29,649	38,572	(4,257)	(3,896)	217,854	193,062
Other gains/(losses) – net	4,302	(26,990)	1,517	6,693	(177)	2,570	-	-	18,221	11,642	-	-	23,863	(6,085)
Write back of impairment loss on credit-impaired loans to customers and interest receivable	5,750	9,404	-	-	-	-	-	-	-	-	-	-	5,750	9,404
Operating expenses	(2,770)	(3,113)	(154,424)	(123,139)	(1,295)	(1,317)	-	-	(32,785)	(33,045)	4,187	3,815	(187,087)	(156,799)
Operating profit/(loss)	14,462	(14,006)	13,203	21,090	3,014	5,356	14,686	10,054	15,085	17,169	(70)	(81)	60,380	39,582
Finance costs	-	(5,845)	(93)	(46)	-	-	-	-	(11,609)	(8,481)	70	46	(11,632)	(14,326)
Share of results of associates	458,076	444,781	-	-	-	-	3,149	2,150	-	-	-	-	461,225	446,931
Profit/(loss) before taxation	472,538	424,930	13,110	21,044	3,014	5,356	17,835	12,204	3,476	8,688	-	(35)	509,973	472,187
Income tax expense	(4,891)	(18,943)	1,966	(5,557)	(28)	(1,489)	(1,469)	(1,005)	(9,620)	(9,131)	-	-	(14,042)	(36,125)
Profit/(loss) for the year	467,647	405,987	15,076	15,487	2,986	3,867	16,366	11,199	(6,144)	(443)	-	(35)	495,931	436,062
Interest income	7,175	6,667	1,738	2,795	-	-	-	-	26,064	33,230	-	-	34,977	42,692
Depreciation and amortisation for the year	247	226	2,796	2,698	-	-	-	-	1,013	932	(1,960)	(1,933)	2,096	1,923

	Financial services		Insurance		Property investment		Strategic investment		Corporate activities		Inter-segment elimination		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	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	178,404	159,276	553,572	467,914	55,126	63,678	805,914	361,001	1,303,975	1,237,199	(2,153)	(224)	2,894,838	2,288,844
Investments in associates	6,725,205	6,067,913	-	-	-	-	53,212	49,107	-	-	-	-	6,778,417	6,117,020
Total assets	6,903,609	6,227,189	553,572	467,914	55,126	63,678	859,126	410,108	1,303,975	1,237,199	(2,153)	(224)	9,673,255	8,405,864
The Company and subsidiaries	67,242	212,491	257,308	186,731	19,685	20,266	-	-	616,657	388,509	(2,218)	(224)	958,674	807,773
Total liabilities	67,242	212,491	257,308	186,731	19,685	20,266	-	-	616,657	388,509	(2,218)	(224)	958,674	807,773
Additions to non-current segment assets during the year	-	20	6,105	234	-	-	-	-	257	207	(3,921)	-	2,441	461

(d) 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, right-of-use assets, investment properties and investments in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, right-of-use assets and investment properties and the location of operations in the case of investments in associates.

	Hong Kong		Mainland China		Macau		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Year ended 31 December

Revenues from external customers	68,931	56,511	26,014	18,713	92,989	74,911	187,934	150,135
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At 31 December

The Company and subsidiaries	129,984	125,305	73,442	73,584	1,207	103	204,633	198,992
Investments in associates	-	-	6,778,417	6,117,020	-	-	6,778,417	6,117,020
Specified non-current assets	129,984	125,305	6,851,859	6,190,604	1,207	103	6,983,050	6,316,012

3 OTHER GAINS/(LOSSES) – NET

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net realised and unrealised gains on financial assets		
at fair value through profit or loss (a)	14,996	2,822
Fair value gains on revaluation of investment properties	5,223	13,698
Loss on dilution of interest in an associate	–	(28,746)
Net exchange gains	3,644	6,141
	23,863	(6,085)

(a) The amount included an interest income of HK\$15,645,000 (2020: HK\$5,342,000) received from financial assets at fair value through profit or loss.

