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Enerchina Holdings Limited

威華達控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 622)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 30% OF THE ISSUED SHARE CAPITAL IN THE TARGET COMPANY

THE ACQUISITION

On 15 December 2016 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) entered into the Acquisition Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the Sale Shares, representing 30% of the entire issued share capital of the Target Company at the consideration of HK\$525,000,000.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the date of this announcement, the Company is indirectly interested in approximately 6.06% of the issued share capital of the Vendor. Save as disclosed, the Vendor and its ultimate beneficial owners are Independent Third Parties.

LISTING RULES IMPLICATIONS

As one or more percentage ratios (as defined under the Listing Rules) of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

* For identification purposes only

Shareholders and potential investors should note that Completion of the Acquisition is subject to the fulfillment of the conditions under the Acquisition Agreement and the Acquisition Agreement may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares of the Company.

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THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are set out below:

Date

15 December 2016

Parties

- (1) Enerchine Capital Limited as the Purchaser; and
- (2) HEC International Group Limited as the Vendor

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the date of this announcement, the Company is indirectly interested in approximately 6.06% of the issued share capital of the Vendor. Save as disclosed, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

The Sale Shares, representing 30% of the issued share capital of the Target Company.

Consideration

The Consideration shall be payable by the Purchaser to the Vendor in cash upon Completion.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to (i) financial position of the Target Group; (ii) the type 1 license (dealing in securities) and type 6 license (advising on corporate finance) under the SFO held by the Target Group; (iii) the brand name of "HEC" owned by the Target Group; (iv) the commercial potential and prospects of existing businesses of the Target Group; and (v) the reasons and benefits as stated under the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" in this announcement.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and the Acquisition Agreement is on normal commercial terms which are fair and reasonable, and the entering into of the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole.

The Company intends to make the payment of the Consideration from the Group's internal resources.

The Profit Guarantee

Pursuant to the Acquisition Agreement, the Vendor guarantees, warrants and represents to the Purchaser that the actual audited consolidated net profits before tax of the Target Group for the following three guaranteed periods commencing from 1 January 2017 and ending on 31 December 2019 (each a "Guaranteed Period") shall be not less than the amount set out opposite to the corresponding Guaranteed Period below (the "Profit Guarantee"):

Guaranteed Period	Profit Guarantee <i>(HK\$)</i>
1 January 2017 to 31 December 2017	75,000,000.00
1 January 2018 to 31 December 2018	125,000,000.00
1 January 2019 to 31 December 2019	150,000,000.00

The audited consolidated net profit of the Target Group is to be calculated in accordance with Hong Kong Financial Reporting Standards. The date for determination of any breach or non-fulfilment of the Profit Guarantee and the assessment of damages in relation thereto shall not be earlier than the expiry of the last Guaranteed Period, i.e. 31 December 2019.

If the Target Group records a net loss in its audited consolidated accounts of any Guaranteed Period, the figure of the actual audited consolidated net profits before tax of the Target Group for such Guarantee Period will be deemed as "zero" for the calculation of the aggregate actual audited consolidated net profits.

If the aggregate actual audited consolidated net profits before tax of the Target Group for any one or more Guaranteed Period(s) shall be equal to or more than HK\$350,000,000, the Profit Guarantee shall forthwith terminate and cease to have further force and effect.

If the aggregate actual audited consolidated net profits before tax of the Target Group of all the three Guaranteed Periods is less than the amount of HK\$350,000,000, the Vendor shall pay to the Purchaser an amount in cash in Hong Kong dollars as liquidated damages in accordance with the following formula:

[(a) — (b)] multiplied by (y)

WHEREAS:

- (a) means HK\$350,000,000;
- (b) means the aggregate actual audited consolidated net profits before tax of the Target Group of all the three Guaranteed Periods; and
- (y) means 30%

There is no profit adjustment mechanism to the Consideration in case the actual audited consolidated net profit for the relevant Guaranteed Period exceeds the relevant Profit Guarantee.

Conditions Precedent

The completion of the Acquisition shall be conditional upon:

- (a) if applicable, the obtaining of all consents from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Acquisition Agreement and any of the transaction contemplated hereunder; and
- (b) the Vendor's warranties given under the Acquisition Agreement shall remain to be true and correct in all material respects and there has not been any material breach thereof.

