Enerchina Holdings Limited
威華達控股有限公司

(Incorporated in the Bermuda with limited liability)
(Stock Code: 622)

2016
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. SAM Nickolas David Hing Cheong
(Appointed as Acting Chairman on 5 April 2017)
(Resigned as Chief Executive Officer on 6 April 2017)
Mr. CHOW Chi Wah Vincent
(Appointed on 1 June 2016)
(Appointed as Managing Director on 5 April 2017)
Mr. TANG Yui Man Francis
Mr. XIANG Ya Bo (Resigned on 15 June 2016)
Mr. CHEN Wei *(Chairman)* (Resigned on 5 April 2017)

Non-executive Director

Mr. XIN Luo Lin (Resigned on 1 June 2016)

Independent Non-executive Directors

Mr. CHEUNG Wing Ping
Mr. CHUI Kark Ming
Mr. MA Ka Ki (Appointed on 1 June 2016)
Mr. HUNG Cho Sing (Appointed on 6 April 2017)
Mr. CHAN Hak Kan (Appointed on 6 April 2017)
Dr. XIANG Bing (Resigned on 1 June 2016)

AUTHORISED REPRESENTATIVES

Mr. CHOW Chi Wah Vincent (Appointed on 15 June 2016)
Mr. SAM Nickolas David Hing Cheong
(Appointed on 15 June 2016)
Mr. TANG Yui Man Francis (Resigned on 15 June 2016)
Mr. XIANG Ya Bo (Resigned on 15 June 2016)

AUDIT COMMITTEE

Mr. CHEUNG Wing Ping *(Chairman)*
Mr. CHUI Kark Ming
Mr. MA Ka Ki (Appointed on 1 June 2016)
Mr. HUNG Cho Sing (Appointed on 6 April 2017)
Mr. CHAN Hak Kan (Appointed on 6 April 2017)
Dr. XIANG Bing (Resigned on 1 June 2016)

NOMINATION COMMITTEE

Mr. SAM Nickolas David Hing Cheong
Mr. CHUI Kark Ming *(Chairman)*
Mr. CHEUNG Wing Ping
Mr. MA Ka Ki (Appointed on 1 June 2016)
Mr. HUNG Cho Sing (Appointed on 6 April 2017)
Mr. CHAN Hak Kan (Appointed on 6 April 2017)
Dr. XIANG Bing (Resigned on 1 June 2016)

REMUNERATION COMMITTEE

Mr. CHEUNG Wing Ping *(Chairman)*
Mr. CHUI Kark Ming
Mr. MA Ka Ki (Appointed on 1 June 2016)
Mr. SAM Nickolas David Hing Cheong
(Appointed on 15 June 2016)
Mr. HUNG Cho Sing (Appointed on 6 April 2017)
Mr. CHAN Hak Kan (Appointed on 6 April 2017)
Dr. XIANG Bing (Resigned on 1 June 2016)
Mr. XIANG Ya Bo (Resigned on 15 June 2016)
Mr. CHEN Wei (Resigned on 5 April 2017)

COMPANY SECRETARY

Mr. CHOW Chi Wah Vincent (Appointed on 12 July 2016)
Mr. LO Tai On (Resigned on 12 July 2016)

LEGAL ADVISORS

(As to Hong Kong law)
Ching & Solicitors

(As to Bermuda law)
Conyers Dill & Pearman

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HONG KONG BRANCH SHARE REGISTRAR

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PRINCIPAL BANKERS

Bank of China
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Enerchina Holdings Limited ("Enerchina" or the "Company"), I present the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016.

FINANCIAL HIGHLIGHTS

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

OVERVIEW

In 2016, unexpected events such as the United Kingdom's Brexit vote and the outcome of the United States of America (the "US") Presidential Election have raised uncertainties in the global economy, causing volatilities in currencies, stock markets and interest rates. Such events could have far reaching implications on a global scale politically and economically. A growth slowdown is a major concern for investors around the world. The Renminbi has depreciated approximately 7% this year. Meanwhile, economic headwinds were blowing stronger, and closer to home, the full-year GDP growth in the People's Republic of China (the "PRC") for 2016 was 6.7% (compared with 6.9% for 2015), its slowest rate in 26 years.

OUTLOOK

The global economic outlook is expected to remain challenging. The slowdown of economic growth in the PRC, increasing geopolitical tensions globally, the diverging monetary policies of major central banks and uncertainties of policies in the US etc to name a few, all contribute to a very complex and dynamic business environment. We believe that within this challenging environment, there may still exist many opportunities. Looking ahead, markets are facing a lot of uncertainties. An uncertain market presents challenges, but we believe behind every challenge is an opportunity.

Notwithstanding the above uncertainties, we remain confident on the stock market in Hong Kong and believe the launch of the Shenzhen-Hong Kong Stock Connect in December of 2016 has strengthened 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 demand for Hong Kong financial services has been increasing.

For 2017, we aim to optimise our resources allocation, improve our financial position, and develop business segments through a series of possible acquisitions, dispositions or other activities. The Group will keep a close eye on any investment and development opportunities that may arise. We will continue to explore new strategic development opportunities, strengthen corporate governance and optimize business portfolios and to enhance the corporate value of the Company and generate satisfactory long-term returns for the shareholders.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to all the staff for their devoted efforts and hard work. I would also like to thank all shareholders for their support over the past years.

CHEN Wei
Chairman

Hong Kong, 28 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

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 amounted to a negative of approximately HK$1,000.0 million, compared with the positive revenue of approximately HK$981.2 million for 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 loss per share amounted to HK12.71 cents compared with earnings per share of HK9.63 cents (restated) for last year. The turnaround was mainly attributable to loss on financial assets at fair value through profit or loss.

Brokerage Services

Brokerage commission income generated from the 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 the provision of money lending services amounted to approximately HK$21.6 million for the year (2015: approximately HK$29.9 million).

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: approximately HK$2.7 million). Win Wind Securities Limited also 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 a decrease in customers' portfolio (2015: approximately HK$2.9 million).

Investment advisory

Investment advisory services income decreased by approximately 64% to approximately HK$2.7 million (2015: approximately HK$7.6 million).

Proprietary Trading

The Group engages in the 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), and 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 for the last year, which was mainly due to additional dividends having been received by the Group from listed securities.

MANAGEMENT DISCUSSION AND ANALYSIS

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 for a period of 24 months from the issue of the Warrants and subject to the mandatory exercise rights.

The net proceeds from the placing of the Warrants amounts to approximately HK$13.36 million and was 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 towards the general working capital and/or as funds for the future business development of the Group. Details of the placing of the Warrants were detailed 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 December 2016	Percentage of shareholding as at 31 December 2015	Fair value/ carrying amount as at 31 December 2016	Fair value/ carrying amount as at 31 December 2015	Net gain/(loss) for the year ended 31 December 2016	Net gain/(loss) for the year ended 31 December 2015
		%	%	HK$'000	HK$'000	HK$'000	HK$'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	–	–	–

MANAGEMENT DISCUSSION AND ANALYSIS

Name of investments	Notes	Percentage of shareholding as at 31 December 2016 %	Percentage of shareholding as at 31 December 2015 %	Fair value/ carrying amount as at 31 December 2016 HK$'000	Fair value/ carrying amount as at 31 December 2015 HK$'000	Net gain/(loss) for the year ended 31 December 2016 HK$'000	Net gain/(loss) for the year ended 31 December 2015 HK$'000
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 of the Group would result in particulars of excessive length.

The performance and prospects of the Group's significant investments during the year are 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 the low interest rate environment, HEC Capital has an inherent strategic investment value and position.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 invested 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 a range of instruments 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 all the equity interests of a subsidiary which held the 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 all the equity interests of a subsidiary which held Shengjing at the consideration of HK$50 million.

Shengjing engages in the 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 a realized gain.

Guangzhou R&F engages in the development and sale of quality residential and commercial properties and 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 the year 2015, and an additional 3,100,000 shares were purchased during the year and are classified 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 are classified as available-for-sale financial assets, with the value of the position amounting to HK$163.5 million.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Since 2015, the Group holds 200 million bonus warrants of HengTen Networks. Each holder of bonus warrants 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 exercised its rights attached to the 200 million bonus warrants by subscribing for 100 million shares of HengTen Networks at HK$0.2 per share amounting 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 Corporation ("Smart Jump") which also held positions in 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 comprising three fundamental sectors, being property services, neighborhood social networking and life services, and two value-added sectors, being internet home and community finance.

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 the partial 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 financing, 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 positions in CC Land as well.

CC Land principally engages in property development and investment, investments in securities and notes receivable and the 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 the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the 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 respective economies continue to show signs of slowing down. However, the launch of the Shenzhen-Hong Kong Stock Connect in December of 2016 has strengthened 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 Hong Kong Dollars ("HKD"). 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 Renminbi ("RMB"), HKD and United States Dollar ("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 a 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 of Hong Kong Limited (the "Stock Exchange") (stock code: 1332), pursuant to which, inter alia, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(b) On 15 August 2016, Win Wind, a non-wholly owned subsidiary of the Company, entered into an 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 an acquisition agreement with HEC International Group Limited ("HIGL"), pursuant to which Uptown Enerchine conditionally agreed to acquire and HIGL 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 (the "Rights Issue"). Details of the Rights Issue is 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 commenced legal proceedings as plaintiffs against Green International, a company listed on the Stock Exchange regarding a convertible bond issued by Green International in the principal amount of HK$40,000,000 with an interest rate of 8% ("Convertible Bonds"). Details of the proceedings are 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 a 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. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(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 Satinu Resources Group Ltd. ("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 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. Further details of the acquisition are set out in the Company's announcement dated 21 March 2017. The acquisition has not yet been completed as at the date hereof.

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 currently awaiting a decision from the courts.

