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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the "Board") of Enerchina Holdings Limited (the "Company") announces the audited consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016 as follows:

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	**2016** **HK$'000**	2015 *HK$'000*
Revenue	*3*	**58,064**	53,429
Other income	*4*	**85,997**	55,024
Other gains and losses	*5*	**1,199**	4,373
(Loss) gain on financial assets at fair value through profit or loss		**(1,058,044)**	927,818
Impairment losses in respect of available-for-sale investments		**(75,415)**	–
Depreciation of property and equipment		**(26,050)**	(13,770)
Employee benefits expenses		**(30,450)**	(39,640)
Other expenses		**(84,799)**	(104,834)
Share of results of an associate		**4,449**	(2,844)
Finance costs	*6*	**(12,174)**	(15,472)
(Loss) profit before taxation		**(1,137,223)**	864,084
Income tax credit (expense)	*7*	**101,357**	(151,013)
(Loss) profit for the year	*8*	**(1,035,866)**	713,071
Other comprehensive (expense) income for the year			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(60,428)**	(57,434)
Fair value change in available-for-sale investments		**(69,015)**	3,883
		(129,443)	(53,551)
Total comprehensive (expense) income for the year		**(1,165,309)**	659,520

	NOTE	2016 HK$'000	2015 HK$'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(941,990)**	713,071
Non-controlling interests		**(93,876)**	–
		(1,035,866)	713,071
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(1,063,863)**	659,520
Non-controlling interests		**(101,446)**	–
		(1,165,309)	659,520
		HK cents	*HK cents* (Restated)
(Loss) earnings per share	*10*		
Basic		**(12.71)**	9.63
Diluted		**(12.71)**	9.59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property and equipment		**163,453**	189,327
Available-for-sale investments	*11*	**966,911**	973,765
Interests in an associate	*12*	**529,449**	–
Intangible assets		**3,908**	3,908
Deposit paid for an investment		**15,000**	–
Other deposits		**478**	535
Loan receivables		**3,823**	–
Deposit paid for acquisition of property and equipment		**68,397**	37,248
		1,751,419	1,204,783
Current assets			
Trade and other receivables, deposits and prepayments	*13*	**704,659**	487,551
Financial assets at fair value through profit or loss	*14*	**2,919,767**	2,751,599
Structured deposit		**223,464**	–
Short-term bank deposits		**–**	63,246
Bank balances — trust and segregated accounts		**43,171**	17,114
Cash and cash equivalents		**743,898**	998,659
		4,634,959	4,318,169
Current liabilities			
Trade and other payables	*15*	**310,434**	40,584
Income tax payable		**67,864**	66,372
Loan payable		**250,000**	–
Promissory notes payable	*16*	**725,736**	–
		1,354,034	106,956
Net current assets		**3,280,925**	4,211,213
Total assets less current liabilities		**5,032,344**	5,415,996

	NOTE	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Deferred taxation		**109,986**	216,406
Convertible notes liability		**–**	101,150
Promissory notes payable	*16*	**320,642**	–
		430,628	317,556
Net assets		**4,601,716**	5,098,440
Capital and reserves			
Share capital		**71,939**	71,939
Reserves		**4,293,539**	4,970,017
Equity attributable to owners of the Company		**4,365,478**	5,041,956
Convertible notes reserve		**–**	48,850
Non-controlling interests		**236,238**	7,634
Total equity		**4,601,716**	5,098,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Company and its subsidiaries (the "Group") are investment holdings, trading and investment of securities, provision of securities brokerage services, provision of placing and underwriting services, provision of corporate financial advisory services, provision of margin financing services, provision of money lending services and provision of investment advisory and asset management services.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 11	Accounting for acquisitions of interest in joint operations
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 HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Disclosure initiative

The Group has applied the amendments to HKAS 1 "Disclosure initiative" for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group on the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective, which may be relevant to the Group:

HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers and the related Amendments[2]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Disclosure initiative[1]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[1]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRSs	Annual improvements to HKFRS 2014 — 2016 Cycle

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 that are relevant to the Group are:

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as fair value through comprehensive income (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported (e.g. fee and commission income from corporate finance business) as the timing of revenue recognition may be affected/and the amounts of revenue recognised are subject to variable consideration constraints. The directors of the Company also consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18, however, the allocation of total consideration to the respective performance obligations will be based on relative fair values which will potentially affect the timing and amounts of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$7,208,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

(A) Revenue

	2016	2015
	HK$'000	*HK$'000*
An analysis of the Group's revenue for the year is as follows:		
Fee and commission income	**12,306**	7,116
Interest income from margin clients	**18,775**	5,894
Interest income from loan receivables	**21,603**	29,944
Advisory and other fee income	**5,380**	10,475
	58,064	53,429

(B) Segment information

The Group determines its operating segment and measurement of segment profit based on the internal reports to executive directors, the Group's chief operating decision makers, for the purposes of resource allocation and performance assessment.

The Group's reportable and operating segments are as follows:

(a) the provision of securities brokerage and provision of financial, consultancy and corporate financial advisory services ("financial services");

(b) securities trading and investments; and

(c) money lending.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 December 2016

	Financial services *HK$'000*	Securities trading and investments *HK$'000*	Money lending *HK$'000*	Consolidated *HK$'000*
Revenue				
Revenue from financial services	**36,461**	**–**	**–**	**36,461**
Revenue from money lending	**–**	**–**	**21,603**	**21,603**
Total revenue	**36,461**	**–**	**21,603**	**58,064**
Loss on financial assets at fair value through profit or loss	**–**	**(1,058,044)**	**–**	**(1,058,044)**
Segment revenue	**36,461**	**(1,058,044)**	**21,603**	**(999,980)**
Segment (loss) profit	**(46,758)**	**(1,137,189)**	**4,894**	**(1,179,053)**
Unallocated other income				**68,305**
Net exchange gain				**2,885**
Gain on disposal of subsidiaries				**2,769**
Gain on bargain purchase of subsidiaries				**2,895**
Release of provision of financial guarantees				**2,328**
Share of results of an associate				**4,449**
Central corporate expenses				**(41,801)**
Loss before taxation				**(1,137,223)**

For the year ended 31 December 2015

	Financial services *HK$'000*	Securities trading and investments *HK$'000*	Money lending *HK$'000*	Consolidated *HK$'000*
Revenue				
Revenue from financial services	23,485	–	–	23,485
Revenue from money lending	–	–	29,944	29,944
Total revenue	23,485	–	29,944	53,429
Gain on financial assets at fair value through profit or loss	–	927,818	–	927,818
Segment revenue	23,485	927,818	29,944	981,247
Segment (loss) profit	(51,355)	929,328	3,611	881,584
Unallocated other income				38,107
Net exchange gain				1,608
Release of provision of financial guarantees				4,293
Loss on disposal of an associate				(3,218)
Share of results of an associate				(2,844)
Central corporate expenses				(55,446)
Profit before taxation				864,084

Segment revenue includes revenue from financial services and money lending operations. In addition, the chief operation decision makers also consider loss/gain on financial assets at fair value through profit or loss as segment revenue.