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net insurance claims incurred on insurance business (a)	48,411	35,331
Net commission expenses incurred on insurance business (b)	83,773	66,834
	132,184	102,165

(a) Net insurance claims incurred on insurance business

	2021		
	Gross	Reinsurance	Net
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current year claims and loss			
adjustment expenses	17,355	(1,457)	15,898
Additional cost for prior years'			
claims and loss adjustment expenses	29,248	(4,054)	25,194
Increase in claims incurred but not reported	8,833	(1,514)	7,319
Increase in the expected cost of			
claims for unexpired risks	–	–	–
	<u>55,436</u>	<u>(7,025)</u>	<u>48,411</u>
	2020		
	Gross	Reinsurance	Net
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current year claims and loss			
adjustment expenses	13,036	(2,155)	10,881
Additional cost for prior years'			
claims and loss adjustment expenses	7,039	(1,398)	5,641
Increase in claims incurred but not reported	13,719	4,221	17,940
Increase in the expected cost of			
claims for unexpired risks	869	–	869
	<u>34,663</u>	<u>668</u>	<u>35,331</u>

(b) Net commission expenses incurred on insurance business

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross commissions paid and payable	85,857	68,169
Less: Commissions received and receivable from reinsurers	(2,084)	(1,335)
Net commission expenses	<u>83,773</u>	<u>66,834</u>

5 OPERATING PROFIT

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit is stated after crediting and charging the following:		
Crediting		
Net exchange gains	3,644	6,141
Rentals received and receivable from investment properties		
less direct outgoings	8,999	7,785
– <i>Rental income</i>	9,935	8,671
– <i>Direct outgoings</i>	(936)	(886)
Charging		
Staff costs, including directors' emoluments	39,775	39,511
– <i>Salaries, allowances and bonus</i>	38,462	38,382
– <i>Retirement benefit costs</i>	1,313	1,129
Auditor's remuneration	2,466	2,187
– <i>Provision for current year</i>	2,127	1,864
– <i>Interim attestation work</i>	339	323
Depreciation and amortisation	2,096	1,923
– <i>Property, plant and equipment</i>	1,528	1,451
– <i>Leasehold lands and land use rights</i>	278	282
– <i>Properties leased for own use</i>	290	190
Management fee	1,880	1,880
Loss on disposal of property, plant and equipment	21	125

6 FINANCE COSTS

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on bank loans	8,720	8,495
Interest expenses on loan from the controlling shareholder	2,889	5,831
Interest expenses on lease liabilities	23	–
	11,632	14,326

7 INCOME TAX EXPENSE

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
Hong Kong profits tax	337	362
Mainland China corporate income tax	7,677	7,338
Mainland China withholding tax	2,607	2,148
Macau taxation	2,164	1,320
	<u>12,785</u>	<u>11,168</u>
	-----	-----
(Over)/under provision in prior years		
Mainland China corporate income tax	–	1
Macau taxation	(266)	4
	<u>(266)</u>	<u>5</u>
	-----	-----
Deferred tax		
Relating to the origination and reversal of temporary differences	1,523	24,952
	<u>1,523</u>	<u>24,952</u>
	-----	-----
Income tax expense	<u><u>14,042</u></u>	<u><u>36,125</u></u>
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Hong Kong profits tax has been provided at the rate of 8.25% and 16.5% respectively under the Two-tiered Rates of Profits Tax (2020: 8.25% and 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Mainland China corporate income tax has been calculated at the rate of 25% (2020: 25%) on the estimated taxable profits for the year.

Mainland China withholding tax is levied at 5% and 10% on dividend income received from subsidiaries and investees incorporated in Mainland China respectively when these subsidiaries and investees declared dividend.

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 2021 of HK\$495,931,000 (2020: HK\$436,062,000) and the weighted average of 597,257,252 (2020: 597,257,252) shares in issue during the year.

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

9 INSURANCE RECEIVABLE

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Due from insurance intermediates and contract holders	109,840	62,789
Due from reinsurers	698	429
	<u>110,538</u>	<u>63,218</u>

The credit period for the majority of insurance receivable normally ranges from 60 to 90 days. The credit terms of insurance receivable, including whether guarantees from third parties are required, are determined by senior management of Min Xin Insurance Company Limited.