LITIGATION

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 writ of summons with the Court of First Instance of Hong Kong, against Green International Holdings Limited, a company listed on the Stock Exchange with stock code 2700 ("Green International") regarding certain convertible bonds issued by Green International to a third party which were fully assigned to Nu Kenson with Green International's consent in the principal amount of HK$40,000,000 and with an interest rate of 8% per annum ("Convertible Bonds"). Pursuant to the claim, 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 and is entitled to enforce the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds;

(ii) a declaration that Nu Kenson is entitled to (a) a certificate of the Convertible Bonds in its name to be issued by Green International; (b) have its name entered into the register of bondholder by Green International; (c) convert the Convertible Bonds into shares of Green International in accordance with the terms and conditions of the Convertible Bonds; and (d) the principal amount and interest of the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds;

(iii) specific performance of the Convertible Bonds; and

(iv) damages to be assessed.

The matter has yet to be heard by the Court of First Instance.

PROSPECTS

The Board is constantly looking for business opportunities with positive prospects in order to enrich its business portfolio 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 interest rate increase in the US 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.

During the second half of 2016, the Group made two significant acquisitions of financial services companies. The Board is of the view that the acquisitions will provide the Group with attractive earnings and further develop the Company's financial services business.

The first acquisition was made on 15 August 2016 by Win Wind Capital Limited ("WWCL"), a non-wholly-owned subsidiary of the Group to acquire Smart Jump. Smart Jump is a company with a proven and consistent track record in the proprietary trading of securities. The audited consolidated profit of Smart Jump for the year ended 31 March 2016 was HK$176.85 million and for the six months ended 30 September 2016 was HK$173.36 million and the audited consolidated net assets of Smart Jump as at 30 September 2016 was HK$1,025.05 million. The Board believes that the acquisition of Smart Jump will enhanced the capabilities and profitability of the Group in terms of proprietary trading. Details of such acquisition are set out in the Company's circular dated 19 November 2016. The acquisition was completed on 8 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

The second acquisition was made to initially acquire a 30% interest in HEC Securities Company Limited ("HECSC") on 15 December 2016. The acquisition of the remaining 70% interest in HECSC was announced on 21 March 2017, and upon completion, HECSC will become a wholly-owned subsidiary of the Group. HECSC is a well-established securities brokerage and corporate finance advisory house, carrying out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. The Board is of the view that the acquisition will enable the Group to establish a stronger presence and enhance its competitiveness in the financial services industry. Details of the acquisition are set out in the Company's announcement dated 15 December 2016 and 21 March 2017. The acquisition of HECSC triggers a change of the substantial shareholders (as defined under the SFO) and is subject to approval from the Securities and Futures Commission ("SFC"). The acquisition has not yet been completed as at the date hereof.

The two acquisitions will become the Group's main businesses for financial services and enhance the value of both the Group and its shareholders.

On the other hand, the Company incurred significant losses due to WWCL for the year ended 31 December 2016. Accordingly, the Board has been exploring avenues to dispose of its interests in WWCL to potential investors in order to streamline its existing operations and serve the best interests of the Company and its shareholders.

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

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 Board expects to see gradual improvement in the financial markets as investors regain confidence for the coming year and the Hong Kong market is expected to remain resilient to minor fluctuations. Thus, there is further opportunity for the development of Hong Kong's financial services sector.

Looking ahead, we believe 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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chen Wei, aged 55, was appointed as the chief executive officer and an executive director of the Company since May 2007 and ceased to act as chief executive officer and was appointed as the chairman of the board of directors and a member of the remuneration committee of the Company in March 2012 to April 2017. He is currently an executive director of Sinolink Worldwide Holdings Limited ("Sinolink") (Stock Code: 1168), a company listed on Stock Exchange. Mr. Chen holds a Bachelor of Engineering Management degree from the Beijing Institute of Technology in the PRC. He was previously employed by a number of large organisations and has over 30 years of experience in engineering, business administration, market development and management. Prior to the printing of this annual report, Mr. Chen resigned as the chairman of the Board, an executive director of the Company and as a member of the remuneration committee of the Company. Save as disclosed above, Mr. Chen has not held any directorship in other listed public companies in the past three years.

Mr. Sam Nickolas David Hing Cheong, aged 35, has been appointed as an executive director, the chief executive officer and a member of the nomination committee of the Company since March 2012. He has been appointed as a member of the remuneration committee of the Company with effect from 15 June 2016. He was appointed as the acting chairman of the board with effect from 5 April 2017 and resigned from his position as chief executive officer of the Company with effect from 6 April 2017. He holds a Bachelor of Laws with Honours and a Bachelor of Arts from the University of Waikato, New Zealand. Mr. Sam is admitted as a solicitor in the jurisdictions of England and Wales, the British Virgin Islands and New Zealand. Mr. Sam is also a consultant of George & Partners, a specialist corporate law firm principally advising on the laws of the British Virgin Islands. He was formerly an executive director of Radford Capital Investment Limited, now renamed Eagle Ride Investment Holdings Limited (Stock Code: 901), a company listed on the Stock Exchange from 30 June 2011 to 15 March 2012, and prior to that appointment, was a lawyer at international law firm Ogier. Before that, Mr. Sam practiced commercial law in New Zealand, and was also previously a regulatory advisor for a government department in New Zealand. Save as disclosed above, Mr. Sam has not held any directorship in other listed public companies in the past three years.

Mr. Chow Chi Wah Vincent, aged 48, was appointed as an executive director of the Company with effect from 1 June 2016. Mr. Chow was appointed as company secretary of the Company since 12 July 2016. He was appointed as the managing director of the Company with effect from 5 April 2017. He obtained a Master's degree in Professional Accounting from the Hong Kong Polytechnic University. Mr. Chow is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chow has over 15 years' experience in the finance and accounting fields in Hong Kong. Mr. Chow holds directorship of various wholly-owned subsidiaries of the Company. Mr. Chow was an independent non-executive director of Imagi International Holdings Limited (Stock Code: 585), a company listed on the Stock Exchange for the period from 28 January 2016 to 10 April 2017. Mr. Chow was the executive director, company secretary and financial controller of Heritage International Holdings Limited, now renamed China Innovative Finance Group Limited (Stock Code: 412), a company listed on Stock Exchange, for the period from 13 October 2006 to 6 October 2014 and an executive director of Mascotte Holdings Limited, now renamed HengTen Networks Group Limited (Stock Code: 136), a company listed on the Stock Exchange, for the period from 3 November 2014 to 26 October 2015. Save as disclosed above, Mr. Chow has not held any directorship in other listed public companies in the last three years in Hong Kong or overseas.

Mr. Tang Yui Man Francis, aged 54, has been appointed as an executive director of the Company since May 2002. Mr. Tang is also an executive director, the chairman of the board of directors, a member of the nomination committee and a member of the remuneration committee of Sinolink (Stock Code: 1168), a company listed on the Stock Exchange. Mr. Tang holds a Bachelor's degree in Computer Studies from the University of Victoria in Canada and a Master of Business Administration degree from The City University of New York in the United States. Mr. Tang has numerous years of experience in management, accounting and finance. Save as disclosed above, Mr. Tang has not held any directorship in other listed public companies in the past three years.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Wing Ping, aged 50, has been appointed as an independent non-executive director of the Company, a member of nomination committee and a member and the chairman of audit committee and remuneration committee of the Company since May 2015. He has over 20 years of experience in auditing and accounting fields. He holds a Bachelor's degree in Accountancy with honours from City University of Hong Kong and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung is currently an independent non-executive director of Freeman FinTech Corporation Limited (formerly known as Freeman Financial Corporation Limited) (Stock Code: 279), China Innovative Finance Group Limited (Stock Code: 412) and China Touyun Tech Group Limited (formerly known as China Opto Holdings Limited and China Optoelectronics Holding Group Co., Limited) (Stock Code: 1332), all of which are publicly listed companies in Hong Kong. Mr. Cheung was formerly an executive director of Mason Financial Holdings Limited (Stock Code: 273) from June 2013 to September 2016, which is a publicly listed company in Hong Kong. Save as disclosed above, Mr. Cheung has not held any directorship in other listed public companies in the past three years.

Mr. Chui Kark Ming, aged 58, has been appointed as an independent non-executive director of the Company, a member of audit committee and remuneration committee and a member and the chairman of nomination committee of the Company since May 2015. He holds a Master of Laws degree from the University of London and a Master of Economic Law degree from the Renmin University of China. Mr. Chui is also a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries. Mr. Chui has over 20 years of experience in accounting, financial management and company secretarial works gained from various listed companies in Hong Kong. Mr. Chui has not held any directorship in listed public companies in the past three years.

