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 2017

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 2017 as follows:

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	3	**85,560**	58,064
Other income	4	**259,356**	85,997
Other gains and losses	5	**143,477**	1,199
Gain (Loss) on financial assets at fair value through profit or loss		**159,775**	(1,058,044)
Impairment losses in respect of available-for-sale investments		**(130,012)**	(75,415)
Depreciation of property and equipment		**(25,587)**	(26,050)
Employee benefits expenses		**(92,426)**	(30,450)
Other expenses		**(144,731)**	(84,799)
Share of results of associates		**41,531**	4,449
Loss on early settlement of promissory notes	18	**(153,622)**	–
Finance costs	6	**(57,013)**	(12,174)
Profit (Loss) before taxation	8	**86,308**	(1,137,223)
Income tax (expense) credit	7	**(65,019)**	101,357
Profit (Loss) for the year		**21,289**	(1,035,866)
Other comprehensive income (loss):			
Items that are reclassified or may be reclassified subsequently to profit or loss			
Exchange differences arising on translation to presentation currency		**65,220**	(60,428)
Fair value change on available-for-sale investments reclassified to profit or loss upon disposal		**55,082**	(4,753)
Fair value change on available-for-sale investments		**(62,553)**	(64,262)
Total other comprehensive income (loss) for the year		**57,749**	(129,443)
Total comprehensive income (loss) for the year		**79,038**	(1,165,309)

	Note	2017 HK$'000	2016 HK$'000
Profit (Loss) for the year attributable to:			
Owners of the Company		**57,464**	(941,990)
Non-controlling interests		**(36,175)**	(93,876)
		21,289	(1,035,866)
Total comprehensive income (loss) attributable to:			
Owners of the Company		**113,021**	(1,063,863)
Non-controlling interests		**(33,983)**	(101,446)
		79,038	(1,165,309)
		HK Cents	HK Cents *(adjusted)*
Earnings (Loss) per share	*10*		
Basic		**2.41**	(63.57)
Diluted		**2.41**	(63.57)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
Non-current assets			
Property and equipment		**137,342**	163,453
Available-for-sale investments	*11*	**2,372,424**	966,911
Interests in associates	*12*	**578,255**	529,449
Intangible assets		**3,908**	3,908
Other investment	*13*	**179,426**	–
Held-to-maturity investments	*14*	**29,290**	–
Deposit paid for an investment		**–**	15,000
Other deposits		**520**	478
Loan receivables		**28,841**	3,823
Deposit paid for acquisition of property and equipment		**77,014**	68,397
		3,407,020	1,751,419
Current assets			
Trade, loan and other receivables	*15*	**446,098**	704,659
Financial assets at fair value through profit or loss	*16*	**2,790,718**	2,919,767
Structured deposits		**265,550**	223,464
Bank balances – trust and segregated accounts		**8,801**	43,171
Cash and cash equivalents		**850,229**	743,898
		4,361,396	4,634,959
Current liabilities			
Trade and other payables	*17*	**292,039**	310,434
Income tax payable		**110,820**	67,864
Loan payables		**895,000**	250,000
Promissory notes payable	*18*	**–**	725,736
		1,297,859	1,354,034
Net current assets		**3,063,537**	3,280,925
Total assets less current liabilities		**6,470,557**	5,032,344

	Note	**2017**	2016
		HK$'000	*HK$'000*
Non-current liabilities			
Deferred taxation		**131,193**	109,986
Promissory notes payable	*18*	**–**	320,642
		131,193	430,628
NET ASSETS		**6,339,364**	4,601,716
Capital and reserves			
Share capital		**145,294**	71,939
Reserves		**5,937,049**	4,293,539
Equity attributable to owners of the Company		**6,082,343**	4,365,478
Non-controlling interests		**257,021**	236,238
TOTAL EQUITY		**6,339,364**	4,601,716

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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 Group principally engages in investment holdings, trading and investment in securities, and the provision of (i) securities brokerage services, (ii) placing and underwriting services, (iii) corporate finance advisory services, (iv) money lending services, (v) investment advisory and asset management services, and (vi) margin financing services.

The consolidated financial statements are presented in Hong Kong dollars, 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

Amendments to HKAS 7: Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The adoption of the amendments results in the additional disclosures to the consolidated financial statements.

Amendments to HKAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify, among others, how to account for deferred tax assets related to debt instruments measured at fair value.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

Annual Improvements 2014-2016 Cycle: HKFRS 12 – Clarification of the scope

The amendments clarify that except for the summarised financial information for subsidiaries, joint ventures and associates in which the interests are classified or included in a disposal group that is classified as held for sale in accordance with HKFRS 5, the requirements of HKFRS 12 apply to interests in entities within the scope of HKFRS 5.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

(A) Revenue

	2017	2016
	HK$'000	*HK$'000*
An analysis of the Group's revenue for the year is as follows:		
Fee and commission income	**10,895**	12,306
Interest income from margin clients	**22,460**	18,775
Interest income from loan receivables	**50,645**	21,603
Advisory and other fee income	**1,560**	5,380
	85,560	58,064

(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 2017

	Financial services *HK$'000*	Securities trading and investments *HK$'000*	Money lending *HK$'000*	Consolidated *HK$'000*
Revenue				
Revenue from financial services	**34,915**	**–**	**–**	**34,915**
Revenue from money lending	**–**	**–**	**50,645**	**50,645**
Total revenue	**34,915**	**–**	**50,645**	**85,560**
Gain on financial assets at fair value through profit or loss	**–**	**159,775**	**–**	**159,775**
Segment revenue	**34,915**	**159,775**	**50,645**	**245,335**
Segment profit (loss)	**10,842**	**176,373**	**(3,323)**	**183,892**
Unallocated other income				**173,710**
Net exchange gain				**6,855**
Share of results of associates				**41,531**
Other gain and loss				**919**
Loss on early settlement of promissory notes				**(153,622)**
Finance costs – unallocated				**(9,918)**
Central corporate expenses				**(157,059)**
Profit before taxation				**86,308**

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
Finance costs – unallocated				(12,174)
Central corporate expenses				(29,627)
Loss before taxation				(1,137,223)

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

The accounting policies of the reportable and operating segments 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, share of results of associates, gain on disposal of subsidiaries, gain on bargain purchase of subsidiaries, release of provision of financial guarantees, finance costs and the 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