For insurance receivables, the Group reviews the recoverable amount of each individual insurance debtor to ensure that adequate impairment losses are made for irrecoverable amounts. The Group maintains records of the payment history for significant contract holders with whom they conduct regular business. The exposure to individual counterparty is also managed by other mechanisms, such as the right to offset where counterparties are both debtors and creditors of the Group. Before accepting any new customer, the Group will screen the counterparty and on-going monitoring the customer's credit quality and define credit limits by customer, which are reviewed every year. There is no adverse change in the credit quality of the customers from the date when credit was initially granted and no allowance for doubtful debts was provided at the end of the reporting period. The management of the Group will have monthly meeting to discuss the long outstanding amounts and ensure that follow-up action is taken to recover overdue debts.

At 31 December 2021, the ageing analysis of insurance receivable by invoice date was summarised as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	54,302	19,468
31-60 days	19,672	10,796
61-90 days	18,150	14,583
Over 90 days	18,414	18,371
	110,538	63,218

At 31 December 2021, the ageing analysis of the past due but not impaired insurance receivable was summarised as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Past due		
Within 90 days	20,034	4,451
Over 90 days	957	809
	20,991	5,260

The Group has individually evaluated the recoverability of those debtors with overdue receivable and considered no impairment is required after taking into account the credit quality and historical settlement pattern of the individual counterparty.

10 CREDIT-IMPAIRED LOANS TO CUSTOMERS AND INTEREST RECEIVABLE

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Micro credit business		
Guaranteed loans	113,362	154,741
Secured loans	81,254	92,750
Pledged and guaranteed loans	11,750	11,410
Secured, pledged and guaranteed loans	4,651	4,516
	<hr/>	<hr/>
Credit-impaired loans to customers	211,017	263,417
Credit-impaired interest receivable	9,195	12,003
	<hr/>	<hr/>
	220,212	275,420
Impairment allowances	(202,233)	(254,386)
	<hr/>	<hr/>
	17,979	21,034
	<u><u>17,979</u></u>	<u><u>21,034</u></u>

The movement of impairment allowances recognised at amounts equal to lifetime expected credit loss (credit-impaired) was as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	254,386	252,160
Translation differences	6,562	15,073
Credited to current year's income statement (a)	(5,750)	(9,404)
Write-off of credit-impaired loans principal (b)	(47,382)	–
Write-off of credit-impaired interest receivable (b)	(2,313)	–
Other	(3,270)	(3,443)
	<hr/>	<hr/>
At 31 December	202,233	254,386
	<u><u>202,233</u></u>	<u><u>254,386</u></u>

- (a) The amount represented a net balance of a reversal of impairment allowance of HK\$9,020,000 (2020: HK\$12,847,000) due to settlement of the outstanding balance of HK\$12,008,000 (2020: HK\$14,659,000) by customers and an additional impairment of HK\$3,270,000 (2020: HK\$3,443,000) for the year.

At 31 December 2021, there are credit-impaired loans to customers and interest receivable with gross carrying amount of RMB58,285,000 (equivalent to HK\$71,338,000) (2020: RMB67,472,000, equivalent to HK\$80,191,000) and impairment allowance of RMB43,596,000 (equivalent to HK\$53,359,000) (2020: RMB49,774,000, equivalent to HK\$59,157,000) being pledged by properties of borrowers and an impairment allowance provided was HK\$3,270,000 (2020: HK\$3,443,000) for these related loans during the year. The Group has the rights on these properties to repay these remaining outstanding exposures of approximately RMB14,689,000 (equivalent to HK\$17,979,000) (2020: RMB17,698,000, equivalent to HK\$21,034,000).

- (b) During the year, the Group wrote off loan receivable and interest receivable of HK\$49,695,000 (2020: nil) as there was information indicating that the borrowers are in severe financial difficulty and there was no realistic prospect of recovery after the Group has taken legal action against the debtors to recover the credit-impaired loans. The contractual amount of loans and interest receivable that were written-off during the year are still subject to enforcement activity.

The Group have commenced legal proceedings against all the borrowers of credit-impaired loans. At the reporting date, legal proceedings are still in progress.

11 INSURANCE PAYABLE

At 31 December 2021, the ageing analysis of the insurance payable by invoice date was summarised as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	32,107	8,998
31-60 days	10,456	5,879
61-90 days	4,391	7,855
Over 90 days	12,412	8,403
	<u>59,366</u>	<u>31,135</u>

DIVIDEND

The Board of the Company has resolved to recommend at the forthcoming annual general meeting to be held on Tuesday, 28 June 2022 (the “**2022 AGM**”) the payment of a final dividend of 12 HK cents per share totalling HK\$71,670,870.24 for the year ended 31 December 2021 (2020: final dividend of 10 HK cents per share totalling HK\$59,725,725.20). The proposed dividend, if approved, will be paid on or before 15 July 2022.