The accounting policies of the reportable and operating segment are the same as the Group's accounting policies. Segment result represents the profit earned or loss incurred by each segment without allocation of certain other income, certain other gains and losses, release of provision of financial guarantees, gain on disposal of subsidiaries, gain on purchase of subsidiaries, loss on disposal of an associate, share of results of an associate and central corporate expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

4. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Interest income on:		
— bank deposits	**28,109**	31,889
— entrusted loan receivables	**–**	2,519
— listed bonds at fair value through profit or loss	**8,998**	5,482
— others	**173**	731
	37,280	40,621
Dividend income from financial assets at fair value through profit or loss:		
— listed investments held for trading	**20,969**	10,702
Others	**27,748**	3,701
	85,997	55,024

5. OTHER GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
Net exchange gain	**2,885**	1,608
Gain on bargain purchase of subsidiaries	**2,895**	–
(Loss) gain on disposal of property and equipment	**(11)**	2,608
Gain on disposal of an available-for-sale investment	**2,862**	3,313
Loss on disposal of an associate	**–**	(3,218)
Gain on disposal of subsidiaries	**2,769**	–
Release on financial guarantees	**2,328**	4,293
Impairment loss in respect of trade receivables	**(12,529)**	(4,231)
	1,199	4,373

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on other borrowings	**12,174**	15,472

7. INCOME TAX (CREDIT) EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Current tax – Hong Kong	**5,063**	64,698
Deferred tax (credit) expense	**(106,420)**	86,315
	(101,357)	151,013

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

8. (LOSS) PROFIT FOR THE YEAR

	2016	2015
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2,600**	1,550
Operating leases in respect of rented premises	**11,836**	14,575
Loss (gain) on financial assets at fair value through profit or loss	**1,058,044**	(927,818)
Entertainment expenses	**27,737**	32,027
Legal and professional fee	**4,902**	6,795

Net realised loss of approximately HK$179,144,000 for the year end 31 December 2016 (2015: HK$278,700,000) on disposal of investments held for trading is included in loss (gain) of financial assets at fair value through profit or loss disclosed above.

9. DIVIDENDS

No dividends were paid, declared or proposed by the Company during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

10. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

(Loss) earnings

	2016	2015
	HK$'000	*HK$'000*
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share		
(Loss) profit for the year attributable to owners of the Company	**(941,990)**	713,071

Number of shares

	2016	2015 (Restated)
Weighted average number of ordinary shares in issue during the year, for the purpose of basic (loss) earnings per share	**7,409,662,064**	7,408,006,332
Effect of dilutive potential ordinary shares:		
— share options *(note)*	**–**	28,117,893
Weighted average number of ordinary shares, for the purpose of diluted (loss) earnings per share	**7,409,662,064**	7,436,124,225

Note:

The computation of diluted loss per share for the year ended 31 December 2016 does not assume the conversion of the Company's warrants and share options since their assumed exercise price would result in an increase in loss per share.

The computation of diluted earnings per share for the year ended 31 December 2015 did not assume the exercise of the Company's warrants and certain share options as the exercise price was higher than the average market price of shares for 2015.

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the bonus issue element in rights issue completed on 13 March 2017.

11. AVAILABLE-FOR-SALE INVESTMENTS

	2016 *HK$'000*	2015 *HK$'000*
Unlisted shares in overseas, at cost *(Note i)*	**659,600**	777,151
Unlisted shares in the People's Republic of China ("PRC"), at cost *(Note i)*	**17,121**	27,446
Unlisted shares in overseas, at fair value *(Note ii)*	**100,000**	100,000
Unlisted investment fund, at fair value *(Note iii)*	**–**	42,068
Listed shares in Hong Kong, at fair value	**190,190**	27,100
	966,911	973,765

Notes:

(i) Investments in unlisted equity securities issued by private entities are held for an identified long term strategic purpose. The available-for-sale investments are measured at cost less impairment at the end of the reporting period because the ranges of reasonable fair value estimates are so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

During the year ended 31 December 2016, the Group has disposed of the interests in an unlisted equity instruments incorporated in overseas with a carrying amount of HK$57,479,000 at the date of disposal via the disposal of a wholly owned subsidiary of the Group.

As at 31 December 2016, the Group has an effective ownership of approximately 6.06% (2015: 7.99%) of the issued share capital of HEC Capital Limited ("HEC Capital"), an unlisted private company incorporated in Cayman Islands, with a carrying amount of HK$500,000,000 (2015: HK$500,000,000). The principal activities of HEC Capital and its subsidiaries are property investment, securities trading, investment in private equities and funds, provision of securities brokerage services, money lending business in Hong Kong and investment in forest assets in PRC.

For the available-for-sale investments at cost less impairment, the management considers no objective evidence of impairment was identified at 31 December 2016 and 2015 except as disclosed below.

During the year ended 31 December 2016, an impairment loss of HK$75,415,000 in aggregate has been recognised to write down the carrying amount of certain unlisted investments in private entities due to their insolvent financial positions. Other than this, the directors of the Company consider no impairment is required in respect of the other unlisted investments as at 31 December 2016. No impairment was recognised during the year ended 31 December 2015.

(ii) As at 31 December 2016, the Group owns approximately 5.48% (2015: 5.48%) of the share capital of Co-Lead Holdings Limited ("Co-Lead"), an unlisted private company incorporated in the British Virgin Islands ("BVI"), with a fair value of HK$100,000,000 (2015: HK$100,000,000). The principal activities of Co-Lead and its subsidiaries are principally engaged in securities investment in Hong Kong.

(iii) During the year ended 31 December 2016, the Group disposed of its entire interests in an unlisted investment fund via the disposal of a wholly-owned subsidiary of the Group.