	2017	2016
	HK$'000	*HK$'000*
Interest income on:		
– Bank deposits	**38,335**	28,109
– Listed bonds at fair value through profit or loss	**4,000**	8,998
– Held-to-maturity investments	**1,091**	–
– Others	**1,414**	173
	44,840	37,280
Dividend income from:		
– Financial assets at fair value through profit or loss	**16,012**	20,969
– Available-for-sale investments	**188,639**	–
	204,651	20,969
Others	**9,865**	27,748
	259,356	85,997

5. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Net exchange gain	**6,855**	2,885
Gain on bargain purchase of subsidiaries	**–**	2,895
Gain (Loss) on disposal of property and equipment	**910**	(11)
(Loss) Gain on disposal of available-for-sale investments	**(1,713)**	2,862
Gain on disposal of subsidiaries	**–**	2,769
Release on financial guarantees	**–**	2,328
Reversal of (Provision for) impairment loss in respect of loan receivables	**2,898**	(12,529)
Recovery of doubtful consideration receivables	**135,378**	–
Other losses	**(851)**	–
	143,477	1,199

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on loan payables	**35,302**	12,174
Interest on margin financing	**11,793**	–
Interest on the promissory notes	**9,918**	–
	57,013	12,174

7. INCOME TAX EXPENSE (CREDIT)

	2017	2016
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**43,812**	5,063
Deferred taxation		
Origination and reversal of temporary difference	**21,207**	(106,420)
Income tax expense (credit)	**65,019**	(101,357)

Hong Kong Profits Tax has been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong for both years

8. PROFIT (LOSS) BEFORE TAXATION

This is stated after charging (crediting):

	2017	2016
	HK$'000	*HK$'000*
Auditor's remuneration	**1,980**	2,600
Operating leases in respect of rented premises	**9,293**	11,836
(Gain) Loss on financial assets at fair value through profit or loss	**(159,775)**	1,058,044
Entertainment expenses	**29,202**	27,737
Legal and professional fee	**16,735**	4,902

Net realised loss of approximately HK$239,830,000 (2016: HK$179,144,000) for the year ended 31 December 2017 on disposal of investments held for trading is included in (gain) loss on financial assets at fair value through profit or loss disclosed above. The remaining amount represents unrealised gain/loss on change in fair value of financial assets at fair value through profit or loss.

9. DIVIDENDS

Final dividend of HK$0.01 per share amounting to approximately HK$29,100,000 in respect of the year ended 31 December 2017 (2016: Nil) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

The directors of the Company have declared an interim dividend of HK$0.004 per share during the year ended 31 December 2017 (2016: Nil). The interim dividend was paid in cash, with an option to receive new and fully paid shares in lieu of cash under a scrip dividend scheme (the "Scrip Dividend Scheme"). For the calculation of new shares to be allotted pursuant to the Scrip Dividend Scheme, the market value of the new shares has been fixed at HK$0.1818 per share. Details of which are set out in the Company's circular dated 27 September 2017.

As a result, 10,014,714 shares amounting to approximately HK$1,821,000 were issued and cash of approximately HK$56,257,000 was paid in relation to the interim dividend.

On 5 September 2017, the Board proposes that every five (5) issued and unissued existing shares of HK$0.01 each in the share capital of the Company be consolidated into one (1) consolidated share of HK$0.05 each in the share capital of the Company (the "Share Consolidation").

The Share Consolidation was approved by the shareholders of the Company at the special general meeting of the Company held on 6 November 2017. The Share Consolidation became effective on 7 November 2017.

10. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on profit (loss) attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the year as follows:

Earnings (Loss)

	2017	2016
	HK$'000	*HK$'000*
Earnings (Loss) for the purpose of basic and diluted earnings (loss) per share		
Profit (Loss) for the year attributable to equity shareholder of the Company	**57,464**	(941,990)

Number of shares	**2017**	2016
		(adjusted)
Weighted average number of ordinary shares, for the purpose of basic earnings (loss) per share	**2,387,083,168**	1,481,932,413

Note:

The number of shares for the purpose of calculating basic earnings per share for the year ended 31 December 2017 has been adjusted and restated to reflect (i) rights issue, (ii) share swap, (iii) exercise of share options, (iv) placing of shares, (v) distribution of interim dividend by shares and (vi) share consolidation. The computation of diluted earnings per share for the year ended 31 December 2017 did not assume the exercise of certain share options as the exercise price was higher than the average market price of shares for 2017.

The number of shares for the purpose of calculating basic loss per share for the year ended 31 December 2016 has been adjusted to reflect rights issue and share consolidation during the year ended 31 December 2017. The computation of diluted loss per share for the year ended 31 December 2016 does not assume the exercise of certain share options and warrants since their assumed exercise would result in decrease in loss per share.

11. AVAILABLE-FOR-SALE INVESTMENTS

	Note	**2017**	2016
		HK$'000	*HK$'000*
At fair value			
Equity securities – listed			
Listed in Hong Kong		**1,470,267**	190,190
Listed in the People's Republic of China ("PRC")		**28,343**	–
	(a)	**1,498,610**	190,190
Equity securities – Unlisted	*(b)*	**100,000**	100,000
		1,598,610	290,190
At cost			
Unlisted investments	*(c)*	**961,037**	734,698
Less: Impairment loss	*(d)*	**(187,223)**	(57,977)
		773,814	676,721
		2,372,424	966,911

Notes:

(a) The fair values of the listed investments are determined on the basis of quoted market price at the end of the reporting period.

(b) As at 31 December 2017, the Group owns approximately 3.71% (2016: 5.48%) of the share capital of Co-Lead Holdings Limited ("Co-Lead"), an unlisted private company incorporated in the British Virgin Islands, at a carrying value of HK$100,000,000 (2016: HK$100,000,000). Co-Lead and its subsidiaries principally engage in securities investment and investment holding business in Hong Kong.

(c) As at 31 December 2017, the investments in unlisted equity securities issued by private entities are held for an indefinite long term strategic purpose. The available-for-sale investments are measured at cost less impairment at the end of the reporting period because the directors of the Company are of the opinion that their fair values cannot be measured reliably, given that the ranges of reasonable fair value estimates are so significant and the probabilities of the various estimates cannot be reasonably assessed.