CLOSURE OF REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the 2022 AGM

For the purpose of ascertaining the entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Wednesday, 22 June 2022 to Tuesday, 28 June 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the right to attend and vote at the 2022 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 24 June 2022.

(b) For determining the entitlement to the proposed dividend

The proposed final dividend for the year ended 31 December 2021 is subject to the approval by the shareholders of the Company (the “**Shareholders**”) at the 2022 AGM. For the purpose of ascertaining shareholders’ entitlement to the final dividend, the register of members of the Company will be closed from Tuesday, 5 July 2022 to Thursday, 7 July 2022, (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Monday, 4 July 2022.

CHAIRMAN’S STATEMENT

I am pleased to announce that the Group has achieved the expected stable full-year results in 2021.

In 2021, with multiple waves of coronavirus across the globe, worldwide economic activity remains weak, and the slow economic recovery coupled with continued epidemic prevention and control measures have continued to bring significant challenges and unprecedented operational uncertainties to the global economy and businesses environment.

OUR PERFORMANCE

Looking back on 2021, with firm confidence and clear strategic positioning, we acted pragmatically and focused on the development direction, conducted our core business prudently in order to strive to achieve operating results and growth results. The Group successfully achieved a year-on-year growth in both operating income and after-tax profit during the year and recorded an operating income of HK\$217.85 million and profit attributable to the Shareholders of HK\$495.93 million, increased by 12.8% and 13.7% respectively when compared to the previous year. Basic earnings per share increased by 13.7% to 83.03 HK cents.

During the year under review, we paid a final dividend for 2020 of 10 HK cents per share to the Shareholders, bringing stable and sustainable returns to Shareholders. In addition, the Directors continue to pay attention to Shareholders’ demands and strive to improve Shareholders’ returns, and have resolved to recommend a final dividend for 2021 of 12 HK cents per share.

Total assets of the Group continued to grow and recorded an increase of 15.1% to HK\$9.67 billion at 31 December 2021 as compared to HK\$8.41 billion at the end of 2020.

Xiamen International Bank Co., Ltd. (“**XIB**”, together with its subsidiaries, Chiyu Banking Corporation Limited (“**CYB**”) and Luso International Banking Ltd. (“**LIB**”), are collectively referred to as “**XIB Group**”) is the most significant financial investment of the Group and has contributed about 91.4% of the results of the Group in 2021. The Group’s share of profit after tax of XIB Group was HK\$458.08 million in 2021, an increase of 3% as compared to HK\$444.78 million in 2020.

XIB Group achieved a steady growth in its balance sheet with total assets successfully breaking through RMB trillion at the end of the year. Total assets of XIB Group recorded an increase of 5.8% to RMB1,007.15 billion at 31 December 2021 as compared to RMB952.28 billion at the end of 2020.

The total assets of our banking business accounted for 69.5% of the Group's total assets at 31 December 2021. The net asset value per share of the Company amounted to HK\$14.59 at 31 December 2021, about 77.2% came from the investment in XIB.

As being one of the very few banks in Mainland China that owns subsidiary banks both in Hong Kong and Macau, XIB continues to leverage its advantages of branch network in Greater China region in order to broaden financial services products and provide customised solutions to targeted clients. XIB Group will adhere to the business philosophy of technology empowerment, characteristic and green development, implement the development of green finance and accelerate the issuance of green credit. XIB Group will continue to expand its customer base of local small and micro business owners. We expect that our banking business will continue to maintain a stable financial performance and achieve sustainable and reasonable value growth in the long term.

XIB was ranked 158th in total assets and 180th in Tier-one Capital in the 2021 Top 1000 World Banks announced by The Banker. XIB had been rated as one of the top 200 for 5 consecutive years.

During the year under review, we continued to pull resources together to vigorously expand the insurance business and strived to improve the quality and profitability of the underlying business. The premium growth momentum continues for both Hong Kong and Macau insurance businesses. The total gross insurance premiums increased by 21.9% to HK\$196.16 million in 2021. We have achieved an underwriting profit after charging management expenses for underwriting business of HK\$13.27 million in 2021, a decrease of 7.5% as compared to HK\$14.35 million in 2020. We will continue to increase the premium size as well as to improve the business quality.