12. INTERESTS IN AN ASSOCIATE

	2016	2015
	HK$'000	*HK$'000*
Cost of investment in an associate		
Unlisted shares	**525,000**	–
Share of post-acquisition profits	**4,449**	–
	529,449	–

On 15 December 2016, Enerchina Capital Limited, a wholly-owned subsidiary of the Company, acquired 30% of HEC Securities Company Limited from HEC International Group Limited, an entity incorporated in the BVI in which the Company has approximately 6.06% indirect interest, at a cash consideration of HK$525,000,000 which resulted in goodwill on acquisition of HK$225,259,000.

According to the acquisition agreement, HEC International Group Limited has provided a profit guarantee that the audited consolidated net profits before tax of HEC Securities Company Limited for the years ending 31 December 2017, 31 December 2018 and 31 December 2019 (each a "Guaranteed Period") shall not be less than HK$75,000,000, HK$125,000,000 and HK$150,000,000 (the "Guaranteed Amounts") respectively (the "Profit Guarantee").

If the HEC Securities Company Limited 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 HEC Securities Company Limited 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 HEC Securities Company Limited for any one or more Guaranteed Period(s) is 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 HEC Securities Company Limited of all the three Guaranteed Periods is less than the amount of HK$350,000,000 (the "Aggregate Guaranteed Amount"), then HEC International Group Limited is required to pay Enerchine Capital Limited the shortfall between the Aggregate Guaranteed Amount and the proportion of shareholding interest of the aggregate actual audited consolidated net profits before tax of HEC Securities Company Limited of all the three Guaranteed Periods.

Based on the projection of the financial performance performed by the management of HEC Securities Company Limited, the directors of the Company assessed the Profit Guarantee will be unlikely to be exercised and the fair value of the Profit Guarantee is considered to be insignificant.

As at 31 December 2016, the Group had interests in the following associate:

Name of entity	**Country of incorporation**	**Principal place of operation**	**Class of share held**	**Proportion of ownership interest held by the Group** %		**Proportion of voting power held** %		**Principal activities**
				2016	2015	**2016**	2015	
HEC Securities Company Limited	BVI	Hong Kong	Ordinary	**30**	–	**30**	–	Investment holding

The summarised financial information as at 31 December 2016 in respect of the Group's associate prepared in accordance with HKFRSs is set out below:

The associate is accounted for by the Group using the equity method in the consolidated financial statements.

	31 December 2016 *HK$'000*
Non-current assets	**200**
Current assets	**1,927,250**
Current liabilities	**(913,483)**
Net assets	**1,013,967**

	Year ended 31 December 2016 *HK$'000*
Revenue	**95,910**
Profit and total comprehensive income for the year	**43,842**
Group's share of profit and total comprehensive income of an associate for the year from the date of acquisition	**4,449**

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31 December 2016
	HK$'000
Net assets of HEC Securities Company Limited	**1,013,967**
Proportion of the Group's ownership interest in HEC Securities Company Limited	**30%**
	304,190
Goodwill	**225,259**
Carrying amount of the Group's interest in HEC Securities Company Limited	**529,449**

The financial year end date for HEC securities Company Limited is 31 March.

The completion date for the acquisition of HEC Securities Company Limited is on the 15 December 2016. For the purpose of applying the equity method of accounting, the consolidated financial statements of HEC Securities Company Limited for the year ended 31 December 2016 have been used as the Group considers that it is impracticable for HEC Securities Company Limited to prepare a separate set of financial statements as of 15 December 2016. Appropriate adjustments have been made accordingly for the effects of significant transactions between the dates.

As at the date of issuance of these consolidated financial statements, the fair value assessments of certain underlying assets and liabilities of HEC Securities Company Limited had not been finalised and thus, the initial accounting for the aforesaid acquisition of 30% interest has been determined provisionally including the goodwill of HK$225,259,000 recognised in the consolidated financial statements. Upon finalisation of the valuation, goodwill or gain on bargain purchase may result and the share of result of the associate may also change accordingly. The directors expect the valuation will be finalised by June 2017.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016	2015
	HK$'000	*HK$'000*
Trade receivables arising from the business of advisory for corporate finance and investment management	**300**	1,900
Trade receivables from cash clients	**55**	9,584
Trade receivables from margin clients *(note (a))*	**299,533**	38,319
Trade receivables arising from the provision of securities brokerage business with Hong Kong Securities Clearing Company Limited ("HKSCC") *(note (b))*	**560**	–
Loans and interest receivable to independent third parties *(note (c))*	**314,637**	308,456
Deposits with securities brokers *(note (d))*	**20,899**	100,215
Receivable arising from the disposal of subsidiaries *(note (e))*	**50,000**	10,000
Other receivables, deposits and prepayments	**22,498**	19,077
	708,482	487,551
Less: Non-current portion for loans to independent third parties	**3,823**	–
	704,659	487,551

Notes:

(a) Trade receivables from margin clients are repayable on demand and bear interest ranging from 8% to 30% (2015: 8% to 24%) per annum for year ended 31 December 2016. The loans are secured by pledged marketable securities with a total fair value of approximately HK$1,686,378,000 (2015: HK$190,197,000). The fair value of pledged marketable securities of the individual margin clients is higher than the corresponding outstanding loans. The Group is permitted to sell or repledge the marketable securities if the customers default on the payment when requested by the Group. Entire amount of trade receivables from secured margin clients are neither past due nor impaired as at 31 December 2016 and 2015.

(b) The settlement terms of trade receivables arising from the provision of securities brokerage business with HKSCC are usually two days after trade date. No aged analysis is disclosed as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of brokerage business.

(c) Loan receivables of HK$314,637,000 (2015: HK$308,456,000), net of impairment of HK$2,898,000 (2015: HK$4,231,000), as at 31 December 2016 include fixed rate loan advances to independent third parties of approximately HK$287,233,000 (2015: HK$56,905,000) which are secured by the pledge of certain collaterals and personal guarantees, and have contractual loan period between 2 months and 8 years (2015: 3 months and 1 year) under the Group's money lending operation. The management of the Group believes that the amount is considered recoverable given the fair value of the collaterals is sufficient to cover the entire loan balance for each of the secured loan advances. The remaining balance of approximately HK$27,404,000 (2015: HK$251,551,000) is unsecured, a substantial portion of which was settled subsequent to year end. The average interest rate for the loan receivables as at 31 December 2016 was ranging from 5% to 36% (2015: 7.5% to 24%) per annum.