Including unlisted investments as at 31 December 2016, the Group held approximately 6.87% of the issued shares of HEC Capital Limited with carrying amount of HK$500,000,000. As a result of the internal corporate reorganisation of HEC Capital Limited on 6 January 2017, the Group has since held approximately 6.87% of the issued shares of Satinu Resources Group Ltd. ("Satinu"). In September 2017, Freewill Holdings Limited, one of the Group's available-for-sale investment measured at cost, distributed further Satinu's shares to the Group amounting to approximately HK$188,639,000. Accordingly, the Group's interests in Satinu increased from 6.87% to 8.83%. As at 31 December 2017, the carrying amount of investment in Satinu was HK$688,639,000. Satinu principally engages in integrated financial services, securities brokerage services, money lending, securities and other direct investments.

(d) Movement of provision of impairment loss

	2017	2016
	HK$'000	*HK$'000*
At the beginning of the reporting period	**57,977**	–
Provision for impairment loss	**130,012**	75,415
Written off upon disposal through disposal of subsidiary	**–**	(17,438)
Exchange realignment	**(766)**	–
At the end of the reporting period	**187,223**	57,977

During the year ended 31 December 2017, an impairment loss of HK$130,012,000 *(2016: 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 and the distribution made by Freewill. Other than this, the directors of the Company consider no impairment is required in respect of the other unlisted investments as at 31 December 2017.

12. INTERESTS IN ASSOCIATES

	2017	2016
	HK$'000	*HK$'000*
Unlisted shares		
Shares of net assets	**352,877**	304,190
Goodwill	**225,378**	225,259
	578,255	529,449

HEC Securities Company Limited ("HEC Securities")

(i) *Profit Guarantee*

As at 31 December 2016, interests in associates represent the Group's interests in 30% of the issued ordinary share capital of HEC Securities. According to the acquisition agreement, the holding company of HEC Securities, HEC International Group Limited, has provided a profit guarantee to the Group that the audited consolidated net profits before tax of HEC Securities 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 HEC Securities records a net loss in its audited consolidated accounts of any Guaranteed Period, the audited consolidated net profits before tax of HEC Securities for such Guaranteed Period will be deemed as "zero" for the calculation of the aggregate actual audited consolidated net profits before tax.

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

If the aggregate actual audited consolidated net profits before tax of the HEC Securities 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 Uptown Enerchine Capital Limited (formerly known as Enerchine Capital Limited) the amount equal to the proportion of shareholding interest multiplied by the shortfall between the Aggregate Guaranteed Amount and aggregate actual audited consolidated net profits before tax of HEC Securities of all the three Guaranteed Periods.

On 20 November 2017, Uptown Enerchine and Satinu entered into a supplemental agreement pursuant to which the guaranteed period shall be extended to 31 December 2021 and the profit guarantee shall be increased to an aggregate sum of HK$675,000,000.

Based on the 2017 actual result of HEC Securities, the directors of the Company assessed that the Profit Guarantee in respect of 2017 met at the end of the reporting period.

(ii) *Termination of proposed step acquisition and disposal of interests in HEC Securities*

On 21 March 2017, the Group entered into an acquisition agreement with Satinu to acquire 70% of the entire issued share capital of HEC Securities at consideration of HK$1,225,000,000 (the "Proposed Step Acquisition") in two tranches. On 29 December 2017, both parties entered into a termination agreement to terminate the Proposed Step Acquisition with immediate effect due to continual delays in the despatch of the circular as a result of protracted regulatory processes and the additional time required to address such information for inclusion in the circular.

On 18 January 2018, the Group entered into a sale and purchase agreement with Satinu to sell back the 30% of the issued share capital of HEC Securities at consideration of HK$525,000,000 of which HK$125,000,000 is payable in cash and HK$400,000,000 is payable by issuance of two zero-coupon promissory notes at principal amount of HK$200,000,000 each maturing on 31 December 2018 and 31 December 2019, respectively. The aggregate fair values of the promissory notes were approximately HK$378,107,000 at issue date of 18 January 2018.

Eternal Bullion Holding Group ("Eternal") and Topwish Holdings Limited ("Topwish")

On 11 October 2017, the Group entered into a sale and purchase agreements with an independent third party to acquire the 25% interest in Eternal and Topwish at the consideration of HK$250,000 and HK$7,025,000 respectively. The acquisitions were completed on the same day.

Details of the associates at the end of reporting period are as follows:

Name of entities	Country of incorporation	Principal place of operation	Class of share held	Proportion of ownership interest held by the Group %		Principal activities
				2017	2016	
HEC Securities	British Virgin Islands	Hong Kong	Ordinary	**30**	30	Investment holding, trading and investment of securities
Eternal	British Virgin Islands	Hong Kong	Ordinary	**25**	–	Investment holding, investment advisory and management services
Topwish	British Virgin Islands	Hong Kong	Ordinary	**25**	–	Investment holding, and trading and investment of securities

(a) Fair value of investments

At the end of the reporting period, all of the Group's associates are private companies and there was no quoted market price available for the investments.

(b) Financial information of associates

Summarised financial information of each of the associates of the Group is set out below, which represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

At 31 December 2017

	HEC Securities	Eternal	Topwish
	HK$'000	*HK$'000*	*HK$'000*
Gross amount			
Current assets	**1,346,140**	**511**	**24,636**
Non-current assets	**438**	**–**	**12,647**
Current liabilities	**(193,320)**	**(62)**	**(10,132)**
Non-current liabilities	**–**	**–**	**–**
Equity	**1,153,258**	**449**	**27,151**
Reconciliation			
Gross amount of equity	**1,153,258**	**449**	**27,151**
Group's ownership interests	**30%**	**25%**	**25%**
Group's share of equity	**345,977**	**112**	**6,788**
Goodwill	**225,259**	**92**	**27**
Carrying amount of interests	**571,236**	**204**	**6,815**

Year/Period ended 31 December 2017

	HEC Securities	Eternal	Topwish
	HK$'000	*HK$'000*	*HK$'000*
Gross amount			
Revenue	**94,827**	**(183)**	**1,224**
Profit (loss) from continuing operations	**139,291**	**(183)**	**(842)**
Other comprehensive income	**–**	**–**	**–**
Total comprehensive income (loss)	**139,291**	**(183)**	**(842)**
Group's ownership interests	**30%**	**25%**	**25%**
Group's share of results	**41,787**	**(46)**	**(210)**

At 31 December 2016

	HEC Securities
	HK$'000
Gross amount	
Current assets	1,927,250
Non-current assets	200
Current liabilities	(913,483)
Non-current liabilities	–
Equity	1,013,967
Reconciliation	
Gross amount of equity	1,013,967
Group's ownership interests	30%
Group's share of equity	304,190
Goodwill	225,259
Carrying amount of interests	529,449

Period ended 31 December 2016

	HEC Securities
	HK$'000
Gross amount	
Revenue	32,443
Profit from continuing operations	14,830
Other comprehensive income	–
Total comprehensive income	14,830
Group's ownership interests	30%
Group's share of results	4,449

13. OTHER INVESTMENT

Other investment represents unlisted unit trusts in the PRC issued by an independent financial institution which is measured at amortised cost and classified as loans and receivables. Such investment is in principal amount of RMB150,000,000 (equivalent to approximately HK$179,426,000) with fixed interest rate of 7% per annum and maturity date in November 2019.

14. HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments represents senior notes listed on the Singapore Exchange Limited which is measured at amortised costs. Such investments are in aggregate principal amount of HK$29,287,000, with fixed coupon interests of 8.75% per annum and maturity date in June 2025. The Group has the intention and ability to hold them until maturity.

15. TRADE, LOAN AND OTHER RECEIVABLES

	Note	**2017** ***HK$'000***	2016 *HK$'000*
Trade receivables			
Trade receivables arising from the business of advisory for corporate finance and investment management		**–**	300
Trade receivables arising from the business of securities brokerage			
– cash clients		**76**	55
– margin clients	*(b)*	**22,978**	299,533
– Hong Kong Securities Clearing Company Limited ("HKSCC")		**–**	560
	(a)	**23,054**	300,448
Loan receivables			
Loan and interest receivables from independent third parties		**220,292**	317,535
Less: Allowance for doubtful debts		**–**	(2,898)
	(c)	**220,292**	314,637
Less: Non-current portion		**(28,841)**	(3,823)
Current portion		**191,451**	310,814
Other receivables			
Deposits with securities brokers	*(d)*	**78,471**	20,899
Receivable arising from recovery of doubtful consideration receivables	*(e)*	**136,210**	–
Receivable arising from the disposal of subsidiaries		**–**	50,000
Other receivables, deposits and prepayments		**16,912**	22,498
		231,593	93,397
		446,098	704,659

Notes:

(a) 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. The Group offset certain trade receivables and trade payables 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.

(b) Trade receivables from margin clients are repayable on demand and bear interest ranging from 8% to 30% (2016: 8% to 30%) per annum for year ended 31 December 2017. The loans are secured by pledged marketable securities with a total fair value of approximately HK$687,730,000 (2016: HK$1,686,378,000). 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 2017 and 2016. During the years ended 31 December 2017 and 2016, no margin loans were granted to the directors of the Company nor directors of subsidiaries.

(c) At the end of the reporting period, loan receivables include fixed rate loan advances to independent third parties of approximately HK$45,474,000 (2016: HK$287,233,000) which are secured by the pledge of certain collaterals and personal guarantees, and have contractual loan period between 2 months and 12 years (2016: 2 months and 8 years) under the Group's money lending operation. The management of the Group believes that the amount is considered recoverable given that the fair value of the collaterals is sufficient to cover the entire loan balance for each of the secured loan advances and subsequent repayment. The remaining balance of approximately HK$174,818,000 (2016: HK$27,404,000) is unsecured, a substantial portion of which was settled subsequently to year end. The average interest rate for the loan receivables as at 31 December 2017 was ranging from 5% to 48% (2016: 5% to 36%) 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, salaries and current working position) and repayment abilities. The Group determines the allowance of impaired debts based on the evaluation of collectability and maturity analysis of accounts and on the management's judgement, including assessment of the change of credit quality and the past collection history of each borrower.

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

	2017	2016
	HK$'000	*HK$'000*
At the beginning of the reporting period	**2,898**	4,231
Provision of allowance	**–**	12,529
Reversal of allowance upon recovery of loan	**(2,898)**	–
Written off	**–**	(13,862)
At the end of the reporting period	**–**	2,898

Aging analysis

Aging analysis of loans to customers (after allowance for doubtful debts) prepared based on loan commencement or renewal date set out in the relevant contracts is as follows:

	2017	2016
	HK$'000	*HK$'000*
Less than 1 month	**–**	215,809
1 to 3 months	**17,473**	10,170
4 to 6 months	**38,520**	34,616
7 to 12 months	**121,338**	2,402
Over 12 months past due	**42,961**	51,640
At the end of the reporting period	**220,292**	314,637

Aging analysis of loans to customers (after allowance for doubtful debts) prepared based on contractual due date is as follows:

	2017	2016
	HK$'000	*HK$'000*
Not yet past due	**34,123**	314,637
1 to 3 months past due	**145,186**	–
7 to 12 months past due	**1,853**	–
Over 12 months past due	**39,130**	–
At the end of the reporting period	**220,292**	314,637

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivable from the date of credit on which 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, there is no deterioration in the collectability of the loan receivables and thus no allowance for doubtful debt is considered necessary.

Included in the Group's loan receivables balance with a carrying amount of HK$186,169,000 (2016: Nil), which is past due at the end of the reporting period but which the Group has not impaired as there has not been any significant changes in credit quality and the directors believe that the amounts are fully recoverable. Approximately HK$168,601,000 of the balance past due was subsequently settled.

The management closely monitors the credit quality of the loans and there are no indications that the loan receivables neither past due nor impaired will be uncollectible.

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

(e) During the year ended 31 December 2011, the Group disposed of its 100% equity interest in a subsidiary Shenzhen Fuhuade Electric Power Co., Ltd ("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 consolidated profit or loss for the year ended 31 December 2013.

In December 2017, the Group received a civil judgement in favour of the Group in relation to the litigation on the previous disposal of shares in Fuhuade, pursuant to which the Group was judged to receive approximately RMB85,545,000 (equivalent to approximately HK$102,327,000) together with related interest of approximately RMB28,326,000 (equivalent to approximately HK$33,883,000). In February 2018, approximately RMB102,328,000 (equivalent to approximately HK$122,402,000) was settled by the Buyer. For the remaining unsettled balance, the Group is awaiting a decision from the Court. Based on the legal opinion of the Group's PRC lawyers, the directors are of the opinion that the outcomes are uncertain.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	HK$'000	*HK$'000*
Investments held for trading:		
Listed shares in Hong Kong	**2,630,254**	2,623,080
Unlisted investment funds	**160,464**	296,687
	2,790,718	2,919,767

17. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables		
Trade payables arising from the business of securities brokerage		
– HKSCC	**1,973**	–
– cash clients	**2,140**	14,674
– margin clients	**6,607**	25,384
Secured margin loans from securities brokers	**240,778**	261,118
	251,498	301,176
Other payables		
Other payables and accrued charges	**40,541**	9,258
	292,039	310,434

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 7.236% (2016: 7.236%). The total market value of debt and equity securities pledged as collateral in respect of the loans was approximately HK$738,272,000 (2016: HK$1,495,319,000) as at 31 December 2017.