Mr. Ma Ka Ki, aged 36, is an independent non-executive director of the Company with effect from 1 June 2016. He holds a Bachelor's degree in Accounting and Information System with merit from the University of New South Wales, Australia. Mr. Ma is a member of both the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England & Wales. He is also a member of both the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators. He has over 10 years of experience in auditing and accounting sectors and has extensive experience in financial and corporate secretarial services. Mr. Ma is currently a director of a private investment company, which is principally engaged in securities investment in Hong Kong and the US. Previously, he was also a director of a sizable money lender from 2013 to 2015 and supervised the whole money lending business. Save as disclosed above, Mr. Ma has not held any directorship in listed public companies in the past three years.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Hung Cho Sing, aged 76, has over 30 years of experience in the film distribution industry. Mr. Hung was the founder and general manager of Delon International Film Corporation since June 2004. Mr. Hung was the Organising Committee Chairman of the 11th and 12th Hong Kong Film Awards from 1991 to 1993 and the Chairman of Hong Kong Film Awards Association Limited from 1993 to 1995. Mr. Hung is currently the Chairman of Hong Kong, Kowloon and New Territories Motion Picture Industry Association. In recognition of his contribution to the Hong Kong film industry, Mr. Hung was awarded the Bronze Bauhinia Star (BBS) by the Government of Hong Kong in 2005. From April 2007 to March 2013, Mr. Hung was appointed by the Government of Hong Kong as a member of the Hong Kong Film Development Council. Mr. Hung had served as a member of the Election Committee of Hong Kong and he has been appointed by the Government of Hong Kong as a non-official member of the Working Group on Manufacturing Industries, Innovative Technology, and Cultural and Creative Industries under the Economic Development Commission since January 2013. Mr. Hung was an independent non-executive director of Freeman Fintech Corporation Limited (stock code: 279) from 9 January 2013 to 25 January 2017 and an independent non-executive director of HengTen Networks Group Limited (formerly known as Mascotte Holdings Limited) (stock code: 136) from 22 January 2013 to 26 October 2015. Currently, Mr. Hung is an independent non-executive director of China Star Entertainment Limited (stock code: 326), an independent non-executive director of Unity Investments Holdings Limited (stock code: 913), an independent non-executive director of Sunrise (China) Technology Group Limited (stock code: 8226), an independent non-executive director of Miko International Holdings Limited (stock code: 1247), an executive director of Universe International Financial Holdings Limited (stock code: 1046) and an executive director and chairman of the board of directors of Jia Meng Holdings Limited (stock code: 8101). Save as disclosed above, Mr. Hung has not held any directorships in public companies the securities of which are listed on any securities exchange in Hong Kong or overseas in the past three years.

Mr. Chan Hak Kan, aged 40, has been a member of the Legislative Council of Hong Kong and Marine Fish Scholarship Fund Advisory Committee since October 2008 and April 2011, respectively. Mr. Chan graduated from The Chinese University of Hong Kong with a Bachelor of Social Science Honour (Government and Public Administration) degree in 1997 and a Master of Social Science (Law and Public Affairs) degree in 2003. From 2000 to 2003, Mr. Chan served as an elected member of the Sha Tin District Council. Mr. Chan was appointed as a member of the Hong Kong Community Involvement Committee on Greening from 2011 to 2017. From 2011 to 2016, Mr. Chan served as a member of the Fish Marketing Advisory Board of Hong Kong. In 2012, Mr. Chan was appointed as a Justice of the Peace by the Chief Executive of Hong Kong. Mr. Chan is an independent non-executive director of Xinyi Automobile Glass Hong Kong Enterprises Limited (stock code: 8328). Save as disclosed above, Mr. Chan has not held any directorships in public companies the securities of which are listed on any securities exchange in Hong Kong or overseas in the past three years.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") present their annual report ("Annual Report") and the audited consolidated financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 41 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position as well as the outlook of the Company's business are provided in the "Chairman's Statement" and "Management Discussion and Analysis" from page 3 and pages 4 to 13 of this Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Summary on page 124 of this Annual Report. Description of the principal risks and uncertainties facing the Company can be found throughout this Annual Report particularly in note 32 to the consolidated financial statements and the "Management Discussion and Analysis" on pages 4 to 13 of this Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's businesses are mainly carried out by the Company's subsidiaries established in Hong Kong, the British Virgin Islands, the Republic of the Marshall Islands and the PRC while the Company itself is incorporated in Bermuda with its shares listed on the Main Board of the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in Bermuda, the PRC, the British Virgin Islands, the Republic of the Marshall Islands and Hong Kong.

During the year ended 31 December 2016 and up to the date of this Annual Report, we have complied with all the relevant rules, laws and regulations in Bermuda, the PRC, the British Virgin Islands, the Republic of the Marshall Islands and Hong Kong that have a significant impact on the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As the Group principally engages in financial services sector, the Group has always paid great attention to and maintained a good relationship with, and has been providing quality professional and customer-oriented services for customers. Since the nature of business of the Group, no specific suppliers will be involved in the operation of business. The aforementioned customers are good working partners creating value for the Group. The Group also values the knowledge and skills of its employees, and continues to provide favourable career development opportunities for its employees.

RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 51.

No interim dividend (2015: Nil) was paid to the shareholders during the year. The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

PROPERTY AND EQUIPMENT

Details of the movements in the property and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

The Company had issued warrants during the year and details of which are provided in "Management Discussion and Analysis" on page 5 of this Annual Report.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 54.

The Company's reserves available for distribution to shareholders as at 31 December 2016 amounted to HK$490,748,000 (2015: HK$499,610,000).

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. SAM Nickolas David Hing Cheong (Appointed as Acting Chairman on 5 April 2017)
(Resigned as Chief Executive Officer on 6 April 2017)
Mr. CHOW Chi Wah Vincent (Appointed on 1 June 2016)
(Appointed as Managing Director on 5 April 2017)
Mr. TANG Yui Man Francis
Mr. XIANG Ya Bo (Resigned on 15 June 2016)
Mr. CHEN Wei (Chairman) (Resigned on 5 April 2017)

Non-executive Director

Mr. XIN Luo Lin (Resigned on 1 June 2016)

Independent Non-executive Directors

Mr. CHEUNG Wing Ping
Mr. CHUI Kark Ming
Mr. MA Ka Ki (Appointed on 1 June 2016)
Mr. HUNG Cho Sing (Appointed on 6 April 2017)
Mr. CHAN Hak Kan (Appointed on 6 April 2017)
Dr. XIANG Bing (Resigned on 1 June 2016)

In accordance with bye-law 86(2) of the bye-laws of the Company (the "Bye-laws"), Mr. CHOW Chi Wah Vincent and Mr. MA Ka Ki, Mr. HUNG Cho Sing and Mr. CHAN Hak Kun shall hold office until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

In accordance with bye-law 87(2) of the Bye-laws, Mr. TANG Yui Man Francis and Mr. CHUI Kark Ming shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Company has received an annual confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all of Independent Non-executive Directors to be independent.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND IN SHARE OPTIONS

As at 31 December 2016, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares and underlying shares of the Company

Name of Directors	Capacity	Interest in shares: Personal interest	Family interest	Corporate interest	Total interest in shares	Interest in underlying shares pursuant to share options	Aggregate interest	Approximate percentage of issued shares of the Company as at 31.12.2016
Chen Wei (Note 2)	Beneficial owner	13,162,500	–	–	13,162,500	41,910,000	55,072,500	0.76%
Tang Yui Man Francis	Beneficial owner	20,840,625	–	–	20,840,625	13,970,000	34,810,625	0.48%

Notes:

1. On 14 March 2017, the exercise price of and the number of shares entitled to be subscribed for under the outstanding share options have been adjusted in the following manner following the completion of the Rights Issue:

Name of Director	Number of share options before the Rights Issue	Exercise price per Share before the Rights Issue HK$	Adjusted number of share options after the Rights Issue	Adjusted exercise price per Share after the Rights Issue HK$
Chen Wei	41,910,000	0.322	62,865,000	0.215
Tang Yui Man Francis	13,970,000	0.322	20,955,000	0.215

2. Mr. Chen Wei resigned as the chairman of the Board, executive director of the Company and a member of the remuneration committee of the Company on 5 April 2017.

Details of the Directors' interests in share options granted by the Company are set out below under the heading "Directors' rights to acquire shares or debentures of the Company and associated corporation".

Save as disclosed above, as at 31 December 2016 none of the Directors and chief executives of the Company had, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION

The Company has granted to certain Directors of the Company options to subscribe for the shares of the Company, under the 2002 Share Option Scheme (as hereinafter defined), details of the outstanding options as at 31 December 2016 held by each Director were as follows:

Name of Directors	Date of grant	Exercise period	Exercise Price HK$	Number of shares subject to outstanding options as at 31.12.2016	Approximate percentage of the issued shares of the Company as at 31.12.2016
Chen Wei (Note 5)	13.11.2007	01.01.2010–12.11.2017	0.322	20,955,000	0.29%
	13.11.2007	01.01.2011–12.11.2017	0.322	20,955,000	0.29%
Tang Yui Man Francis	13.11.2007	01.01.2010–12.11.2017	0.322	6,985,000	0.10%
	13.11.2007	01.01.2011–12.11.2017	0.322	6,985,000	0.10%

Notes:

1. The vesting period of the share options is from the date of grant until the commencement date of the exercise period.

2. These options represent personal interest held by the Directors as beneficial owners.

3. Movement of the options held by the Directors during the year is set out below under the heading "Share Option Scheme of the Company".

4. On 14 March 2017, the exercise price of and the number of shares entitled to be subscribed for under the outstanding share options have been adjusted in the following manner following the completion of the Rights Issue:

Name of Director	Number of share options before the Rights Issue	Exercise price per Share before the Rights Issue HK$	Adjusted number of share options after the Rights Issue	Adjusted exercise price per Share after the Rights Issue HK$
Chen Wei	41,910,000	0.322	62,865,000	0.215
Tang Yui Man Francis	13,970,000	0.322	20,955,000	0.215

5. Mr. Chen Wei resigned as the chairman of the Board, executive director of the Company and a member of the remuneration committee of the Company on 5 April 2017.

Save as disclosed above, at no time during the year, the Directors, chief executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (warrants or debentures of the Company, if applicable) or shares of any of its associated corporation required to be disclosed pursuant to the SFO.

Other than as disclosed above, at no time during the year was the Company, its subsidiaries or holding company or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME OF THE COMPANY

(A) The Company operated a share option scheme adopted by shareholders of the Company on 24 May 2002 (the "2002 Share Option Scheme"), under which the Board might, at its discretion, offer any employee and director of the Company or its subsidiaries or associated companies (the "Participant") options to subscribe for shares subject to the terms and conditions stipulated in the said scheme. The 2002 Share Option Scheme had a life of 10 years and was terminated at the annual general meeting of the Company held on 17 May 2012.