The amount granted to individuals depends on management's assessment of credit risk on the customers by evaluation on background check (such as their profession, their salaries and current working position) and repayment abilities by means of analysing the market value of the securities portfolio of the customers in the Group's brokerage accounts. The Group determines the allowance of impaired debts based on the evaluation of collectability and aged analysis of accounts and on the management's judgement, including assessment of the change of credit quality and the past collection history of each customer.

Movement in allowance for doubtful debts in respect of the loan receivables

	2016	2015
	HK$'000	*HK$'000*
Balance at the beginning of the year	**4,231**	–
Impairment loss recognised during the year *(note 5)*	**12,529**	4,231
Written off	**(13,862)**	–
Balance at the end of the year	**2,898**	4,231

Included in the allowance for doubtful debts are individually impaired loan receivables with an aggregate balance of HK$12,529,000 as at 31 December 2016 (2015: HK$4,231,000), representing loans and interest receivable from independent third parties which have been in severe financial difficulties in repaying their outstanding balances. The Group does not hold any collateral over these balances.

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivables from the date credit was initially granted, subsequent settlement and the fair value of pledged marketable securities up to the reporting date. In the opinion of the directors of the Company, no further impairment is required in excess of the allowance for doubtful debt.

(d) Deposits with securities brokers represented the funds deposits with the brokers' houses for securities trading purpose.

(e) On 23 December 2016, Win Wind Capital Group Limited ("WWCGL"), a wholly-owned subsidiary of the Group, signed a sale and purchase agreement with an independent third party and WWCGL agreed to sell its entire equity interest in Assets & Equity Holdings Limited ("A&E"). The receivable of HK$50,000,000 as at 31 December 2016 arising from the disposal of A&E is unsecured, interest free and was paid in January 2017.

On 7 October 2014, Enerchina Investments Limited, a wholly-owned subsidiary of the Company, signed an asset sale agreement with an independent third party and Enerchina Investments Limited agreed to sell entire equity interest in Deluxe International Investment Limited ("Deluxe"). The amount due from the independent third party is unsecured and interest-free. HK$10,000,000 was to be repaid six months after the completion of disposal of Deluxe which was settled during the year ended 31 December 2015. The remaining HK$10,000,000 was settled during the year ended 31 December 2016.

During the years ended 31 December 2016 and 2015, no margin loans were granted to the directors of the Company and directors of the subsidiaries.

The Group offset certain trade receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances; and intends to settle on a net basis or to realise the balances simultaneously.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	HK$'000	*HK$'000*
Investments held for trading:		
Listed shares in Hong Kong	**2,623,080**	2,560,790
Listed shares in overseas	**–**	34,376
Unlisted investment funds	**296,687**	89,043
Listed bonds in overseas issued by listed companies *(Note)*	**–**	44,460
Listed bonds in Hong Kong issued by listed companies *(Note)*	**–**	22,930
	2,919,767	2,751,599

Note: As at 31 December 2015, these bonds bear interest from 5.35% to 13% per annum and mature from year 2016 to year 2020. The listed bonds were disposed during the year ended 31 December 2016.

15. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables arising from the provision of securities brokerage business with HKSCC	**–**	11,308
Trade payables to cash clients	**14,674**	3,455
Trade payables to margin clients	**25,384**	13,413
Secured margin loan from securities brokers	**261,118**	–
Other payables and accrued charges	**9,258**	12,408
	310,434	40,584

The settlement terms of trade payables arising from the provision of securities brokerage business with HKSCC are usually two days after trade date. No aged analysis is disclosed as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of brokerage business.

Trade payables to cash and margin clients are repayable on demand. In the opinion of the directors of the Company, no aged analysis is disclosed as the aged analysis does not give additional value.

For secured margin loans from securities brokers, the loans are repayable on demand (except certain balances arising from trades pending settlement or margin deposits) and are interest-bearing at the prevailing market interest rate. Only the amounts in excess of the required margin deposits are repayable on demand. The total market value of debt securities pledged as collateral in respect of the loans was approximately HK$1,495,319,000 as at 31 December 2016 (2015: Nil).

16. PROMISSORY NOTES PAYABLE

On 15 August 2016, Win Wind Capital Limited ("Win Wind"), a non-wholly owned subsidiary as to 88.22% held by the Company entered into sale and purchase agreement with an independent third party in relation to acquisitions of Smart Jump Corporation and its subsidiaries (the "Acquisition"). Pursuant to the Acquisition, Win Wind agreed to settle the total consideration for the Acquisition in the following manner:

(i) issuing a zero-coupon promissory note ("New Zero-coupon Promissory Note") with total face value of HK$95,000,000 on 15 November 2016 to replace and supersede an old Zero-Coupon Promissory note which was issued on 15 August 2016 and lapsed on 14 November 2016. The maturity date of New Zero-coupon Promissory Note is on 15 December 2016 and was settled on the maturity date; and

(ii) issuing three promissory notes with 5% coupon (the "Promissory Notes") per annum with total face value of HK$1,200,000,000 on the completion date of the Acquisition as part of the consideration for the Acquisitions. The Promissory Notes bear interest rate of 5% per annum and will be matured on 6 months, 12 months and 18 months from the issue date respectively.

The Company may repay all or part of the Promissory Notes at any time without penalty provided that the Company shall have given not less than seven business day notice to the holder prior to the respective maturity dates at 100% of their face value together with all interest accrued on the principal. The early repayment option is closely related to the host contract. The aggregate fair values of the New Zero-coupon Promissory Note and the Promissory Notes were approximately HK$1,141,080,000 at 8 December 2016 based on the valuation carried out by an independent professional valuer.

As at 31 December 2016, the aggregate principal amount of the Promissory Notes was HK$1,046,378,000, of which HK$320,642,000 is classified as non-current liabilities.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

For the year ended 31 December 2016, the Group's revenue is a negative amount of approximately HK$1,000.0 million, compared with the positive revenue of approximately HK$981.2 million over last year. Loss for the year ended 31 December 2016 amounted to approximately HK$1,035.9 million compared with the profit of approximately HK$713.1 million for last year. Basic losses per share is HK12.71 cents compared with earnings per share of HK9.63 cents (restated) for last year. The turnaround was mainly attributable to losses on financial assets at fair value through profit or loss.

Brokerage Services

Brokerage commission income generated from provision of securities brokerage services amounted to approximately HK$2.1 million for the year (2015: approximately HK$4.4 million).