18. PROMISSORY NOTES PAYABLE

The promissory notes with total face value of HK$1,200,000,000 and the carrying amount of HK$1,046,378,000 as at 31 December 2016 were issued as part of consideration in relation to acquisition of Smart Jump Corporation and its subsidiaries which bore interest rate of 5% per annum and matured on 6 months, 12 months and 18 months respectively from the issue date of 8 December 2016. 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.

During the year ended 31 December 2017, the Group recognised interest expenses of HK$9,918,000 for the promissory notes and settled all of the promissory notes together with interest amounting HK$1,209,918,000 which resulted in a loss on early settlement of HK$153,622,000.

SCOPE OF WORK OF MESSRS. MAZARS CPA LIMITED

The figures in respect of the Company's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Company's auditors, Mazars CPA Limited ("Mazars"), to the amounts set out in the Company's audited consolidated financial statements for the year ended 31 December 2017. The work performed by Mazars 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 Mazars on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group principally engages in investment holdings, trading and investment in securities, and the provisions of (i) securities brokerage services, (ii) placing and underwriting services, (iii) corporate finance advisory services, (iv) money lending services, (v) investment advisory and asset management services, and (vi) margin financing services.

BUSINESS REVIEW

For the year ended 31 December 2017, the Group's revenue is a positive amount of approximately HK$245.3 million, compared with the negative revenue of approximately HK$1,000.0 million over last year. Profit for the year ended 31 December 2017 amounted to approximately HK$21.3 million compared with the loss of approximately HK$1,035.9 million for last year. Basic earning per share is HK$0.0241 compared with loss per share of HK$0.6357 (adjusted) for last year. The turnaround was mainly attributable to gain 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$1.5 million for the year (2016: approximately HK$2.1 million).

Interest income generated from provision of margin financing services amounted to approximately HK$22.5 million for the year (2016: approximately HK$18.8 million).

Money Lending

Interest income from provision of money lending services increased by approximately 134.3% to approximately HK$50.6 million for the year, when compared to approximately HK$21.6 million in last year as more 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$739.3 million, and generated placement commission income of approximately HK$9.4 million (2016: HK$10.2 million). Win Wind Securities Limited has executed 3 placements and underwritings (including sub-placing).

Corporate Finance

Corporate finance advisory fees decreased by approximately 81.5% to approximately HK$0.5 million as a result of a decrease in customers' portfolio, as compared to approximately HK$2.7 million in last year.

Investment advisory

Investment advisory services income decreased by approximately 59.3% to approximately HK$1.1 million compared to approximately HK$2.7 million in last year.

Proprietary Trading and Investments Holding

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$2,790.7 million (2016: approximately HK$2,919.8 million), with a gain on fair value of approximately HK$159.8 million was recognised, as compared to a loss on fair value of approximately HK$1,058.0 million in last year. Dividend income increased by approximately 874.8% to approximately HK$204.7 million when compared to approximately HK$21.0 million in last year, which was mainly due the distribution of the shares of Satinu Resources Group Ltd. from Freewill Holdings Limited to the Group.

FINANCIAL POSITION

The Group's certain other receivables and bank balances are denominated in USD in amount of HK$10,474,000.

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

Capital commitments

As at 31 December 2017, the Group had capital commitments in respect of the acquisition of property, and equipment amounting to approximately HK$10.2 million that have not been provided in the Group's consolidated financial statements.

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 2017 *%*	Percentage of shareholding as at 31 Dec 2016 *%*	Fair value/ carrying amount as at 31 Dec 2017 *HK$'000*	Fair value/ carrying amount as at 31 Dec 2016 *HK$'000*	Net gain/(loss) for the year ended 31 Dec 2017 *HK$'000*	Net gain/(loss) for the year ended 31 Dec 2016 *HK$'000*
Available-for-sale investments							
Unlisted shares in overseas, at cost							
– Satinu Resources Group Ltd.	*1*	8.83	6.87	688,639	500,000	–	–
– Freewill Holdings Limited	*2*	7.71	6.63	29,588	159,600	(130,012)	(49,400)
Unlisted shares, at fair value							
– Co-Lead Holdings Limited	*3*	3.71	5.44	100,000	100,000	–	–
Listed shares in Hong Kong, at fair value							
– Shengjing Bank Co., Ltd. (stock code: 2066)	*4*	12.33	–	1,176,100	–	(77,900)	–
– Huishang Bank Corporation Ltd. (stock code: 3698)	*5*	0.95	–	128,400	–	9,900	–
Financial assets at fair value through profit or loss							
Listed shares							
– China Evergrande Group (Stock code: 3333)	*6*	0.26	0.05	913,605	33,810	215,254	(3,430)
– Freeman FinTech Corporation Limited (Stock code: 279)	*7*	4.42	4.82	361,109	345,000	13,223	4,800
– Evergrande Health Industry Group Limited (stock code: 708)	*8*	0.89	0.89	238,394	113,411	124,983	(63,318)
– C C Land Holdings Limited (stock code: 1224)	*9*	2.15	1.88	144,303	109,960	(35,334)	(1,682)
– Guosheng Financial Holding Inc. (stock code: 2670.SZ)	*10*	0.33	–	114,653	–	21,421	–
– Asia Standard International Group Limited (stock code: 129)	*11*	3.09	3.09	77,602	64,533	13,070	(4,084)
– Newton Resources Ltd (stock code: 1231)	*12*	2.27	0.52	85,450	16,932	23,018	1,254
– Larry Jewelry International Company Limited (stock code: 8351)	*13*	3.81	3.81	63,004	13,887	49,118	(1,672)
– HengTen Networks Group Limited (stock code: 136)	*14*	–	3.41	–	990,668	(408,375)	(483,714)
– Kingston Financial Group Limited (stock code: 1031)	*15*	–	0.18	–	83,750	156,750	1,500

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 period were detailed as follows:

1. **Satinu Resources Group Ltd. ("Satinu")**

   Satinu and its subsidiaries engage in integrated financial services, securities brokerage services, money lending, securities and other direct investments. Given recent merger and acquisition deals of financial related companies by Chinese enterprises and low interest rate environment, Satinu has a strategic investment value.