The management team of our insurance business will continue to allocate sufficient resources and focus on "meticulous management", in order to identify new opportunities and keep improving the quality and profitability of business in the increasingly competitive market environment, whilst endeavour to implement the anticipated business plan in order to enhance sustainable business development and achieve a better financial performance.

PROSPECTS

The erratic global coronavirus pandemic development due to the spread of mutated viruses continues to impact market development and economic recovery in general. With the challenges of the macroeconomic situation, the Group will continuously and closely monitor the current complicated and volatile situations that present both opportunities and challenges, while seizing market opportunities, striving to make innovation and maintaining its epidemic prevention and control efforts. The Group will focus on developing our core businesses, adhering to prudent financial management strategy and strengthening our financial services investments in the Greater China region. We will also continue to explore new market opportunities to achieve income diversification and improve the financial performance of the Group, in order to create and realise the long-term value to uphold the expectations of the stakeholders.

Finally, I wish to take this opportunity to express my heartfelt appreciation to my fellow board members for their invaluable advice and support and thank the management team and all our staff for their commitment and dedicated services during the epidemic.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

More than two years into the pandemic, the highly infectious coronavirus variant continued to put pressure on the global economy. The lingering impact of the pandemic affected the financial performance globally. At the same time, major central banks are increasingly under pressure to enact expansionary policies and raise interest rates.

Operating Results

The Group recorded a profit attributable to the Shareholders of HK\$495.93 million in 2021, representing an increase of HK\$59.87 million or 13.7%, as compared to HK\$436.06 million in 2020. Basic earnings per share for the year was 83.03 HK cents, an increase of 10.02 HK cents or 13.7%, as compared to 73.01 HK cents in 2020.

Financial Services

The financial services business of the Group includes the engagement of banking business through its major associates, XIB Group in Mainland China, Hong Kong and Macau respectively, and the provision of micro credit business in Mainland China.

The Group's financial services business reported a profit after tax of HK\$467.65 million in 2021, an increase of 15.2% as compared to HK\$405.99 million in 2020. Such increase in the results was primarily originated from the increase in share of results of XIB Group during the year and the loss on dilution of shareholding interest in XIB in 2020.

Banking Business

XIB Group offers comprehensive financial services in Mainland China, Hong Kong and Macau through its well-established branch network and technological infrastructures.

XIB Group reported a profit after tax for the Group's reporting purpose of RMB4.34 billion, an increase of RMB0.29 billion or 7.1%, as compared to RMB4.05 billion in 2020. Such increase was mainly driven by the overall decrease in expected credit losses and other credit impairment charges in 2021 as compared with 2020. Net interest income grew slightly by 1.6% in 2021 as compared with 2020 and non-interest income decreased by 30.7% in 2021 due to the decrease in net fee and commission income and increase in foreign exchange loss.

XIB Group achieved a steady growth in its total assets with satisfactory growth in both loan books and customers' deposits at 31 December 2021. At 31 December 2021, the total assets grew by 5.8% to RMB1,007.15 billion as compared to RMB952.28 billion at the end of 2020. Gross loans to customers were RMB567.07 billion, an increase of 7.8% as compared to RMB526.2 billion at the end of 2020. XIB achieved a continuous and stable growth in its loan portfolios while upholding good asset quality. The gross impaired loans and advances as a percentage of gross loans and advances to customers was 1.06%, which was lower than the average ratio of commercial banks. Total deposits from customers were up 2.5% to RMB671.5 billion from RMB655.41 billion at the end of 2020.

Micro Credit Business

Sanming Sanyuan District Minxin Micro Credit Company Limited ("**Sanyuan Micro Credit**"), a wholly-owned subsidiary of the Company, had been engaged in the provision of micro loans to small and medium-sized enterprises and individuals in Sanming City, Fujian Province. Sanyuan Micro Credit continues to proactively apply all measures to recover its impaired loans and entrust the property rights exchange centre to list and transfer the impaired loans package.