Interest income generated from provision of margin financing services amounted to approximately HK$18.8 million for the year (2015: approximately HK$5.9 million).

Money Lending

Interest income from provision of money lending services decreased by approximately 28% to approximately HK$21.6 million for the year, when compared to approximately HK$29.9 million in last year as less loans were granted to customers during the year.

Placing and Underwriting Services

During the year, Win Wind Securities Limited, a non-wholly owned subsidiary of the Company, has placed and underwritten securities with a value of approximately HK$831.9 million, and generated placement commission income of approximately HK$10.2 million (2015: HK$2.7 million). Win Wind Securities Limited has executed 9 placements and underwritings on behalf of listed company clients during the year.

Corporate Finance

Corporate finance advisory fees decreased by approximately 7% to approximately HK$2.7 million as a result of decrease in customers' portfolio, as compared to approximately HK$2.9 million in last year.

Investment advisory

Investment advisory services income decreased by approximately 64% to approximately HK$2.7 million compared to approximately HK$7.6 million in last year.

Proprietary Trading

The Group engages in proprietary trading of listed securities, listed bonds and unlisted investment funds, which is classified as financial assets at fair value through profit or loss. The fair value of the portfolio amounted to approximately HK$2,919.8 million (2015: approximately HK$2,751.6 million), with a loss on fair value of approximately HK$1,058.0 million was recognised, as compared to a gain on fair value of approximately HK$927.8 million in last year. Dividend income increased by approximately 96% to approximately HK$21.0 million when compared to approximately HK$10.7 million in last year, which was mainly due to more dividends were received by the Group from listed securities.

PLACING OF UNLISTED WARRANTS WITH MANDATORY EXERCISE RIGHTS

The Company entered into a conditional placing agreement dated 11 May 2015 (the "Placing Agreement") with Win Wind Securities Limited (the "Placing Agent"), a wholly-owned subsidiary of the Company, pursuant to which the Company agreed to grant and the Placing Agent agreed to procure not less than six professional investors (the "Placees") to subscribe for 1,335,950,132 unlisted transferable warrants ("Warrant(s)") to be issued by the Company at HK$0.01 per Warrant pursuant to the Placing Agreement (as supplemented by two supplemental agreements dated 20 May 2015 and 15 June 2015). The Warrants entitle the holder thereof to subscribe for one new share to be allotted and issued by the Company upon the exercise of the subscription rights attaching to the Warrants ("Warrant Share(s)") at HK$0.65 per Warrant Share (subject to adjustment pursuant to the instrument) at any time during a period of 24 months of the issue of the Warrants and subject to the mandatory exercise rights.

The net proceeds from the placing amounts to approximately HK$13.36 million which will be used as the general working capital of the Group. Any additional proceeds from the issue of the Warrant Shares upon the exercise of the subscription rights attaching to the Warrants with mandatory exercise rights in the future up to a total amount of approximately HK$846.16 million (after deduction of expenses) will also be applied as the general working capital and/or as funds for the future business development of the Group. Details of the placing was mentioned in the circular to shareholders on 19 June 2015. The placing was approved by shareholders of the Company at a special general meeting on 7 July 2015, authorizing the Board to allot and issue the Warrants and the related Warrant Shares.

As at 31 December 2016, no Warrant Shares have been allotted pursuant to the Warrants.

SIGNIFICANT INVESTMENTS

During the year, the Group had the following significant investments held which were classified as available-for-sale investments and financial assets at fair value through profit or loss:

Name of investments	*Notes*	Percentage of shareholding as at 31 Dec 2016 %	Percentage of shareholding as at 31 Dec 2015 %	Fair value/ carrying amount as at 31 Dec 2016 *HK$'000*	Fair value/ carrying amount as at 31 Dec 2015 *HK$'000*	Net gain/(loss) for the year ended 31 Dec 2016 *HK$'000*	Net gain/(loss) for the year ended 31 Dec 2015 *HK$'000*
Available–for–sale investments							
Unlisted shares in overseas, at cost							
— HEC Capital Limited	*1*	6.87	7.99	500,000	500,000	–	–
— Freewill Holdings Limited	*2*	6.63	7.07	159,600	209,000	(49,400)	–
Unlisted shares in overseas, at fair value	*3*	5.44	5.48	100,000	100,000	–	–
Unlisted investment fund, at fair value	*4*	–	N/A	–	42,068	N/A	–
Listed shares in Hong Kong, at fair value							
— Shengjing Bank Co., Ltd. (stock code: 2066)	*5*	–	0.01	–	8,000	N/A	–
— Guangzhou R&F Properties Co., Ltd. (stock code: 2777)	*6*	–	0.06	–	19,100	7,710	–
— China Vanke Co., Ltd. (stock code: 2202)	*7*	0.08	–	163,458	–	–	–
Financial assets at fair value through profit or loss							
Listed shares in Hong Kong							
— HengTen Networks Group Limited (Stock code: 136)	*8*	3.41	1.74	990,668	719,304	(483,714)	363,347
— Freeman Fintech Corporation Limited (Stock code: 279)	*9*	4.82	8.14	345,000	403,200	4,800	302,400
— China Vanke Co., Ltd. (stock code: 2202)	*7*	0.07	0.004	137,719	10,159	(33,059)	2,484
— Evergrande Health Industry Group Limited (stock code: 708)	*10*	0.89	0.80	113,411	159,732	(63,318)	119,869
— C C Land Holdings Limited (stock code: 1224)	*11*	1.88	0.76	109,960	47,422	(1,682)	18,326
— Dragonite International Limited (stock code: 329)	*12*	4.75	4.75	85,024	50,310	34,714	(18,112)
— Kingston Financial Group Limited (stock code: 1031)	*13*	0.18	0.18	83,750	82,250	1,500	59,671
— China Smarter Energy Group Holdings Limited (stock code: 1004)	*14*	–	2.79	–	209,573	(126,126)	(46,211)

The above table lists the investments which principally formed a significant portion of the net assets of the Group. To give details of other investments would result in particulars of excessive length.

The performance and prospects of the Group's significant investments during the year were detailed as follows:

1. HEC Capital Limited ("HEC Capital")

   The Group held 6.87% of HEC Capital, which is a private company, amounting to HK$500 million, as at 31 December 2016. The investment was booked at cost less any identified impairment losses.

   HEC Capital engages in integrated financial services, securities, property and other direct investments. Given recent merger and acquisition deals of financial related companies by Chinese enterprises and low interest rate environment, HEC Capital has its strategic investment value.