The purpose of the 2002 Share Option Scheme was to encourage the Participants to perform their best in achieving the goals of the Group or its associated companies and at the same time allow the Participants to enjoy the results of the Company attained through their effort and contribution.

The exercise price of the share options would be determined at the highest of (i) the average of closing prices on the Stock Exchange on the five trading days immediately preceding the date of grant; (ii) the closing price of the shares on the Stock Exchange on the date of grant; or (iii) the nominal value of the shares. The share options granted should be taken up within 28 days from the date of grant. A consideration of HK$1.00 was payable by each Participant for the grant of option.

The maximum entitlement for any one Participant was that the total number of shares issued and to be issued upon exercise of options granted to each Participant (including exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares in issue. The maximum entitlement for any one Participant, who was a substantial shareholder of the Company or an Independent Non-executive Director or any of their respective associates (with the meaning a ascribed under the Listing Rules), is that the total number of shares issued and to be issued upon exercise of options granted to each Participant (including exercised, cancelled and outstanding options) in any 12-month period should not exceed 0.1% of the total number of shares in issue and having an aggregate value, based on the closing price of the shares at the date of grant, in excess of HK$5,000,000.

The share options would be exercisable at any time for a period to be determined by the Directors, which should not be more than 10 years from the date of grant. The minimum period for which a share option should be held before it could be exercised would be determined by the Board.

No further options should thereafter be offered under the 2002 Share Option Scheme but the options which had been granted during its life should continue to be valid and exercisable in accordance with their terms of issue and in all other respects the provisions of the 2002 Share Option Scheme should remain in full force and effect.

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK$
2007 Option	13.11.2007	01.01.2010–12.11.2017	0.322
	13.11.2007	01.01.2011–12.11.2017	0.322

REPORT OF THE DIRECTORS

The following table discloses movements in the Company's share options granted under the 2002 Share Option Scheme during the year:

	Option type	Outstanding at 1.1.2016	Exercised during the year	Transferred during the year	Lapsed during the year	Outstanding at 31.12.2016
Category 1: Directors						
Chen Wei (Note 5)	2007 Option	41,910,000	–	–	–	41,910,000
Tang Yui Man Francis	2007 Option	13,970,000	–	–	–	13,970,000
Xiang Ya Bo (Resigned on 15 June 2016)	2007 Option	13,970,000	–	(13,970,000)	–	–
Xin Luo Lin (Resigned on 1 June 2016)	2007 Option	4,191,000	–	–	(4,191,000)	–
Total for Directors		74,041,000	–	(13,970,000)	(4,191,000)	55,880,000
Category 2: Employees						
	2007 Option	23,749,000	–	13,970,000	–	37,719,000
Total for employees		23,749,000	–	13,970,000	–	37,719,000
All categories		97,790,000	–	–	(4,191,000)	93,599,000

Notes:

1. The vesting period of the share options is from the date of grant until the commencement date of the exercise period.

2. During the year, no options were exercised under the 2002 Share Option Scheme.

3. During the year, 4,191,000 options were lapsed under the 2002 Share Option Scheme.

4. On 14 March 2017, the exercise price of and the number of shares entitled to be subscribed for under the outstanding share options have been adjusted in the following manner following the completion of the Rights Issue:

Directors/ Employees	Number of share options before the Rights Issue	Exercise price per Share before the Rights Issue HK$	Adjusted number of share options after the Rights Issue	Adjusted exercise price per Share after the Rights Issue HK$
Chen Wei	41,910,000	0.322	62,865,000	0.215
Tang Yui Man Francis	13,970,000	0.322	20,955,000	0.215
Employees	37,719,000	0.322	56,578,500	0.215
Total	93,599,000		140,398,500	

As at 31 December 2016 and the date of this report, the Company had 93,599,000 underlying shares and 140,398,500 underlying shares respectively comprised in options outstanding under the 2002 Share Option Scheme, which represented approximately 1.30% and approximately 1.26% of the Company's shares in issue as at those dates.

5. Mr. Chen Wei resigned as the chairman of the Board, executive director of the Company and a member of the remuneration committee of the Company on 5 April 2017.

REPORT OF THE DIRECTORS

(B) A new share option scheme was adopted by shareholders of the Company on 17 May 2012 ("Date of Adoption") (the "2012 Share Option Scheme"), under which the Board may, at its discretion, offer any Eligible Persons (as hereinafter mentioned) options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The 2012 Share Option Scheme has a life of 10 years from the Date of Adoption.

The 2012 Share Option Scheme is a share incentive scheme and is established to enable the Group to, (i) recognise and acknowledge the contributions that Eligible Persons have (or may have) made or may make to the Group (whether directly or indirectly); (ii) attract and retain and appropriately remunerate the best possible quality of employees and other Eligible Persons; (iii) motivate the Eligible Persons to optimize their performance and efficiency for the benefit of the Group; (iv) enhance its business, employee and other relations; and/or (v) retain maximum flexibility as to the range and nature of rewards and incentives which the Company can offer to Eligible Persons. The Eligible Persons include (a) any full time or part time employees of the Group or any Directors of the Company or any of its subsidiaries; (b) any customer, supplier or provider of services, landlord or tenant, agent, partner, consultant, or adviser of or a contractor to or person doing business with any member of the Group; (c) trustee of any trust the principal beneficiary of which is, or discretionary trust the discretionary objects of which include, any person referred to (a) or (b) above; (d) a company wholly beneficially owned by any person referred to in (a) or (b) above, and (e) such other persons (or classes of persons) as the Board may in its absolute discretion determine.

The exercisable period of share options would be determined by the Board of Directors at its absolute discretion and notified by the Board of Directors to each Eligible Person as being the period during which the share options may be exercised, such period to expire not later than 10 years after the date of grant of the share options. The minimum period for which a share option must be held before it can be exercised would be determined by the Board. The share options granted must be taken up within 28 days from the date of grant.

The total number of shares in respect of which options may be granted under the 2012 Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue on the Date of Adoption ("Scheme Mandate Limit"), without prior approval from the Company's shareholders. During the term of the 2012 Share Option Scheme, the Company may seek approval of its shareholders in general meeting to renew the Scheme Mandate Limit provided that the total number of shares of the Company in respect of which options may be granted under the 2012 Share Option Scheme of the Company and any other share option schemes of the Company must not exceeded 10% of the shares of the Company in issue as at the date of the approval to renew the Scheme Mandate Limit. The number of shares of the Company in respect of which options may be granted to any Eligible Person in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. In addition, the number of shares of the Company in respect of which options may be granted to any Eligible Person (who is a substantial shareholder or an Independent Non-executive Director of the Company, or any of their associates (within the meaning as ascribed under the Listing Rules)) in any 12–month period is not permitted to exceed 0.1% of the total number of shares of the Company in issue and HK$5,000,000 in an aggregate value, based on the closing price of the shares of the Company at the date of each grant, without prior approval from the Company's independent shareholders.

The exercise price for the shares of the Company under the 2012 Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Eligible Persons and shall be no less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option is granted, (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date on which an option is granted; and (iii) the nominal value of a share of the Company on the date on which an option is granted.

Consideration of HK$1 is payable by each Eligible Person for the grant of option.

REPORT OF THE DIRECTORS

Details of specific categories of options granted under 2012 Share Option Scheme are as follows:

Option type	Date of grant	Exercise period	Exercise price HK$
2015 Option	15.05.2015	01.08.2015–14.05.2018	0.9
		15.11.2015–14.05.2018	0.9
		15.05.2016–14.05.2018	0.9

The following table discloses movements in the Company's share options granted under the 2012 Share Option Scheme during the year:

	Option type	Outstanding at 1.1.2016	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2016
Category: Other Participant						
	2015 Option	50,000,000	–	–	–	50,000,000
Total for Other Participant		50,000,000	–	–	–	50,000,000

Notes:

1. The vesting period of the share options is from the date of grant until the commencement date of the exercise period.

2. During the year, no options were granted under 2012 Share Option Scheme.

3. During the year, no options were exercised, lapsed or cancelled under the 2012 Share Option Scheme.

4. On 14 March 2017, the exercise price of and the number of shares entitled to be subscribed for under the outstanding share options have been adjusted in the following manner following the completion of Rights Issue:

Category	Number of share options before the Rights Issue	Exercise price per Share before the Rights Issue HK$	Adjusted number of share options after the Rights Issue	Adjusted exercise price per Share after Rights Issue HK$
Other Participant	50,000,000	0.9	75,000,000	0.6
Total	50,000,000		75,000,000	

As at 31 December 2016 and the date of this report, the Company had 50,000,000 underlying shares and 75,000,000 underlying shares respectively comprised in options outstanding under the 2012 Share Option Scheme, which represented approximately 0.70% and approximately 0.67% of the Company's shares in issue as at those dates. As at the date of this report, a total of 719,384,666 shares (representing approximately 6.44% of the existing issued shares of the Company) may be granted under the 2012 Share Option Scheme.

Additional information in relation to the Company's Share Option Schemes are set out in note 30 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACT

There is no unexpired directors' service contract which is not terminable by the Company within one year of any Director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed, no transactions, or arrangements or contracts of significance to which the Company, its subsidiaries or holding company or fellow subsidiaries was a party and in which a Director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this Annual Report relating to "Share Option Schemes of the Company" and "Placing of Unlisted Warrants with Mandatory Exercise Rights", no equity-linked agreements were entered into during the year or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

The Bye-Laws provides that for the time being acting in relation to any of the affairs of the Company, every director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all losses, damages and expenses which he shall or may incur or sustain by or by reason of any act done about the execution of duties of his office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the connected transactions/continuing connected transactions of the Company during the year were as follows:

(a) Connected transactions

During the year, save as disclosed below, there were no transactions which need to be disclosed as connected transaction pursuant to Chapter 14A of the Listing Rules.