2. **Freewill Holdings Limited ("FHL")**

   FHL engages in the business of property investment, investment advisory and financial services, investment in securities trading and money lending. FHL is also an associate company of Freeman Fintech Corporation Limited as stated in point 7 below.

3. **Co-Lead Holding Limited ("Co-Lead")**

   Co-Lead engages in securities trading and investment holding businesses. Its investment portfolio consists of listed and unlisted securities.

4. **Shengjing Bank Co., Ltd. ("Shengjing") (Stock code: 2066)**

   Shengjing engages in the provision of corporate and personal deposits, loans and advances, settlement, treasury business and other banking services as approved by the China Banking Regulatory Commission (the "CBRC").

5. **Huishang Bank Corporation Limited ("Huishang") (Stock code: 3698)**

   Huishang Bank engages in Renminbi ("RMB") and foreign currency deposits, loans, clearing and settlement services, assets custody services, finance leasing services, and the provision services as approved by the respective regulators.

6. **China Evergrande Group ("China Evergrande") (Stock code: 3333)**

   China Evergrande focuses on property development, property investment, property management, property construction, hotel operations, finance business, internet business and health industry business in the PRC.

7. **Freeman FinTech Corporation Limited ("FFC") (formerly known as Freeman Financial Corporation Limited) (Stock code: 279)**

   FFC principally 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.

8. **Evergrande Health Industry Group Limited ("Evergrande Health") (Stock code: 708)**

   Evergrande Health principally engages in magazine publishing, distribution of magazine, digital business and provision of magazine content (collectively, the "Media Business") and "Internet+" community health management, international hospitals, elderly care and rehabilitation, medical cosmetology and anti-ageing (collectively, the "Health Management Segment").

9. **C C Land Holdings Limited ("CC Land") (Stock code: 1224)**

   CC Land principally engages in property development and investment and treasury investments.

10. **Guosheng Financial Holding Inc. ("Guosheng Financial") (Stock code: 2670. SZ)**

    Guosheng Financial is a China-based company listed on Shenzhen Stock Exchange and principally engages in security, investment and cable and wire businesses.

11. **Asia Standard International Group Limited ("Asia Standard") (Stock code: 129)**

    Asia Standard focuses on developing and investing properties in prime locations in Hong Kong and first-tier cities in the PRC, which is divided into operation sectors including property development, property leasing, hotel and travel, and financial investments.

12. **Newton Resources Ltd ("Newton Resources") (Stock code: 1231)**

    Newton Resources and its subsidiaries engage in trading business, mining, processing and sale of iron concentrates and gabbro-diabase and stone products and car-park business.

13. **Larry Jewelry International Company Limited ("Larry Jewelry") (Stock code: 8351)**

    Larry Jewelry and its subsidiaries engage in design and retailing of jewelry products and sales of Chinese pharmaceutical products, dried seafood, health products and foodstuffs in Hong Kong, Macau and the PRC.

14. **HengTen Networks Group Limited ("HengTen Networks") (Stock code: 136)**

    HengTen Networks and its subsidiaries principally engage in internet community services, investment and trading of securities, property investment and manufacture and sales of accessories for photographic and electrical products.

15. **Kingston Financial Group Limited ("Kingston") (Stock code: 1031)**

    Kingston principally engages in the provision of a wide range of financial services which include securities brokerage, underwriting and placements, margin and initial public offering ("IPO") financing, corporate finance advisory services, futures brokerage and asset management services. Kingston also provides gaming and hospitality services in Macau.

Going forward, the Group expects that the stock markets in Hong Kong and the PRC will remain challenging for 2018, as the economies continue to show signs of slowing down. However, the Board is of the view that Hong Kong's stock market will still benefit from the Shenzhen-Hong Kong Stock Connect with increasing demand for financial services rendered in Hong Kong.

MATERIAL TRANSACTIONS

(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 rights share to raise not less than HK$953,185,000 before expenses (the "Rights Issue"). Details of the Rights Issue is set out in 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) Share swap agreement with Imagi International Holdings Limited ("Imagi")

On 16 March 2017, the Company entered into a share swap agreement with Imagi whereby Imagi alloted and issued new Imagi shares in exchange for new shares of the Company. Upon completion of the share swap agreement, the Group held an 19.78% equity interest in Imagi. Details of the transaction are set out in the Company's announcement dated 16 March 2017. On 22 March 2017, the share swap was completed.

(c) Acquisition, supplemental agreement to the acquisition and termination of the acquisition of HEC Securities Company Limited and its subsidiaries

On 21 March 2017, Uptown Enerchine Capital Limited ("Uptown Enerchine"), a wholly-owned subsidiary of the Company entered into an acquisition agreement with Satinu, pursuant to which Uptown Enerchine conditionally agreed to acquire and Satinu conditionally agreed to sell an aggregate of 70% of the entire issued share capital of the HEC Securities Company Limited ("HEC Securities"), in two tranches at the total consideration of HK$1,225,000,000. Upon the completion of the acquisition, HEC Securities will become a wholly-owned subsidiary of the Company.

On 20 November 2017, Uptown Enerchine and Satinu entered into a supplemental agreement pursuant to which the guaranteed period shall be extended to 31 December 2021 and the profit guarantee shall be increased to an aggregate sum of HK$675,000,000.

On 29 December 2017, Uptown Enerchine and Satinu entered into a termination agreement since the despatch of the circular has been continually delayed as a result of protracted regulatory processes and the additional time required to address such information for inclusion in the circular. As a result of the termination agreement, the acquisition was not proceeded.

Details of the acquisition, supplemental agreement to the acquisition and termination of the acquisition are set out in the Company's announcements dated 21 March 2017, 30 June 2017, 31 July 2017, 31 August 2017, 29 September 2017, 20 November 2017, 30 November 2017 and 29 December 2017.