2. Freewill Holdings Limited ("FHL")

   The Group held 6.63% of FHL amounting to HK$209 million as at 31 December 2016. During the year ended 31 December 2016, an impairment loss of HK$49.4 million was recognised against its carrying amount of FHL due to the decrease in net asset value of FHL as of 31 December 2016.

   FHL engages in the business of property investment, investment advisory and financial services, investment in securities trading and money lending. FHL is also a subsidiary of FFC as stated in point 9 below.

3. Unlisted shares in overseas, at fair value

   The Group held 5.44% of the share capital of an unlisted entity, which is a private company, amounting to HK$100 million, as at 31 December 2016. The investment was carried at fair value subsequent to initial recognition.

   The unlisted entity engages in securities trading and investment holding businesses. Its investment portfolio consists of listed and unlisted securities.

4. Unlisted investment fund, at fair value

   The Group invests in a company which is incorporated in the Cayman Islands and registered under the Cayman Islands Mutual Funds Law with the Cayman Island Monetary Authority (the "Investment Fund"). The Investment Fund mainly focuses on senior debt, and it can also invest across the entire capital structure including subordinated debt and preferred debt, asset backed securities, sukuks, debt with warrants and equities. The Investment Fund was disposed on 29 December 2016 by way of selling the all equity interests of a subsidiary which held this Investment Fund at the consideration of HK$50 million.

5. Shengjing Bank Co., Ltd. ("Shengjing")

   During the year, the stock price dropped from HK$9.63 per share (adjusted) to HK$7.9 per share (adjusted) and all 800,000 shares were sold by way of selling the all equity interests at the consideration of HK$50 million of a subsidiary which held Shengjing.

Shengjing engages in provision of corporate and personal deposits, loans and advances, settlement, treasury business and other banking services.

6. Guangzhou R&F Properties Co., Ltd. ("Guangzhou R&F")

   During the year, the stock price dropped from HK$9.55 per share (adjusted) to HK$9.38 per share (adjusted) and all 2,000,000 shares were sold and the amount of HK$7.7 million was recognized as realized gain.

   Guangzhou R&F engages in development of (i) quality residential and commercial properties for sale in the People's Republic of China ("PRC"); and (ii) hotels, office buildings and shopping malls in Guangzhou, Beijing and other cities in the PRC.

7. China Vanke Co., Ltd. ("Vanke")

   The Group held 443,617 shares of Vanke from year 2015, and additional 3,100,000 shares were purchased during the year and regard as financial assets at fair value through profit or loss. The stock price dropped from HK$21.68 per share (adjusted) to HK$17.7 per share (adjusted) and the value of the position increased from HK$10.2 million to HK$137.7 million due to the additional purchases.

   In November and December 2016, the Group made further purchases of 9,234,900 shares of Vanke for long term investment and regard as available-for-sale financial assets, with the value of position amounts to HK$163.5 million.

   Vanke engages in development and sale of properties, construction contract and property management and related services in the PRC.

8. HengTen Networks Group Ltd. ("HengTen Networks")

   Since 2015, the Group holds 200 million bonus warrants of HengTen Networks. Each bonus warrants holder is entitled to subscribe, in cash, one new ordinary share of HengTen Networks for every two bonus warrants (adjusted) on or before 23 February 2017. The new ordinary shares rank *pari passu* in all respects with the existing ordinary shares of HengTen Networks.

   During the year, the stock price dropped from HK$0.58 per share (adjusted) to HK$0.39 per share (adjusted). In November 2016, the Group exercise its rights attached to the 200 million bonus warrants by subscribing 100 million shares of HengTen Networks at HK$0.2 per share with the total amounts to HK$20 million.

   The value of the position increased from HK$719.3 million to HK$990.7 million due to the exercise of bonus warrants as well as the acquisition of Smart Jump which also held HengTen Networks as well. The Group recognised a loss on change in fair value of HK$483.7 million during the year.

   HengTen Networks engages in internet community services comprises three fundamental sectors, being property services, neighborhood social networking and life services, and two value-added sectors, being internet home and community finance as well as those sectors as might be derived in the future.

9. Freeman Fintech Corporation Limited ("FFC") (formerly known as Freeman Financial Corporation Limited ("FF"))

   During the year, the stock price rose from HK$0.48 per share (adjusted) to HK$0.50 per share (adjusted) and the value of the position decreased from HK$403.2 million to HK$345.0 million due to partially disposal of FFC's shares.

   FFC engages in the financial services sector, including the provision of securities and futures brokerage services, the provision of placing, underwriting and margin financing services, the provision of insurance brokerage and financial planning services, the provision of corporate finance advisory services, the trading of securities and futures, the provision of finance, as well as investment holding.

10. Evergrande Health Industry Group Limited ("Evergrande Health")

    During the year, the stock price dropped from HK$2.32 per share (adjusted) to HK$1.47 per share (adjusted) and the value of the position decreased to HK$113.4 million.

    Evergrande Health principally engages in magazine publishing, distribution of magazines, digital business and provision for magazine content and "Internet+" community health management, international hospitals, elderly care and rehabilitation, medical cosmetology and anti-aging.

11. C C Land Holdings Limited ("CC Land")

    During the year, the stock price dropped from HK$2.42 per share (adjusted) to HK$2.26 per share (adjusted) and the value of the position increased from HK$47.4 million to HK$110.0 million due to the acquisition of Smart Jump which also held CC Land as well.

    CC Land principally engages in property development and investment; investments in securities and notes receivable and provision of financial services.

12. Dragonite International Limited ("Dragonite")

    During the year, the stock price rose from HK$1.0 per share (adjusted) to HK$1.69 per share (adjusted) and the value of the position increased from HK$50.3 million to HK$85.0 million.

    Dragonite principally engages in production and sales of a series of health care products, pharmaceutical products, securities trading and investments, money lending and trading of wines in Hong Kong.

13. Kingston Financial Group Limited ("Kingston")

    During the year, the stock price rose from HK$3.29 per share (adjusted) to HK$3.35 per share (adjusted) and the value of the position increased to HK$83.8 million as at 31 December 2016.

Kingston principally engages in provision of securities brokerage, underwriting and placements, margin and initial public offering financing, other financial services, hotel ownership and management, food and beverage, casino and securities investment.