Sanyuan Micro Credit recovered the principal and interest income of impaired loans of RMB9.77 million and RMB3.19 million respectively, as compared to RMB12.33 million and RMB0.9 million respectively in 2020. The impaired loan balances at 31 December 2021 were RMB172.41 million, a decrease of 22.2% from RMB221.64 million at the end of 2020, which was mainly due to the write-off of credit-impaired loan principal. Sanyuan Micro Credit recorded a profit after tax of RMB11.9 million (equivalent to HK\$14.46 million) in 2021, a decrease of 9.1% as compared to RMB13.09 million (equivalent to HK\$14.74 million) in 2020.

Insurance Business

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

Min Xin Insurance recorded gross insurance premiums of HK\$196.16 million in 2021, increased by 21.9% as compared to HK\$160.86 million in 2020. The Macau insurance business has outperformed the Hong Kong insurance business once again during the year. The gross insurance premiums of Macau insurance business registered a 15.2% growth to HK\$109.68 million supported by high-quality bancassurance business, and the gross insurance premiums of Hong Kong insurance business recorded an increase of 31.7% to HK\$86.48 million.

Underwriting profit before deducting management expenses for underwriting business decreased by 3.1% to HK\$23.98 million as compared to HK\$24.74 million in 2020. Min Xin Insurance recorded an underwriting profit of HK\$13.27 million in 2021, a decrease of 7.5% as compared to HK\$14.35 million in 2020, after charging management expenses for underwriting business.

Min Xin Insurance recorded a profit after tax of HK\$15.08 million in 2021, a decrease of 2.7% as compared to a profit after tax of HK\$15.49 million in 2020, mainly due to the decrease in revaluation gain of investment properties.

The management team of Min Xin Insurance will continue to broaden distribution channels and identify new business opportunities, and at the same time will make great efforts to implement the anticipated business plan in an increasingly competitive market to achieve a better financial performance and provide satisfactory returns to the shareholders.

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

At 31 December 2021, the Shanghai Composite Index increased by about 4.8% as compared to that at the end of 2020. The closing bid price per A-Share of Huaneng Power International, Inc. (“**Huaneng**”) as quoted on the Shanghai Stock Exchange increased from RMB4.47 per share at 31 December 2020 to RMB9.69 per share at 31 December 2021. The fair value of the Huaneng A-Shares measured with reference to the closing bid price per A-Share of Huaneng stood at HK\$805.91 million (equivalent to RMB658.45 million). In 2021, the Group recorded a gain of HK\$444.91 million (2020: loss of HK\$62.34 million) arising from the net movement in its fair value change in other comprehensive income and accumulated separately in equity in the fair value reserve (non-recycling).

The Group aims to hold Huaneng A-Shares in the long term. Huaneng A-Shares continues to contribute a satisfactory dividend yield to the Group. During 2021, Huaneng declared a final dividend for 2020 of RMB0.18 per share. The Group recorded dividend income totalling RMB12.23 million (equivalent to HK\$14.69 million) in 2021, as compared to the final dividend for 2019 of RMB0.135 per share totalling RMB9.17 million (equivalent to HK\$10.05 million) recorded by the Group in 2020.

Huaneng has announced its 2021 annual results under the PRC Accounting Standards. Its operating revenue increased by 20.8% and the operating expenses increased by 46.8% as compared to 2020, primarily attributable to the sharp increase in thermal coal prices. Its loss attributable to shareholders was RMB10.26 billion in 2021, as compared to profit attributable to shareholders of RMB4.56 billion in 2020. Losses per share was RMB0.79 for the year under review, as compared to earnings per share of RMB0.18 in 2020. The board of directors of Huaneng proposed to declare no cash dividend for each ordinary share of Huaneng held by shareholders.

Property Investment

The property investment business of the Group represents the leasing of certain investment properties in Mainland China. In 2021, the property investment business reported a profit after tax of HK\$2.99 million, a decrease of 22.7% as compared to HK\$3.87 million in 2020, mainly due to the decrease in the revaluation gain of investment properties.