(b) Continuing connected transactions

On 1 April 2014, Sinolink Worldwide Holdings Limited ("Sinolink") and the Company entered into a Master Lease Agreement for the purpose of regulating the Individual Lease Agreements for leasing of the properties by the Company and its subsidiaries from Sinolink and its subsidiaries, for a fixed term of three years from 1 April 2014 to 31 March 2017 (the "Master Agreement"). The annual cap amount for each of the financial years ended/ending 31 December 2014, 2015, 2016 and 2017 are HK$6,000,000, HK$8,000,000, HK$8,000,000 and HK$2,000,000 respectively. The total amount of the transactions for the year ended 31 December 2016 was HK$3,564,000.

On 1 April 2014, Sinolink and the Company were owned as to approximately 44.08% and 36.40% respectively by Asia Pacific Promotion Limited ("Asia Pacific"). Therefore, Asia Pacific is a substantial shareholder of Sinolink and the Company and thus a connected person of both Sinolink and the Company under the Listing Rules. As Asia Pacific owns more than 30% in both Sinolink and the Company, Sinolink and the Company are associates of Asia Pacific under the Listing Rules.

Accordingly, the Master Agreement between Sinolink and the Company constitutes continuing connected transactions for both Sinolink and the Company under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

As all the relevant percentage ratios for the Master Agreement calculated on an annual basis were more than 0.1% and less than 5% for both Sinolink and the Company, in accordance with Rule 14A.34 of the then Listing Rules (Rule 14A.76(2) of the Listing Rules), the Master Agreement was only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the then Listing Rules (Rule 14A.68 and 14A.71 of the Listing Rules) and was exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company had accordingly published an announcement in respect of the aforesaid continuing connected transactions on 1 April 2014.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported the factual findings on these procedures to the Board. The Independent Non-executive Directors of the Company have reviewed the continuing connected transactions pursuant to Rule 14A.55 of the Listing Rules and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

Related Party Transactions

Details of the related party transactions are set out in note 39 to the consolidated financial statements. Those related party transactions did not constitute connected transactions under the Listing Rules.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

The register of the interests and short positions maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors, the following shareholders had notified the Company of relevant interests and short positions in the issued shares of the Company as at 31 December 2016:

Long positions in shares of the Company

Name of shareholders	Capacity/Nature of interest	Aggregate interest	Approximate percentage of the issued shares as at 31.12.2016
Ou Yaping	Interest held jointly with another person and interest of controlled corporations/Family interest and corporate interest	2,629,140,978 (Note)	36.56%
Asia Pacific Promotion Limited ("Asia Pacific")	Beneficial owner and interest of controlled corporations/ Beneficial interest and corporate interest	2,617,180,764 (Note)	36.40%

Note: 2,617,180,764 shares of the Company represent the aggregate of (i) 2,557,105,618 shares of the Company held by Asia Pacific directly; and (ii) 60,075,146 shares of the Company are held by Sinolink Worldwide Holdings Limited ("Sinolink"). Mr. Ou Yaping is the sole shareholder and director of Asia Pacific and through Asia Pacific together with his associates hold a total of 45.11% of the existing issued shares of Sinolink as at 31 December 2016. Therefore, he is deemed to be interested in all these 2,617,180,764 shares of the Company under the SFO.

Save as disclosed above, as at 31 December 2016, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group in aggregate accounted for about 38.1% of the Group's revenue from financial service and money lending business. Sales to the largest customer accounted for about 13.4% of the Group's revenue from financial service and money lending business.

As the Group had no significant purchases from continuing operations during the year, the information on major suppliers is not present.

At no time during the year, did a Director, a close associate of a Director or a shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's shares) have an interest in the largest customer or any of the five largest suppliers of the Group for the year ended 31 December 2016.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$402,000.

REPORT OF THE DIRECTORS

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is set up by the remuneration committee (the "Remuneration Committee") and is based on their merit, qualifications and competence.

The emoluments of the Directors are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The Remuneration Committee will make recommendation to the Board on the emoluments of the Directors.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in note 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there is no restriction against such rights under the laws in Bermuda.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company adopted all the code provisions in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules as its own code on corporate governance practices.

During the year, the Company has complied with the code provisions as set out in the Code. Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 30 to 40 of this Annual Report.

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. As at the date of this Annual Report, the Audit Committee comprises five Independent Non-executive Directors. 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.

Details of the Company's Audit Committee are set out in Corporate Governance Report on pages 35 to 36.

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.

REPORT OF THE DIRECTORS

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2016 have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Enerchina Holdings Limited

CHEN Wei
Chairman

Hong Kong, 28 March 2017

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Enerchina Holdings Limited is dedicated to maintaining good and credible corporate governance practices with a view to being transparent, open and accountable to our shareholders, as well as to the stakeholders.

STATEMENT OF COMPLIANCE

During the year 2016, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

BOARD OF DIRECTORS

Composition

As at the date of this Annual Report, the Board comprises 8 members (each member of the Board, a "Director"). Mr. Chen Wei acted as the Chairman of the Board (resigned on 5 April 2017), whereas Mr. Sam Nickolas David Hing Cheong acted as Chief Executive Officer of the Company (appointed as acting chairman of the Board on 5 April 2017 and resigned as Chief Executive Officer on 6 April 2017). Other Executive Directors were Mr. Chow Chi Wah Vincent (appointed on 1 June 2016) (appointed as managing director on 5 April 2017) and Mr. Tang Yui Man Francis. The Company had five Independent Non-executive Directors, Mr. Cheung Wing Ping, Mr. Chui Kark Ming, Mr. Ma Ka Ki (appointed on 1 June 2016), Mr. Hung Cho Sing (appointed on 6 April 2017) and Mr. Chan Hak Kan (appointed on 6 April 2017), three of the Independent Non-executive Directors have appropriate professional accounting experience and related financial management expertise and representing at least one-third of the Board. There is no financial, business, family or other material relationship between any members of the Board.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed in pages 14 to 16 of this Annual Report.

Each Independent Non-executive Director has confirmed that he is independent of the Company pursuant to Rule 3.13 of the Listing Rules and the Company also considers that they are independent.

Pursuant to the Bye-laws, the Directors retire on a rotational basis at least once every three years at the annual general meeting of the Company and are eligible for re-election. In addition, any Director appointed by the Board during a year, whether to fill a casual vacancy or as additional member to the Board, shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at that meeting.

The term of office of each Non-executive Director or Independent Non-executive Director is for a period of 1 year, from 1 January 2016 to 31 December 2016, subject to retirement by rotation and re-election in accordance with the Bye-laws.

Responsibilities of the Board and Management

The Board, headed by the Chairman, is responsible for providing high-level guidance and effective oversight of the management of the Company, and formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend, and supervision of management in accordance with the regulations governing the meetings of the Board and the Bye-laws.

The Chief Executive Officer and other Executive Directors are responsible for day-to-day management of the Company's operations. The Executive Directors conduct meetings with the management of the Group, at which operational issues and financial performance are evaluated.

The Company considers the essential of internal control system and risk management function and the Board plays an important role in the implementation and monitoring of internal control and risk management.

CORPORATE GOVERNANCE REPORT

Matters specifically decided by the Board and those reserved for the management, such as daily management administration and operation of the Company, etc., are reviewed by the Board. The management shall report back to the Board. The procedure to enable Directors to seek independent professional advice in appropriate circumstances, at the Company's expenses, was established.

The Bye-laws contain provisions regarding responsibilities and operational procedures of the Board. The Board meets regularly at least four times a year considers operational reports of the Company and policies and financial results of the Company. Significant operational policies have to be discussed and passed by the Board.

During the year 2016, the Board held 4 regular Board meetings (within the meaning of the Code) at approximately quarterly intervals, 9 Board meetings which were convened as necessary. Due notice and the Board papers were given to all Directors prior to each regular meeting in accordance with the Code and the Bye-laws. An annual general meeting and 2 special general meetings were also held during the year. Details of individual attendance of Directors are set out below:

	No. of regular Board meetings attended	**No. of other Board meetings attended**	**No. of general meetings attended**
Executive Directors			
Sam Nickolas David Hing Cheong			
(Appointed as Acting Chairman on 5 April 2017)			
(Resigned as Chief Executive Officer on 6 April 2017)	4	9	3
Chow Chi Wah Vincent *(Appointed on 1 June 2016)*			
(Appointed as Managing Director on 5 April 2017)	2	6	2
Tang Yui Man Francis	3	8	1
Xiang Ya Bo *(Resigned on 1 June 2016)*	2	1	1
Chen Wei *(Chairman) (Resigned on 5 April 2017)*	3	6	1
Non-executive Director			
Xin Luo Lin *(Resigned on 1 June 2016)*	1	1	0
Independent Non-executive Directors			
Cheung Wing Ping	4	7	3
Chui Kark Ming	4	7	3
Ma Ka Ki *(Appointed on 1 June 2016)*	2	5	2
Xiang Bing *(Resigned on 1 June 2016)*	2	1	1

Directors' Induction and Continuous Professional Development

On appointment to the Board, each newly appointed Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and management to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organised by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

CORPORATE GOVERNANCE REPORT

From time to time, Directors are provided with written materials to develop and refresh their professional skills; the Company also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the year, the Company organized for the Directors and management an in-house workshop on the Listing Rules, the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, Share Buy-Back Rules and the Code on Takeovers and Mergers.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the Code on continuous professional development during the year:

	Corporate Governance/Updates on laws, rules and regulations	
	Read materials	**Attend briefings/ in-house workshop**
Executive Directors		
Sam Nickolas David Hing Cheong *(Appointed as Acting Chairman on 5 April 2017) (Resigned as Chief Executive Officer on 6 April 2017)*	✓	✓
Chow Chi Wah Vincent *(Appointed on 1 June 2016) (Appointed as Managing Director on 5 April 2017)*	✓	✓
Tang Yui Man Francis	✓	✓
Xiang Ya Bo *(Resigned on 1 June 2016)*	✓	✓
Chen Wei *(Chairman) (Resigned on 5 April 2017)*	✓	✓
Non-executive Director		
Xin Luo Lin *(Resigned on 1 June 2016)*	✓	✓
Independent Non-executive Directors		
Cheung Wing Ping	✓	✓
Chui Kark Ming	✓	✓
Ma Ka Ki *(Appointed on 1 June 2016)*	✓	✓
Xiang Bing *(Resigned on 1 June 2016)*	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year, the role of the Chairman, Mr. Chen Wei, remains separate from that of the Chief Executive Officer, Mr. Sam Nickolas David Hing Cheong. Such division of responsibilities allows a balance of power between the Board and the management of the Group, and ensures the independence and accountability of each other.