14. China Smarter Energy Group Holdings Limited ("CSE")

    During the year, the stock price dropped from HK$0.96 per share (adjusted) to HK$0.84 per share (adjusted), and all 218,305,420 shares held by the Group were sold and the amount of HK$126.1 million was recognized as a realised loss.

    CSE focuses on the alternative energy sector including solar energy, renewable energy and energy developed from waste which is supported by the government.

Going forward, the Group expects that the stock markets in Hong Kong and the PRC will remain challenging for 2017, as the economies continue to show signs of slowing down. However, the launch of Shenzhen-Hong Kong Stock Connect in early December of 2016 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 stock market will benefit from the Shenzhen-Hong Kong Stock Connect with more demands for financial services rendered in Hong Kong.

FINANCIAL POSITION

The Group's financial services business is not exposed to foreign exchange risk as most of the transactions are denominated in HK$. No financial instruments were used for hedging purposes.

The Group's total cash and bank balances, represented by cash and cash equivalents, structured deposits, and short-term bank deposits, amounted to approximately HK$743.9 million as at 31 December 2016 and are mostly denominated in RMB, HK$ and USD.

Capital commitments

As at 31 December 2016, the Group had capital commitments in respect of the acquisition of property, and equipment amounting to approximately HK$7.6 million that have not been provided for in the Group's condensed consolidated financial statements.

MATERIAL TRANSACTIONS

(a) On 30 March 2016, Win Wind Capital Limited ("Win Wind"), a wholly-owned subsidiary of the Company, entered into the subscription agreement with China Touyun Tech Group Limited, formerly known as "China Opto Holdings Limited" ("China Touyun"), a company incorporated in Bermuda and listed on the main board of the Stock Exchange (stock code: 1332), pursuant to which, amongst other things, China Touyun (or its nominee(s)) conditionally agreed to subscribe 13,600,000 new shares of Win Wind, at the consideration of HK$408,000,000, to be settled by the issue of 2,040,000,000 new shares of China Touyun upon completion. On 19 July 2016, the subscription agreement was completed to the effect that (i) the Company's interests in Win Wind was diluted to 88.22%; (ii) the Group (including Win Wind) held 2,041,792,350 shares of China Touyun, representing 28.58% of the issued share capital of China Touyun; and (iii) the HK$150,000,000 (with interest rate of 2% per annum) convertible redeemable note issued by Win Wind and held by China Touyun was redeemed in full.

(b) On 15 August 2016, Win Wind, a non-wholly owned subsidiary of the Company, entered into the acquisition agreement with Freeman Financial Investment Corporation ("Freeman"), pursuant to which Win Wind conditionally agreed to acquire and Freeman conditionally agreed to sell Smart Jump Corporation ("Smart Jump"), a company incorporated in the Republic of the Marshall Islands and a wholly-owned subsidiary of Freeman, at the consideration of HK$1,295,000,000. Win Wind paid a deposit of HK$95,000,000 to Freeman by way of a zero-coupon promissory note ("Zero-coupon Promissory Note") upon signing the acquisition agreement and the balance of the consideration would be settled by issuing the promissory notes to Freeman or its nominee(s). Win Wind issued a new zero-coupon promissory note ("New Zero-coupon Promissory Note") with total face value of HK$95,000,000 maturing on 15 December 2016 to replace and supersede the old Zero-Coupon Promissory Note on 15 November 2016.

    On 8 December 2016, the acquisition agreement was completed to the effect that (i) Smart Jump became an indirect non-wholly owned subsidiary as to 88.22% held by the Company; (ii) Win Wind issued the promissory notes to Freeman on 8 December 2016; and (iii) Win Wind repaid the New Zero-coupon Promissory Note in cash on 9 December 2016.

(c) On 15 December 2016, Uptown Enerchine Capital Limited, formerly known as Enerchine Capital Limited, a wholly-owned subsidiary of the Company ("Uptown Enerchine"), entered into the acquisition agreement with HEC International Group Limited ("HIGL"), pursuant to which Uptown Enerchine conditionally agreed to acquire and HIGL has conditionally agreed to sell shares, representing 30% of the entire issued share capital of HEC Securities Company Limited ("HSCL"), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of HIGL, at the consideration of HK$525,000,000. Upon completion, the consideration of HK$525,000,000 was paid by Uptown Enerchine to HIGL in cash and HSCL became an associate of the Company as to 30% held by the Company.

EVENT AFTER THE REPORTING PERIOD

(a) Rights issue

On 30 November 2016, the Company announced a proposed rights issue on the basis of one rights share for every two shares in issue at a subscription price of HK$0.265 per share to raise not less than HK$953,185,000 before expenses. Details of the rights issue are set out in the announcement of the Company dated 22 December 2016 and the prospectus dated 20 February 2017. Upon completion of the rights issue on 13 March 2017, the issued share capital of the Company was increased from 7,193,846,664 shares to 10,790,769,996 shares.

(b) Legal proceedings against Green International Holdings Limited ("Green International")

On 9 February 2017, Nu Kenson Limited ("Nu Kenson"), a wholly owned subsidiary of the Company involved as plaintiff in a lawsuit with claim against Green International, a company listed on the Stock Exchange of Hong Kong regarding the convertible bonds issued by Green International in the principal amount of HK$40,000,000 with interest rate of 8% ("Convertible Bonds"). Details of which was set out in Green International's announcement dated 10 February 2017. The matter has yet to be heard by the courts.

(c) Share swap agreement with Imagi International Holdings Limited ("Imagi")

On 16 March 2017, the Company entered into the share swap agreement with Imagi whereby Imagi will allot and issue new Imagi shares in exchange for the new shares of the Company. Upon completion of the share swap agreement, the Group will hold an 19.78% equity interest in Imagi. Please refer to the Company's announcement dated 16 March 2017 for the details. On 22 March 2017, the share swap was completed.

(d) Acquisition of HEC Securities Company Limited and its subsidiaries

On 21 March 2017, Uptown Enerchine Capital Limited ("Uptown Enerchine"), formerly known as Enerchine Capital Limited, a wholly-owned subsidiary of the Company entered into an acquisition agreement with the Satinu Resources Group Ltd. ("Satinu"), pursuant to which Uptown Enerchine has conditionally agreed to acquire and Satinu has conditionally agreed to sell an aggregate of 70% of the entire issued share capital of the HEC Securities Company Limited and its subsidiaries, in two tranches at the total consideration of HK$1,225,000,000. Upon the completion of the acquisition, HSCL will become a wholly-owned subsidiary of the Company. Details of these were set out in the Company's announcement dated 21 March 2017. The transaction has not yet been completed up to the date of report.