The market rental of office space in Fuzhou, Fujian Province remained soft in 2021. The leased commercial properties and parking spaces in Fuzhou (the “**Fuzhou Property**”) of the Group maintained full occupancy at 31 December 2021 and the monthly rental of new leases also maintained at the same level of expired leases. The Group recorded a rental income of RMB3.57 million in 2021, increased by 0.3% as compared to RMB3.56 million in 2020. A leased commercial property was reclassified to owner-occupied during the year. At 31 December 2021, the fair value of the Fuzhou Property was HK\$55.13 million, a decrease of 5% as compared to the fair value of HK\$58.01 million at the end of 2020. The Group recorded a fair value loss of HK\$0.18 million, as compared to a fair value gain of HK\$2.61 million in 2020. A fair value loss after deferred tax of HK\$0.1 million was recognised in 2021, as compared to a fair value gain after deferred tax of HK\$1.12 million in 2020.

FINANCIAL REVIEW

The Group adheres to the principle of prudent financial management and strives to maintain a healthy financial position.

Net Asset Value per Share

Based on 597,257,252 shares in issue at 31 December 2021 (2020: 597,257,252 shares), the net asset value per share was HK\$14.59 at 31 December 2021 (2020: HK\$12.72).

Total Liabilities to Equity Ratio and Current Ratio

At 31 December 2021, the total liabilities of the Group were HK\$958.67 million (2020: HK\$807.77 million) and the ratio of total liabilities to total equity attributable to shareholders of the Company was 11% (2020: 10.6%). At 31 December 2021, the current assets and current liabilities of the Group were HK\$1,880.55 million (2020: HK\$1,409.72 million) and HK\$833.7 million (2020: HK\$611.85 million) respectively with a current ratio of 2.3 (2020: 2.3).

Borrowings and Charged Assets

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

At 31 December 2021, the Group had borrowings of HK\$598.51 million, comprised HK\$498.51 million granted by local banks and HK\$100 million granted by the controlling shareholder, increased by 14.7% as compared to HK\$521.6 million at the end of 2020. Based on the scheduled repayment dates set out in the loan facilities, all outstanding amount will mature and is repayable within one year. These loans are in Hong Kong dollars and subject to floating interest rates. The effective interest rate at 31 December 2021 ranged from 2.1% to 2.4% (2020: 1.5% to 2.5%) per annum.

In addition, the Group had withdrawable revolving bank loan facilities of approximately HK\$67.74 million at 31 December 2021, of which HK\$28.36 million was secured by the self-used office building owned by a wholly-owned subsidiary.

At 31 December 2021, the revolving bank loans balance of HK\$87.89 million 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\$8.89 million at 31 December 2021. The fair value of the property was HK\$290 million (2020: HK\$290 million) at 31 December 2021.

Pursuant to the requirement of a standby letter of credit issued by a bank in Hong Kong in favour of a reinsurance company that has entered into the Non-life Reinsurance Facility with a wholly-owned subsidiary of the Company, that wholly-owned subsidiary has placed a bank deposit of HK\$15 million (2020: HK\$15.15 million) as a collateral for the standby letter of credit at 31 December 2021.

Save for the above, no other assets of the Group were pledged at 31 December 2021 and 2020 respectively.

On 30 December 2021, the Company has entered into a facility agreement with a bank whereby the bank has agreed to make available to the Company a credit facility in a maximum aggregate amount of up to HK\$200 million. The credit facility was secured by a standby letter of credit to be issued in favour of the bank. Subsequent to the reporting date, the Company has drawn down a fixed rate three-year term loan of HK\$198.6 million and a wholly-owned subsidiary of the Company in Mainland China has placed a three-year bank deposit of RMB200 million (equivalent to HK\$244.79 million) as a collateral for a standby letter of credit issued in favour of the bank.

Gearing Ratio

At 31 December 2021, the gearing ratio of the Group (total borrowings divided by total net assets) was 6.9% (2020: 6.9%).

Cash Position

The Group's bank deposits are interest bearing at prevailing market rates. At 31 December 2021, the total bank deposits of the Group amounted to HK\$904.14 million (2020: HK\$1,175.62 million) of which 17.6% were in Hong Kong dollars, 78.2% in Renminbi and 4.2% in other currencies (2020: 17.7% were in Hong Kong dollars, 80.3% in Renminbi and 2% in other currencies).