The Chairman provides leadership for the Board and oversees the Board so that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account matters proposed by other Directors. The Chairman has overall responsibility for providing leadership, vision and direction regarding business development. During the year, the Chairman had met the Independent Non-executive Directors without the presence of Executive Directors.

The Chief Executive Officer, assisted by other Executive Directors, is responsible for the day-to-day business management and operations of the Group for formulating and successfully implementing policies and for maintaining an effective executive support team. The Chief Executive Officer is accountable to the Board for keeping the Chairman and all Directors fully informed of all major business developments and issues.

Prior to the printing of this Annual Report, Mr. Chen Wei resigned as Chairman of the Board on 5 April 2017. Mr. Sam Nickolas David Hing Cheong was appointed Acting Chairman of the Board on 5 April 2017 and resigned as Chief Executive Officer on 6 April 2017.

CORPORATE GOVERNANCE REPORT

Responsibilities of Directors

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Group. Their responsibilities include:

— attending regular board meetings and focusing on business strategy, operational issues and financial performance;

— active participation on the respective boards of directors of the subsidiaries and associated companies of the Company;

— approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;

— monitoring the quality, timeliness, relevance and reliability of internal and external reporting;

— monitoring and managing potential conflicts of interest of senior management, Board and shareholders of the Company;

— consideration of misuse of corporate assets and abuse in related party transaction; and

— ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to fulfill their obligations, an appropriate organizational structure is in place with clearly defined responsibilities and limits of authority.

Corporate Governance Functions

The Board is responsible for performing the following corporate governance duties as required under the Code:

— to develop and review the Company's policies and practices on corporate governance;

— to review and monitor the training and continuous professional development of Directors and senior management;

— to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

— to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

— to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

During the year, the Board considered the following corporate governance matters:

— review of the policies and practices adopted by the Company, trainings for directors and senior management, and code of conduct and compliance manual, etc;

— review of the usage of annual caps on continuing connected transactions of the Group;

— review of the compliance with the Code and the disclosure of this report;

— review of the effectiveness of the internal controls and risk management systems of the Company through the Audit Committee; and

— adoption of revised corporate governance practices relating to risk management system and internal audit function as well as amendments to the terms of reference of the Audit Committee to reflect the new requirement of risk management system.

Board Committees

A number of committees, including the Audit Committee, nomination committee (the "Nomination Committee") and Remuneration Committee, have been set up by the Company, with specific terms of reference relating to authority and duties, to strengthen the Board's functions and enhance its expertise.

Remuneration Committee

As at the date of this Annual Report, the Remuneration Committee comprises one Executive Director, Mr. Sam Nickolas David Hing Cheong (appointed on 15 June 2016), and five Independent Non-executive Directors, Mr. Cheung Wing Ping, Mr, Chui Kark Ming, Mr. Ma Ka Ki (appointed on 1 June 2016), Mr. Hung Cho Sing (appointed on 6 April 2017) and Mr. Chan Hak Kan (appointed on 6 April 2017) and is chaired by Mr. Cheung Wing Ping.

The terms of reference of the Remuneration Committee comply with the Code which are posted on the website of the Company at www.enerchina.com.hk.

The Remuneration Committee's responsibilities mainly include the reviewing, considering and making recommendation to the Board on (i) the Company's remuneration policy for Directors and senior management, (ii) remuneration packages for individual Executive Directors and senior management including benefits in kind, pension rights and compensation payments, and (iii) remuneration of Non-executive Directors etc.

During the year 2016, the Remuneration Committee:

— reviewed the remuneration policy for 2016/2017;

— reviewed the remuneration of executive directors, non-executive director, independent non-executive directors and management year-end bonus; and

— made recommendation to the Board on the above matters.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee held 2 meetings during 2016 with individual attendance as follows:

Members of Remuneration Committee	No. of meeting(s) attended
Chen Wei	2
Cheung Wing Ping	2
Chui Kark Ming	2
Ma Ka Ki *(Appointed as member on 1 June 2016)*	1
Sam Nickolas David Hing Cheong *(Appointed as member on 15 June 2016)*	N/A
Xiang Bing *(Resigned as member on 1 June 2016)*	0
Xiang Ya Bo *(Resigned as member on 15 June 2016)*	1

The remuneration of the members of the senior management by band for the year ended 31 December 2016 is set out below:

Remuneration bands (HK$)	Number of person(s)
1,000,001 to 2,000,000	9
2,000,001 to 3,000,000	1

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 11 to the consolidated financial statements.

Audit Committee

As at the date of this Annual Report, the Audit Committee comprises five Independent Non-executive Directors, namely Mr. Cheung Wing Ping, Mr. Chui Kark Ming, Mr. Ma Ka Ki (appointed on 1 June 2016), Mr. Hung Cho Sing (appointed on 6 April 2017) and Mr. Chan Hak Kan (appointed on 6 April 2017) and is chaired by Mr. Cheung Wing Ping.

The Audit Committee reports directly to the Board and reviews matters within the scope of audit, such as financial statements and internal control, to protect the interests of the Company's shareholders.

The Audit Committee meets regularly with the Company's external auditor twice a year to discuss audit process and accounting issues, and reviews effectiveness of internal control and risk evaluation. Written terms of reference, which describe the authority and duties of the Audit Committee are regularly reviewed and updated by the Board.

During 2016, the Audit Committee:

— reviewed financial statements for the year ended 31 December 2015 and for the six months ended 30 June 2016;

— reviewed the effectiveness of the internal control system and risk management;

— reviewed the external auditor's audit findings;

— reviewed and approved remuneration of auditor for 2015 and recommended the reappointment of auditor;

— reviewed the continuing connected transactions and the annual cap; and

— reviewed the implementation of policy for employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters and the whistleblowing policy.

CORPORATE GOVERNANCE REPORT

As at 31 December 2016, the arrangement for employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters was in place. No reporting has been received by Audit Committee during the year.

The Audit Committee held 2 meetings during the year. Details of individual attendance of its members are as follows:

Members of Audit Committee	**No. of meeting(s) attended**
Cheung Wing Ping	2
Chui Kark Ming	2
Ma Ka Ki *(Appointed as member on 1 June 2016)*	1
Xiang Bing *(Resigned as member on 1 June 2016)*	0

Nomination Committee

As at the date of this Annual Report, the Nomination Committee comprises one Executive Director, Mr. Sam Nickolas David Hing Cheong and five Independent Non-executive Directors, Mr. Cheung Wing Ping, Mr. Chui Kark Ming, Mr. Ma Ka Ki (appointed on 1 June 2016), Mr. Hung Cho Sing (appointed on 6 April 2017) and Mr. Chan Hak Kan (appointed on 6 April 2017). and is chaired by Mr. Chui Kark Ming.

The terms of reference of the Nomination Committee have complied with the Code which are posted on the website of the Company at www.enerchina.com.hk.

The Nomination Committee's responsibilities mainly include the reviewing and recommending the structure, size and composition of the Board and recommending any change thereon; assessing the independence of Independent Non-executive Directors and recommending the re-election of Directors, etc.

During the year 2016, the Nomination Committee:

— reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;

— reviewed the board diversity policy;

— assessed the independence of Independent Non-executive Directors; and

— reviewed and made recommendations to the Board on re-election of retiring Directors at the 2017 annual general meeting.

The Nomination Committee held 2 meetings during the year 2016 with individual attendance as follows:

Members of Nomination Committee	**No. of meeting(s) attended**
Cheung Wing Ping	2
Chui Kark Ming	2
Sam Nickolas David Hing Cheong	2
Ma Ka Ki *(Appointed as member on 1 June 2016)*	1
Xiang Bing *(Resigned as member on 1 June 2016)*	0

CORPORATE GOVERNANCE REPORT

In 2016, Mr. Chow Chi Wah Vincent was appointed as Executive Director and Mr. Ma Ka Ki was appointed as Independent Non-executive Director, the Nomination Committee assessed the candidates on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out their duties and responsibilities effectively as well as the independent factors set out in the Listing Rules, etc., and made recommendation to the Board for approval.

The Nomination Committee nominated and the Board recommended Mr. Chow Chi Wah Vincent and Mr. Ma Ka Ki, both being newly appointed Directors shall hold office until the next following general meeting of the Company, and shall then be eligible for re-election at that meeting; and Mr. Tang Yui Man Francis and Mr. Chui Kark Ming, being the Director longest in office since his last re-election, to retire by rotation, being eligible, will offer themselves for re-election by shareholders of the Company.

BOARD DIVERSITY POLICY

The Company formulated the board diversity policy in August 2013 aiming at setting out the approach on diversity of the Board of the Company.