LITIGATION

Updates on the previous disposal of shares in Shenzhen Fuhuade Electric Power Co., Ltd. ("Fuhuade")

During the year ended 31 December 2011, the Group disposed of its 100% equity interest in Fuhuade to CNOOC Gas & Power Group (the "CNOOC Gas" or "Buyer"). The total consideration of the disposal of RMB1,037,642,000 (equivalent to approximately HK$1,247,166,000) was payable in instalments, the payment of which was subject to finalisation and confirmation of the results of supplemental audit. As at 31 December 2012, the supplemental audit was not yet finalized and the outstanding instalments were not received from the Buyer. In view of this, the Group made a provision for doubtful consideration receivable of HK$93,132,000 for the year ended 31 December 2012.

As at 31 December 2013, the Group was still not able to secure a satisfactory conclusion on the supplemental audit. Under the circumstances, the Board is of the opinion that the timing and eventual outcome of the finalisation of the supplemental audit and hence the settlement of the outstanding instalments cannot be estimated with reasonable certainty. It is determined that the receivable amount should be fully provided for until such time as the eventual outcome can be reliably estimated. Accordingly, the Group fully wrote down the receivable amount of HK$255,185,000, being the amount of consideration receivable amounting to HK$358,921,000 as originally stated after deducting estimated other taxes payable arising from the disposal of the subsidiary of HK$103,736,000, in the profit and loss account for the year ended 31 December 2013.

During the year, legal recourse has been sought and the Group is awaiting a decision from the court.

Legal proceedings against Qin Jun

On 6 May 2016, Win Wind Resources Limited, a wholly-owned subsidiary of the Company commenced legal proceedings as plaintiffs by filing a petition with the Court of First Instance of Hong Kong, claiming against Mr. Qin Jun as defendant regarding the outstanding payment in the approximate sum of HK$54.99 million being the entire loan facility with accrued interest pursuant to a loan agreement date 29 September 2014 made between Win Wind Resources Limited as creditor and Mr. Qin Jun as debtor (as supplemented by a supplementary agreement made between the parties dated 29 March 2015) and the interest thereon. The hearing was first heard on 7 February 2017 and judgment has yet to be delivered.

Legal proceedings against Green International Holdings Limited

On 9 February 2017, Nu Kenson Limited ("Nu Kenson"), a wholly-owned subsidiary of the Company commenced legal proceedings as plaintiff by filing a petition with the Court of First Instance of Hong Kong, claiming against Green International Holdings Limited (stock code: 2700), a company listed on the Stock Exchange ("Green International") regarding the convertible bonds issued by Green International in the principal amount of HK$40,000,000 with interest rate of 8% ("Convertible Bonds"). Pursuant to the statement of claim attached to the writ, Nu Kenson seeks, inter alia, the following reliefs: (i) a declaration that Nu Kenson is the legal and lawful owner and/or holder of the Convertible Bonds; (ii) a declaration that Nu Kenson to (a) a certificate of the Convertible Bonds in its name, to be issued Green International; (b) have its name entered into the register of bondholder by Green International; and (c) convert the Convertible Bonds into shares of Green International in accordance with the terms and conditions of the Convertible Bonds; (iii) specific performance of the Convertible Bonds; and/or (iv) damages to be assessed. The matter has yet to be heard by the courts.

PROSPECTS

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.

At the beginning of 2016, the management of the Group took a prudent view over the global economic outlook and had adopted a conservative approach to its investment strategy. However, following the delay in the rate increase in the United States and the extended stimulus packages implemented by the European Union, Britain and Japan, there has been a significant improvement in different asset classes since the second quarter of 2016.

Accordingly, the Company strengthened its proprietary trading arm by acquiring Smart Jump Corporation through its non-wholly owned subsidiary (Details are set out in the Company's circular dated 19 November 2016).

Further, the Company expects that 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. Accordingly, the Company completed the HEC Acquisition and considered that it provides a chance for the Company to acquire a 100% interest in a long-established securities company through the right of first refusal.

As a major international financial centre, the Board believes that Hong Kong will continue to play a major role in connecting the PRC market to the rest of the world, the Directors expect to see gradual improvement in the financial market as investors regain confidence in the nation's outlook for the coming year and Hong Kong market is expected to remain resilient to minor fluctuations. Thus, there is an advancement in environment for the development of Hong Kong's financial services sector. Leveraging its proven business model, the Group remains cautiously optimistic in the capital market and driving long-term solid business growth.

Looking ahead, we believe the global growth will continue to be challenging and uneven. The prospect of rising interest rates in the US and an economic slowdown in the PRC are contributing to uncertainty and a higher risk of economic vulnerability worldwide. Moreover, growth in global trade has slowed down considerably along with strong gains for industrial commodities such as energy and metals in 2017, due to tightening supply and strengthening demand. The financial sector in many countries still has weaknesses, and financial risks are arising in emerging markets.

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group employed approximately 48 full time employees for its principal activities. The Group recognizes the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2016.

CORPORATE GOVERNANCE

During the year, the Company has complied with the code provisions as set out in the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

In accordance with the requirements of Appendix 27 of the Listing Rules, the Company has engaged our business functions to identified relevant environmental, social and governance issues and assessed their materiality to our business as well as our stakeholders, through reviewing our operations and holding internal discussions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the year ended 31 December 2016, all Directors have complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive directors, namely, Mr. Cheung Wing Ping, Mr. Chui Kark Ming and Mr. Ma Ka Ki. The Audit Committee meets regularly with the Company's senior management and the Company's auditor to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The annual results of the Group for the year ended 31 December 2016 had been audited by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, and had been reviewed by the Audit Committee.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the "AGM") was scheduled to be held on Friday, 26 May 2017. The notice of AGM will be published on the Company's website at www.enerchina.com.hk and the designated website of the Stock Exchange at www.hkexnews.hk in due course.

The register of members of the Company will be closed from Wednesday, 24 May 2017 to Friday, 26 May 2017, both dates inclusive, during which period no share transfer will be effected. In order to identify the entitlement for attending the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 23 May 2017.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to the staff and management team of the Group for their contribution during the year and also to give my sincere gratitude to all our shareholders for their continual support all these years.

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

Hong Kong, 28 March 2017

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

Executive Directors:
Mr. Chen Wei *(Chairman of the Board)*
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