(d) Grant and exercise of share options

On 5 July 2017, the Company granted, pursuant to its share option scheme adopted on 17 May 2012, a total of 1,116,876,999 share options to such eligible person(s) at an exercise price of HK$0.1764 to subscribe for one ordinary share of HK$0.01 each in the share capital of the Company.

On 11 July 2017, the Company issued 1,116,876,999 shares pursuant to exercise of share options which were granted on 5 July 2017. Upon completion of the issue of shares, the issued share capital of the Company increased from 11,168,769,996 shares to 12,285,646,995 shares.

(e) Settlement agreement with warrant holders of unlisted warrants

On 12 July 2017, the Company entered into a settlement agreement with the warrant holders, pursuant to which the Company agreed to accept an ex-gratia payment of HK$0.05 per warrant from the warrant holders in exchange for the Company not taking legal action to enforce the mandatory exercise rights. The Company received a total sum of HK$66,797,506.60 from the warrant holders upon the signing of the settlement agreement.

(f) Placing of new shares under general mandate

On 14 July 2017, the Company entered into a placing agreement with Enhanced Securities Limited, the placing agent, in relation to the placing of a total of 2,233,753,999 new shares (the "Placing Share(s)") under the general mandate (the "Placing"). Pursuant to the placing agreement, the placing agent has conditionally agreed to place the Placing Shares on a fully underwritten basis, to not less than six placees, at a price of HK$0.15 per Placing Share.

The aggregate gross proceeds from the Placing are approximately HK$335.06 million, and the aggregate net proceeds from the Placing, after deducting the placing commission and other related expenses, are approximately HK$326.61 million, which is intended to be used as general working capital of the Group.

On 26 July 2017, the Company issued 2,233,753,999 shares pursuant to the placing agreement dated 14 July 2017. Upon completion of the issue of shares, the issued share capital of the Company increased from 12,285,646,995 shares to 14,519,400,994 shares.

(g) Share consolidation

On 5 September 2017, the Board proposes that every five (5) issued and unissued existing shares of HK$0.01 each in the share capital of the Company be consolidated into one (1) consolidated share of HK$0.05 each in the share capital of the Company (the "Share Consolidation").

The Share Consolidation was approved by the shareholders of the Company at the special general meeting of the Company held on 6 November 2017. The Share Consolidation became effective on 7 November 2017 and the authorised share capital of the Company became HK$1,000,000,000 divided into 20,000,000,000 consolidated shares of par value of HK$0.05 each, of which 2,905,883,141 consolidated shares were issued. The board lot size for trading in the consolidated shares remains as 3,000 consolidated shares.

For details, please refer to the Company's announcements respectively dated 5 September 2017 and 6 November 2017 and circular dated 18 October 2017.

EVENTS AFTER THE REPORTING PERIOD

(a) Disposal of 30% of the issued share capital in HEC Securities

On 18 January 2018, the Group entered into a sale and purchase agreement with Satinu to sell back the 30% of the issued share capital of HEC Securities at consideration of HK$525,000,000 of which HK$125,000,000 is payable in cash and HK$400,000,000 is payable by issue of two zero-coupon promissory notes at principal amount of HK$200,000,000 each maturing on 31 December 2018 and 31 December 2019, respectively. The aggregate fair values of the promissory notes were approximately HK$378,107,000 at issue date of 18 January 2018.

(b) Acquisition of 11.78% of equity interest in Win Wind Capital Limited ("Win Wind")

In January 2018, the Company entered into the acquisition agreement with China Touyun Tech Group Limited (formerly known as "China Optoelectronics Holding Group Limited") ("China Touyun") pursuant to which the Company has conditionally agreed to acquire and the China Touyun has conditionally agreed to sell 13,600,000 shares of Win Wind Capital Limited, representing approximately 11.78% of the entire issued share capital of Win Wind Capital Limited, at consideration of HK$320,000,000, which will be settled by the issue of zero-coupon promissory note. Upon completion, the Group's interest in Win Wind Capital Limited will be increased to 100%.

LITIGATION

(a) 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.

On 20 December 2017, the Group received a civil judgement (廣東省深圳市中級人民法院民事判決書[2014]深中法涉外初字第59號) in favour of the Group in relation to the litigation on the previous disposal of shares in Fuhuade, pursuant to which the Group is judged to receive approximately Renminbi 85.5 million (equivalent to approximately HK$102.3 million) together with related interest of approximately Renminbi 28.3 million (equivalent to approximately HK$34 million) (before tax).

On 13 February 2018, the Group received approximately Renminbi 102.3 million (equivalent to approximately HK$122.4 million) in this regard.

Apart from the above, the Group is still awaiting a decision from the court in relation to the third installment (廣東省深圳市中級人民法院[2016]粵03民初662號).

(b) Legal proceedings against Qin Jun

On 6 May 2016, Win Wind Resources Limited ("Win Wind Resources"), a wholly-owned subsidiary of the Company, commenced legal proceedings as creditor by filing a bankruptcy petition with the Court of First Instance of Hong Kong, against Mr. Qin Jun as debtor regarding an outstanding loan (and accrued interest) in the approximate sum of HK$54.99 million pursuant to a loan agreement dated 29 September 2014 made between Win Wind Resources as lender and Mr. Qin Jun as borrower (as supplemented by a supplementary agreement made between the parties dated 29 March 2015). Mr. Qin Jun was declared bankrupt by the Court of First Instance on 27 July 2016. Mr. Qin Jun subsequently filed an application to annul the bankruptcy order, however such application was dismissed by the Court of First Instance at a hearing on 10 April 2017 and costs relating to the application were ordered to be paid by Mr. Qin Jun to Win Wind Resources. On 5 May 2017, Mr. Qin Jun filed a Notice of Appeal with the Court of Appeal to appeal against the judgment made on 10 April 2017 by the Court of First Instance. The appeal has yet to be heard by the Court of Appeal.