The Board recognizes the importance of having a diverse Board in enhancing the board effectiveness and corporate governance. A diverse Board will include and make good use of differences in the skills, industry knowledge and experience, education, background and other qualities, etc of Directors and does not discriminate on the ground of race, age, gender or religious belief. These differences will be taken into account in determining the optimum composition of the Board and when possible should be balanced appropriately.

The Nomination Committee has responsibility for identifying and nominating for approval by the Board, candidates for appointment to the Board. It takes responsibility in assessing the appropriate mix of experience, expertise, skills and diversity required on the Board and assessing the extent to which the required skills are represented on the Board and reviewing effectiveness of the Board.

The Nomination Committee is also responsible for reviewing and reporting to the Board in relation to Board diversity.

Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates to join the Board will be, in part, dependent on the pool of candidates with the necessary knowledge, experience, skills, educational background and other qualities. The final decision will be based on merit and contribution the chosen candidate will bring to the Board.

The Board considers that Board diversity, including gender diversity, is a vital asset to the business.

At present, the Nomination Committee has not set any measurable objectives to implement the Board diversity policy. However, it will consider and review the Board diversity policy and setting of any measurable objectives from time to time.

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.

The Company has also established written guidelines regarding securities transaction on no less exacting than the terms of the Model Code for senior management and specific individual who may have access to inside information in relation to the securities of the Company.

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITOR

The external auditor of the Company is Deloitte Touche Tohmatsu ("Deloitte"). Deloitte provided professional services in respect of the audit of the Company's consolidated financial statements prepared under Hong Kong Financial Reporting Standards ("HKFRSs") for the year ended 31 December 2016. Deloitte also reviewed the 2016 unaudited interim financial report of the Company, prepared under HKFRSs.

Fees charged by Deloitte in respect of audit services for the year 2016 amounted to HK$2,600,000. Non-audit services fees charged by Deloitte were as follows:

Description of professional services rendered in connection with:

Description of service performed	**Fee**
	HK$'000
Review of interim report for the six months ended 30 June 2016	470
Professional services in connection with the major transactions	700
Professional services in connection with the proposed rights issue	550
Professional services in connected with the factual findings report on preliminary results announcement	25
Professional services in connection with the continuing connected transactions	25

INTERNAL CONTROL

The Company places great importance on internal control and risk management. The Board has overall responsibility for the system of internal control and for reviewing its effectiveness. During the year, the Audit Committee and the Board has conducted a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management system and consideration of adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. Based on the results of the review, the system was satisfactory with no major irregularities reported and the Group would take steps to further enhance the effectiveness of the internal control system.

GOING CONCERN

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue its operational existence for a foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

COMPANY SECRETARY

Mr. Chow Chi Wah Vincent has been the company secretary in replacement of Mr. Lo Tai On with effect from 12 July 2016. Mr. Chow has been an employee of the Group since June 2016.

The company secretary supports the Board by ensuring an unimpeded flow of information within the Board and that policies and procedures formulated by the Board are followed. He is responsible for advising the Board through the chairman and chief executive officer on governance matters and facilitates induction and professional development of the Directors.

The appointment and dismissal of the company secretary are subject to the Board's approval in accordance with the Bye-laws. Whilst the company secretary reports to the chief executive officer on the Group's company secretarial and corporate governance matters, all members of the Board have access to the advice and services of the company secretary.

CORPORATE GOVERNANCE REPORT

The company secretary of the Company has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

There was no change in the memorandum of association and the Bye-laws during the year.

A copy of memorandum of association and the Bye-laws is posted on the website of the Company at www.enerchina.com.hk.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

(a) Procedures for requisitioning a special general meeting

Shareholder(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company may, by written requisition to the Board or the company secretary of the Company signed and deposited in accordance with the Bye-laws and Bermuda Companies Act 1981, require the Directors to call a special general meeting for the transaction of business specified in the requisition.

(b) Procedures for putting forward proposals at general meetings

Shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company carrying the right to vote at general meetings of the Company or not less than 100 shareholders may, at their expense, provide a written request to the attention of the company secretary of the Company signed and deposited in accordance with the Bermuda Companies Act 1981.

(c) Communication with shareholders and investors

Shareholders are provided with detailed information about the Company in the announcement, annual/interim report and/or circular so that they can exercise their rights in an informed manner.

The Company uses a range of communication tools, such as the annual general meeting, the annual report, various notices, announcements and circulars, to ensure that shareholders are kept well informed of key business imperatives. Procedures for conducting a poll are explained by the chairman of the meeting at the general meetings of the Company held during the year.

General meetings of the Company provide a direct forum of communication between shareholders and the Board. Shareholders are welcome to put forward enquiries to the Board or the management thereat and the Chairman of the Board, or in his absence, an Executive Director of the Company, as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee, or in their absence, other members of the respective committees, and where applicable, the Independent Board Committee, will commonly be present and available to answer questions and shareholders may also contact the company secretary of the Company to direct their written enquires.

The Company is committed to enhancing communications and relationships with its investors. Designated management maintains an open dialogue with institutional investors and analysts to keep them abreast of the Company's developments.

At the 2016 Annual General Meeting, a resolution was proposed by the chairman of the meeting in respect of each separate issue itemized in the notice, including re-election of retiring Directors. The Chairman of the Board and certain members of all committees or their duly appointed delegates and representatives of Deloitte attended the 2016 Annual General Meeting and answered questions from the shareholders.

CORPORATE GOVERNANCE REPORT

At the Special General Meeting held on 5 December 2016, resolutions were proposed by the chairman of the meeting in respect of the major acquisition in relation to the acquisition of the entire issued capital in Smart Jump Corporation by Win Wind Capital Limited, a subsidiary of the Company; and another Special General Meeting was held on 28 December 2016, where a resolution was proposed by the chairman of the meeting in respect of the increase in authorized share capital. All Independent Non-executive Directors participated in the meetings and answered the question of the Shareholders.

The Company also maintains a website at www.enerchina.com.hk, where updates on the Company's business developments and operations, financial information and news can always be found.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

Address: 25th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong
Fax: (852) 2704 2181
Email: contact@enerchina.com.hk

In addition, the procedure for shareholders to propose a person for election as a Director of the Company is available on the Company's website at www.enerchina.com.hk. The above procedures are subject to the Bye-laws and applicable laws and regulations.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES IN PREPARING AND REPORTING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the financial statements which give a true and fair view of the state of affairs of the Group and of the profit and cash flows of the Group for the year. The statement of the auditor regarding reporting responsibility for the financial statements is set out in the Independent Auditor's Report on pages 45 to 50.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In accordance with the requirements of Appendix 27 — Environmental, Social and Governance Reporting Guide (the "ESG Guide") of the Listing Rules issued by the Stock Exchange, the Group hereby presents its Environmental, Social and Governance ("ESG") Report for the year ended 31 December 2016 (the "Reporting Period").

The Board is responsible for our ESG strategy and reporting while our management is responsible for monitoring and managing ESG-related risks and the effectiveness of our ESG management systems. We have engaged our business functions to identify relevant ESG issues and to assess their materiality to our business as well as our stakeholders, through reviewing our operations and holding internal discussions. Disclosures relating to the material ESG issues identified have been included in this ESG Report pursuant to the General Disclosure requirements of the ESG Guide.

ENVIRONMENTAL

As a responsible corporate citizen, we aim to maintain an environmentally friendly business while achieving our goals and creating value for shareholders. Therefore, we are committed to integrating environmental considerations into our operations and services. To achieve this objective, policies relating to environmental protection, such as waste management, resources consumption and environmental management covered in the sections below, have been established and are communicated to our employees regularly in order to raise their environmental awareness.

The Group is not aware of any material cases of non-compliance with laws and regulations relating to emissions, discharges and generation of hazardous and non-hazardous waste arising in the Reporting Period that would have a significant impact on the Group.

Emissions

As a financial services provider, we did not generate air emissions nor hazardous wastes during our operations in the Reporting Period. The major non-hazardous waste produced from our business activities is mainly paper consumed for administrative purposes. To reduce paper usage, we have incorporated the principles of the "3Rs" (Reduce, Reuse, and Recycle) into our business activities. We target to establish a paperless office by using electronic administrative platforms and communication channels to our staff as well as customers whenever possible.

For greenhouse gases, the major source is from the use of energy at our offices and branches. Internal policies have been developed and implemented to reduce energy usage for achieving a smaller carbon footprint. Please refer to the "*A2 Use of Resources*" below.

Use of Resources

We recognize the growing concern of the public regarding resources conservation and continue to optimize our use of resources to protect the environment and increase the cost efficiency of our operations.

Electricity is the primary resource we consumed in our daily operations. In order to reduce such consumption, we have established a policy to monitor the use of energy, promote the procurement of energy efficient equipment (such as appliances with Grade 1 Energy Labels), and require our colleagues to adopt green office practices.

Due to the nature of our business, water consumption is not significant. Nonetheless, an internal policy has been formulated to reduce water usage by installing water efficient equipment in washrooms and pantries where appropriate, and to encourage behavioral changes on the part of our employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environment and Natural Resources

Other than non-hazardous waste, consumption of electricity and water as mentioned above, the Group has no other significant impacts on the environment and natural resources.

However, the Group is committed to the continuous monitoring of our environmental impact and to take timely mitigating actions to minimize the related risks. We also proactively refresh employees' understanding of the latest environmental requirements, and update our internal policies regularly to ensure our compliance with relevant laws and regulations and enhance our environmental performance.

SOCIAL

Employment

We recognize the importance of a high caliber and competent workforce in our business. Therefore, we aim to attract and retain talent by implementing appropriate human resources policies. Remuneration and other benefits such as medical and retirement schemes are offered to our employees with reference to prevailing market practices. Year-end bonuses and promotion opportunities are also provided to our staff according to their individual and the Group's business performance. With regards to employee dismissals and terminations, we strictly follow the employment rules and regulations stipulated in Hong Kong.