If the conditions mentioned above cannot be fulfilled on or before the Long Stop Date, the Acquisition Agreement shall be terminated whereupon all rights, obligations and liabilities of the Vendors and the Purchaser shall cease and determine and none of the parties shall have any claim against the other save as to any rights on any antecedent breach of the Acquisition Agreement.

Completion

Completion will take place on or before the 3rd Business Day following the fulfillment of the aforesaid conditions precedent or such other date as the Purchaser and the Vendor may agree.

Upon Completion, the Target Company will become an associate of the Company and held as to 30% by the Company (through the Purchaser or its nominee(s)).

Non-Competition

Pursuant to the Acquisition Agreement, the Vendor undertakes to the Purchaser that the Vendor and its associated companies shall not, without the prior written consent of the Purchaser, whether directly or indirectly and either alone or in conjunction with, or on

behalf of, any other person, and whether as principal, shareholder, director, employee, agent, consultant, partner or otherwise, for a period of two years immediately following the Completion, canvass, solicit or approach, or cause to be canvassed, solicited or approached any clients or customers of the Target Group to (i) entice them away from the Target Group; or (ii) to compete with any existing businesses of the Target Group as at the date of the Acquisition Agreement for any business opportunities.

Right of First Refusal

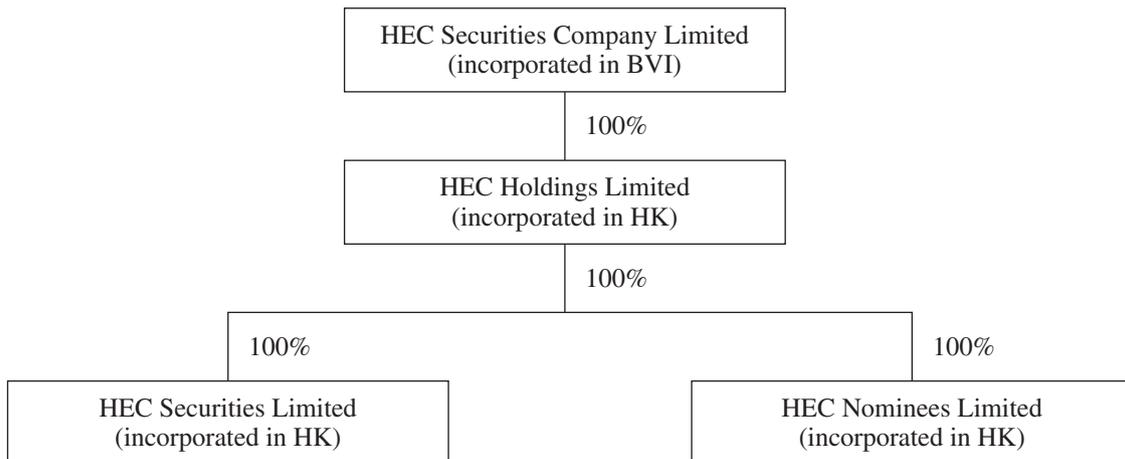
Pursuant to the Acquisition Agreement, the Vendor grants the Purchaser (or its nominee) the right of first refusal, exercisable in connection with any proposed transfer of any shares in Target Company (other than the Sale Shares) by the Vendor with effect from the date of the Acquisition Agreement.

Information of the Target Group

The Target Company is an investment holding company with limited liability, incorporated in the BVI, and through its subsidiary principally engages in the provisions of the financial services which have always been carried out by HEC Securities (HK).

HEC Securities (HK) is a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities.