Pursuant to the requirements from the Insurance Authority, Min Xin Insurance, a wholly-owned 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 Min Xin Insurance Company Limited" in bank deposits as a statutory deposit. At 31 December 2021, Min Xin Insurance has placed fixed deposits of HK\$16 million (2020: HK\$16 million) in the name of "Insurance Authority account Min Xin Insurance Company Limited" with a bank in Hong Kong for fulfillment of such requirements. That subsidiary has also maintained bank deposits of MOP18.43 million (equivalent to HK\$17.89 million) and HK\$62.47 million (2020: MOP15.39 million, equivalent to HK\$14.94 million and HK\$42.03 million) for fulfilling certain requirements under the Macau Insurance Ordinance (Decree-Law no. 27/97/M of 30 June) (the "**Macau Insurance Ordinance**").

Risk of Exchange Rate Fluctuation

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

Capital Commitments

At 31 December 2021, the Group's capital commitments relating to property, plant and equipment and investment properties amounted to HK\$0.2 million (2020: HK\$0.25 million).

Contingent Liabilities

At 31 December 2021 and 2020, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2021, the Group had 68 employees. The remuneration of the employees is based on individual merits and experience. The Group also provides other benefits to employees included but not limited to retirement benefits and medical scheme.

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

CUSTOMER RELATIONSHIPS

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

ENVIRONMENTAL POLICY

Being a responsible corporate citizen, the Group continues to support the environmental protection initiatives to conserve the natural resources. We place a high priority on minimisation of the environmental impact of our business activities by promoting energy-efficient lighting and use of public transportation to reduce energy consumption. In addition, we proactively encourage staff to consume less energy, water and paper, by applying such as e-filings and paper recycling in our offices. Details are disclosed in the Environmental, Social and Governance Report to be issued by the Company pursuant to the Listing Rules.

COMPLIANCE WITH LAWS AND REGULATIONS

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

KEY RISKS AND UNCERTAINTIES

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

Insurance and Financial Risks

The Group's business activities are exposed to a variety of insurance risk and financial risks including market risk (foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The details of the Group's insurance risk and financial risks exposures are set out in Note 4 to the consolidated financial statements.

Business Risks

Banking Business

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

Insurance Business

The insurance industries in Hong Kong and Macau are highly regulated. Companies carrying on insurance business in Hong Kong and Macau must obtain authorisation from Insurance Authority and Autoridade Monetária De Macau respectively and are subject to the requirements imposed by Insurance Authority and Autoridade Monetária De Macau from time to time. Authorisation will only be granted to insurers when certain requirements under the Insurance Ordinance (Chapter 41 of the Laws of Hong Kong) (the "**Insurance Ordinance**") and the Macau Insurance Ordinance are met. Compliance with applicable laws, rules and regulations may restrict the operations of the Group's insurance business and requires the Group to deploy significant resources and to devote considerable time to such compliance efforts. New or revised laws, rules and regulations may be introduced from time to time and such changes may have an adverse effect on the insurance business of the Group in Hong Kong and Macau.

Huaneng A-Shares

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

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

Property Investment

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the year ended 31 December 2021 except for the following deviation:

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

The Board will continue to monitor and periodically review the Company’s corporate governance practices to ensure its compliance with the CG Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted its own code of conduct regarding directors’ securities transactions (the “**Code of Conduct**”) on terms no less exacting than the required standard in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all Directors and all Directors of the Company have confirmed that they have complied with the required standards as set out in the Model Code and the Company’s Code of Conduct throughout the year ended 31 December 2021.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr CHEUNG Man Hoi (Chairman of the Audit Committee), Mr IP Kai Ming and Mr LEUNG Chong Shun.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed risk management, internal control and financial reporting matters including the review of the audited consolidated financial statements of the Group for the year ended 31 December 2021 as set out in this announcement.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 30 March 2022.

The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT, 2021 ANNUAL REPORT AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The announcement of annual results for the year ended 31 December 2021 is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.minxin.com.hk. The 2021 Annual Report and Environmental, Social and Governance Report will be published on the aforesaid websites and printed copies of the 2021 Annual Report will be sent to the shareholders of the Company in due course.

By Order of the Board
Min Xin Holdings Limited
YAN Zheng
Chairman

Hong Kong, 30 March 2022

As at the date of this announcement, the executive directors of the Company are Messrs YAN Zheng (Chairman), CHEN Jie (Vice Chairman) and CHEN Yu; the non-executive directors are Messrs HON Hau Chit and YANG Jingchao; the independent non-executive directors are Messrs IP Kai Ming, CHEUNG Man Hoi and LEUNG Chong Shun.