(c) Writs of Summons issued by Allied Weli Development Limited and John Howard Bachelor and Kenneth Fung as Joint and Several Liquidators (the "Liquidators of Allied Weli Development Limited")

The management of the Group have been made aware that Enerchine Corporate Finance Limited, Win Wind Capital Limited, Win Wind Investment (Holdings) Limited, Enerchine Nominee Limited and Win Wind Securities Limited, which are all non-wholly owned subsidiaries of the Company, have been named, inter alia, as defendants (together the "Defendant Parties") in two separate writ of summons under a legal proceeding in the High Court of Hong Kong (the "Writs"). The plaintiffs under the Writs are Allied Weli Development Limited (in Liquidation) and John Howard Bachelor and Kenneth Fung as Joint and Several Liquidators (the "Liquidators") of Allied Weli Development Limited. The Liquidators have not yet served the Writs on the Defendant Parties. On 2 February 2018, the Group, through its legal advisors, requested the Liquidators to (i) serve the Writs of Summons on the Defendant Parties by 20 February 2018 as required under the Rules of the High Court (Order 12, rule 8A) or (ii) to discontinue the Writs against the Defendant Parties. On 15 February 2018, the Group received a letter from Kirkland & Ellis, the legal advisors acting for the Liquidators stating, inter alia, that the Writs were issued on a protective basis and the Liquidators did not intend to serve the Writs on the Defendant Parties at this stage. The letter further said the Liquidators' investigations are on-going, and they are not yet in a position to determine whether to pursue the claims described in the Writs and that the Liquidators may ultimately decide not to pursue a claim against the Defendant Parties at all.

The management of the Group is of the view that the filing of the Writs by the Liquidators will cause prejudice when the Group negotiates new credit facilities or continues its existing credit facilities. Moreover, due to litigation searches that are customarily carried out as part of due diligence procedures prior to transactions by counterparties, the filing of the Writs by the Liquidators will also affect any transactions that the Group may intend to enter. As the Writs have not been served on the Defendant Parties, accordingly no provision has been made in the consolidated financial statements for the financial year ended 31 December 2017. However, the management of the Company considers the Writs are malicious attempts to adversely affect the reputation and the business operations of the Group, and is presently taking legal advice on initiating proceedings against the Liquidators in order to vigorously defend the rights and reputation of the Group.

PROSPECTS

The economic outlook of Hong Kong and the PRC is expected to be challenging in 2018 due to uncertainties over near-term economic growth prospects and the changing domestic and external environment of Hong Kong and the PRC. The US Federal Reserve is gradually tightening its monetary policy with balance sheet reduction and rising interest rates. These may impact consumer and investment sentiment, corporate leverage and the household debt-servicing burden of individuals and corporates in Hong Kong and the PRC. The volatility in property, equity and commodity prices in Hong Kong and the PRC is expected to persist. Nevertheless, according to the poll conducted by Hong Kong Office of the Association of Chartered Certified Accountants (ACCA), finance professionals in Hong Kong are six times more optimistic about the city's economic outlook in 2018 compared to last year.

The operating environment of the banking and financial industry in Hong Kong will continue to be competitive and volatile which may exert pressure on the pricing of financial products. The increasing compliance related and system related costs in meeting the regulatory and supervisory requirements are expected to impact the cost efficiency and earnings growth of banks and financial institutions in Hong Kong. Even so, the Group will continue to pursue long-term business and profitability growth in line with its corporate mission and goals. The Group will continue to adopt prudent capital management and liquidity risk management policies and practices to preserve adequate buffer to meet the challenges ahead.

The Group is constantly seeking 1) investment opportunities, domestic or abroad, to enrich its investment portfolio; 2) loans at higher yields in anticipation for higher funding costs consistent with the Group's prudent lending policy; and 3) sound and flexible marketing strategies to expand the customer base and channels of services. The Group will continue to conduct fund-raising activities and invite competent personnel to join the Group in order to enhance and expand its capability to cope with the ever-changing environment and seize the opportunities if they arise. The Group strives to make investments in its infrastructure and keep up with developments in the financial sector to maintain its competitive edge.

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.

On 12 July 2017, the Company entered into a settlement agreement with the warrant holders, pursuant to which the Company agreed to accept an ex-gratia payment of HK$0.05 per warrant from the warrant holders in exchange for the Company not taking legal action to enforce the mandatory exercise rights. The Company received a total sum of HK$66,797,506.60 from the warrant holders upon the signing of the settlement agreement.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.01 per share for the year ended 31 December 2017 (2016: Nil), amounting to approximately HK$29.1 million, subject to the approval of the shareholders at the forthcoming annual general meeting (the "AGM"). Upon approval of the shareholders, the proposed final dividend will be paid on Thursday, 21 June 2018 to the shareholders of the Company whose names appear on the Company's register of members as at Tuesday, 12 June 2018.

An interim dividend of HK$0.004 per share in respect of the six months ended 30 June 2017 was paid on 31 October 2017, with an option to receive new and fully paid shares in lieu of cash under the Scrip Dividend Scheme.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2018 AGM of the Company was scheduled to be held on Monday, 4 June 2018. 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.

For determining the qualification as members of the Company to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Wednesday, 30 May 2018 to Monday, 4 June 2018, both days inclusive, during which period no transfers of shares will be registered. In order to qualify as members to attend and vote at the AGM, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 29 May 2018.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 8 June 2018 to Tuesday, 12 June 2018, both days inclusive, during which period no transfers of shares will be registered. In order to be eligible for the entitlement to the proposed final dividend, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 7 June 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed approximately 47 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 2017.

CORPORATE GOVERNANCE

During the period, save for the deviation from Code Provision A.2.1, the Company has complied with the code provisions as set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange.

Under Code Provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules of the Stock Exchange which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

On 5 April 2017, Mr. Sam Nickolas David Hing Cheong, the chief executive officer of the Company (the "CEO"), was appointed as the acting chairman of the Company.

On 6 April 2017, Mr. Sam Nickolas David Hing Cheong resigned from his position as the CEO of the Company.

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 (the "Model Code") set out in Appendix 10 to the Listing Rules 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 2017, all Directors have complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Company has an audit committee (the "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 five independent non-executive directors, namely, Mr. Cheung Wing Ping, Mr. Chui Kark Ming, Mr. Ma Ka Ki, Mr. Hung Cho Sing and Mr. Chan Hak Kan. 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 2017 had been audited by the Company's auditor, Messrs. Mazars CPA Limited, and had been reviewed by the Audit Committee.

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
Acting Chairman

Hong Kong, 21 March 2018

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

Executive Directors:
Mr. Sam Nickolas David Hing Cheong *(Acting Chairman)*
Mr. Chow Chi Wah Vincent *(Managing Director)*
Mr. Wong Yat Fai

Independent Non-Executive Directors:
Mr. Cheung Wing Ping
Mr. Chui Kark Ming
Mr. Ma Ka Ki
Mr. Hung Cho Sing
Mr. Chan Hak Kan