Corporate Structure of the Target Group



Financial Information of the Target Group

The audited financial information of the Target Group for the three financial years ended 31 March 2014, 31 March 2015 and 31 March 2016 and for the period from 1 April 2016 to 30 September 2016 are set out as follows:

	For the year ended 31 March 2014 (HK\$) audited	For the year ended 31 March 2015 (HK\$) audited	For the year ended 31 March 2016 (HK\$) audited	For the period from 1 April 2016 to 30 September 2016 (HK\$) audited
Net asset/(liabilities)	(106,486,000)	(99,167,000)	(129,874,000)	963,644,000
Net profit/(loss) before taxation	476,000	7,319,000	(30,707,000)	(6,482,000)
Net profit/(loss) after taxation	488,000	7,319,000	(30,707,000)	(6,482,000)

As extracted from the audited financial information of the Target Group for the period from 1 April 2016 to 30 September 2016, the audited consolidated loss of the Target Group was HK\$(6,482,000) and the audited consolidated net assets of the Target Group as at 30 September 2016 was HK\$963,644,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group principally engages in the financial services sector, including investment holdings, provision of securities brokerage services, placing and underwriting services, corporate finance advisory services, proprietary trading and investment of securities, provision of margin financing, money lending services, and investment advisory and management services.

The launch of the Shenzhen-Hong Kong Stock Connect will strengthen the interconnectivity between the mutually complementary stock markets in Hong Kong and the PRC. The Board is of the view that Hong Kong's financial market will benefit from the Shenzhen-Hong Kong Stock Connect which is expected to synergise and contribute to the robust and sustainable growth of the offshore Renminbi ecosystem.

With the continuous development of the PRC stock markets and increasing demand of Hong Kong financial services, the Directors are of the view that relying merely on organic growth through its non-wholly owned subsidiary namely Win Wind Capital Limited, is not sufficient to effectively meet customer needs.

The Board is constantly looking for businesses with potentials and positive prospects in order to enrich its business mix and enhance the value of both the Company and its Shareholders. The Target Group owns a well-established securities and corporate financial advisory house whose history can be traced back to the year of 1987. The Target Group currently operates under the brand name of "HEC" and offers a wide range of services, including: (i) securities underwriting and placements; (ii) securities brokerage; and (iii)

corporate finance advisory services. The Acquisition will allow the Company to diversify its investment in financial services business and to enhance the competitiveness of the Company in the Hong Kong stock market.

After taking into account the above factors, the Directors therefore believe the Acquisition represents an attractive opportunity to acquire and invest in a sizeable securities company and is in the best interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more percentage ratios (as defined under the Listing Rules) of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

Shareholders and potential investors should note that completion of the Acquisition is subject to the fulfillment of the conditions under the Acquisition Agreement and the Acquisition Agreement may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalized terms used shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 15 December 2016 entered into by the Purchaser and the Vendor in respect of the Acquisition
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or a public holiday) on which banks are open for business in Hong Kong
“BVI”	British Virgin Islands
“Company”	Enerchina Holdings Limited, a company incorporated in Bermuda with limited liability which shares are listed on the main board of the Stock Exchange (stock code: 622)
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement

“Consideration”	the total consideration of HK\$525,000,000 payable by the Purchaser to the Vendor for the Acquisition of the Sale Shares
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HEC Securities (HK)”	HEC Securities Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Target Company as at the date hereof and, also, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	the third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	means the last day of one calendar month from the date of the Acquisition Agreement or such other later date as shall be agreed by the parties in writing
“PRC”	the People’s Republic of China
“Purchaser”	Enerchine Capital Limited, a wholly-owned subsidiary of the Company
“Sale Share(s)”	means the 1,494,000 ordinary share(s) of par value of US\$1.00 each issued by the Target Company, representing 30% of the issued share capital of Target Company as at the date on which the Completion takes place
“SFO”	the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

“Target Company”	HEC Securities Company Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Vendor
“Target Group”	the Target Company and its subsidiaries
“Vendor”	HEC International Group Limited, which is the registered and beneficial owner of the entire issued share capital of the Target Company
“%”	per cent.

By order of the Board
Enerchina Holdings Limited
Sam Nickolas David Hing Cheong
Chief Executive Officer and Executive Director

Hong Kong, 15 December 2016

As at the date of this announcement, the Board comprises the following directors:

Executive Directors:

Mr. Chen Wei (*Chairman*)
Mr. Chow Chi Wah Vincent
Mr. Sam Nickolas David Hing Cheong
(*Chief Executive Officer*)
Mr. Tang Yui Man Francis

Independent Non-Executive Directors:

Mr. Cheung Wing Ping
Mr. Chui Kark Ming
Mr. Ma Ka Ki