Apart from offering competitive compensation packages, we also provide free employee meals, a family-friendly working environment and work-life balance to our employees. We also strictly follow the regulatory requirements on working hours and rest periods. Various communication channels have been established to enable us to receive employees' opinions, which are carefully considered and replied to.

We respect every employee and embrace diversity of our workforce. We will ensure equality during our recruitment, performance evaluation and promotion processes. Any kinds of discrimination, regardless of age, disability, sex, religion, race, pregnancy, and family status, are strictly prohibited in the Group.

We are not aware of any material cases of non-compliance with laws and regulations relating to employment and labor practices arising in the Reporting Period that would have had a significant impact on the Group.

Health and Safety

As a financial services provider, our employees are not exposed to significant health and safety risks when performing their duties. Nonetheless, we are committed to maintaining a safe and hygienic workplace by regularly monitoring the physical conditions of our office and branches including with regards to cleanliness, indoor air quality, pest controls, security, fire precautions etc.. This helps to ensure the safety as well as productivity of our employees. In addition, the Group has a comprehensive insurance plan in place providing medical benefits for all staff and covering accidents occurring in our premises. Health and safety incidents are reported to management and are promptly dealt with.

We are not aware of any material cases of non-compliance with laws and regulations relating to occupational health and safety arising in the Reporting Period that would have had a significant impact on the Group.

Development and Training

The Group aims to provide continuous training to our people, in order to facilitate their career and personal development, as well as to maintain an efficient and effective workforce for our business. Our training programs are tailored to the needs of different job functions to strengthen the skills and abilities of our employees. Training topics vary from updates on rules and regulations, technical knowledge, management skills to customer services standards. Furthermore, on-job training including coaching by supervisors, job rotation and shadowing, are offered to our staff in order to maintain and enhance our work quality. We also encourage our staff to discuss their learning plans with their supervisors during their performance evaluation process and we provide financial subsidies for employees to attend external training courses, where appropriate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Labor Standards

We do not engage in or tolerate any use of child or forced labor in our operations. All employees are hired in strict compliance with local labour laws and regulations, including the minimum working age requirement. Employments is offered based on the principles of fairness, openness and willingness. All positions are bounded by legal contracts with detailed terms and conditions of employments to protect employees' and the Company's interests.

We are not aware of any material cases of non-compliance with laws and regulations relating to labor standards arising in the Reporting Period that would have had a significant impact on the Group.

Supply Chain Management

The Group prefers to engage environmentally and socially responsible suppliers. Apart from having standard criteria, such as quality, prices and reputation, for supplier selection, we also consider suppliers' ESG performance as well as related qualifications including ISO 14001 and OHSAS 18001.

We have also established a fair and transparent supplier selection process with independent review and approval for procurement exercises, and do not tolerate any fraud and bribery in our supply chain. In addition, we regularly evaluate suppliers' performance and require suppliers to take remedial measures where this performance is sub-standard. We even terminate our business relationships if suppliers fail to meet our quality standards. Our suppliers are also required to strictly comply with all applicable laws and regulations.

Product Responsibility

We strive to provide a high standard of service to satisfy the investment and financial needs of our customers. We strictly follow the internal policies and regulatory requirements when delivering our services and regularly review our services quality and seeking customer feedback to identify areas of improvement. In our daily operations, we explain to our customers the underlying risks derived from our financial products and facilitate their financial decision-making process. We ensure that the information and marketing materials we provided do not contain any misleading content, and perform preventive measures, including implementation of "Know-Your-Customers" procedures, to protect customers' interests more effectively.

Furthermore, we are licensed and regulated under the SFC. Apart from complying with the SFC regulations relating to custody of customer assets, we protect our clients' assets by adopting adequate controls such as maintaining designated trust accounts to manage customers' funds, which are audited regularly by independent accountants.

Also, we acknowledge the importance of protecting the privacy and confidentiality of our customers' information. An, internal policy, which governs the collection, handling, and disclosure of clients' data has been developed and communicated to our staff. Pursuant to Personal Data (Privacy) Ordinance, the Group has prohibited the use of any personal information of clients by other parties for direct marketing purposes if unlawful or without explicit and implicit consent of the client.

We are not aware of any material cases of non-compliance with laws and regulations relating to product responsibility arising in the Reporting Period that would have had a significant impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-corruption

The Group has designed and implemented various internal controls to minimize the occurrence of bribery, extortion, fraud and money–laundering. Our expectations on employees' ethical requirements and conduct are stipulated in our Employee Handbook, which is distributed and communicated to all employees.

The Group has established a whistle-blowing channel to enable staff to report on suspicious misconducts. Reports made are followed up and investigated by independent personnel on a timely basis. In addition, trainings are regularly provided to management and employees regularly in order to equip them with an understanding of the latest regulations and best practices relating to anti-bribery, extortion, fraud, and money-laundering matters.

We are not aware of any material cases of non-compliance with laws and regulations relating to bribery, extortion, fraud and money laundering arising during the Reporting Period that would have had a significant impact on the Group.

Community Investment

The success of the Group largely depends on the prosperity of the community we serve. Being a socially-responsible company, we care for the development of the society at large and aim to promote a harmonious relationship between the Group and the community. We encourage our employees to participate in charitable events, and to make contributions by both financial and non-financial means, such as volunteering and making donations of money and used items. We encourage and support employees' participation in charitable initiatives as long as these events are in alignment with our core values.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF ENERCHINA HOLDINGS LIMITED
威華達控股有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Enerchina Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 51 to 123, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of available-for-sale ("AFS") investments	
We identified the impairment assessment of AFS investments as a key audit matter since it is a process which requires management judgement. As at 31 December 2016, the Group has AFS investments measured at cost and AFS investments measured at fair value of HK$676,721,000 and HK$290,190,000 respectively. For AFS investments at cost, the Group assesses the issuers' latest financial information and the market and economic environment to determine if there is any objective evidence of impairment. An impairment provision of HK$75,415,000 has been recorded for the year ended 31 December 2016. For AFS investments at fair value, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment. No impairment provision has been recognised for the year ended 31 December 2016. Details of the disclosure of key source of estimation uncertainty and disclosure of AFS investments are set out in notes 4 and 15 to the consolidated financial statements, respectively.	Our procedures in relation to management's impairment assessment of AFS investments measured at cost included: • understanding, through inquiry with management, the established policies and procedures in respect of the impairment assessment process for AFS investments; • in respect of AFS investments at cost, comparing management's assessment of objective evidence of impairment with reference to the private entities' financial performance and financial position and the market and economic environment; • in respect of AFS investments at fair value, checking to the available market information and assessing if there is any significant or prolonged decline in their fair value; and • checking the mathematical accuracy of management's calculations for impairment of AFS investments.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Allowance on loan and interest receivables from money lending business	
We identified the allowance on loan and interest receivables from money lending business as a key audit matter due to the application of judgement by the management in evaluating the recoverability and credit worthiness of the borrowers. The carrying value of the loan and interest receivables from money lending business was HK$314,637,000 as at 31 December 2016, in respect of which an impairment allowance of HK$12,529,000 has been provided during the year. Further details are contained in the disclosure of key sources of estimation uncertainty and disclosure of trade and other receivables, deposits and prepayments in notes 4 and 19 to the consolidated financial statements, respectively. Furthermore, as detailed in note 19 to the consolidated financial statements, the Group has concentration of credit risk as the exposure of the largest client and the ten largest clients represents 16% and 65% of the total loans to money lending clients as at 31 December 2016 respectively. As any impairment of such receivables will have a significant impact on the Group's financial performance, we consider impairment assessment of such receivables as a key audit matter.	Our audit procedures for the allowance on loan and interest receivables from money lending business included: • understanding through enquiry of the management, the established policies and procedures on credit risk management of receivables from money lending business; • assessing and evaluating the design of controls with respect to the identification of receivables with overdue or defaulted payments or insufficient collateral; and • evaluating management's judgement over the recoverability and creditworthiness of the borrowers against the available information, such as background information of the borrowers, recoverable amount of securities collateral, past collection history of borrowers, concentration risk of borrowers, the Group's actual loss experience and subsequent settlement of the loan and interest receivables.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is HO, Chung Kai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2017

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	5	**58,064**	53,429
Other income	6	**85,997**	55,024
Other gains and losses	7	**1,199**	4,373
(Loss) gain on financial assets at fair value through profit or loss	10	**(1,058,044)**	927,818
Impairment losses in respect of available-for-sale investments	15	**(75,415)**	–
Depreciation of property and equipment	14	**(26,050)**	(13,770)
Employee benefits expenses		**(30,450)**	(39,640)
Other expenses		**(84,799)**	(104,834)
Share of results of an associate	16	**4,449**	(2,844)
Finance costs	8	**(12,174)**	(15,472)
(Loss) profit before taxation		**(1,137,223)**	864,084
Income tax credit (expense)	9	**101,357**	(151,013)
(Loss) profit for the year	10	**(1,035,866)**	713,071
Other comprehensive (expense) income for the year			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(60,428)**	(57,434)
Fair value change on available-for-sale investments		**(69,015)**	3,883
Total other comprehensive expense for the year		**(129,443)**	(53,551)
Total comprehensive (expense) income for the year		**(1,165,309)**	659,520
(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	13		
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	14	**163,453**	189,327
Available-for-sale investments	15	**966,911**	973,765
Interests in an associate	16	**529,449**	–
Intangible assets	17	**3,908**	3,908
Deposit paid for an investment		**15,000**	–
Other deposits	18	**478**	535
Loan receivables	19	**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	19	**704,659**	487,551
Financial assets at fair value through profit or loss	20	**2,919,767**	2,751,599
Structured deposits	21	**223,464**	–
Short-term bank deposits	22	**–**	63,246
Bank balances — trust and segregated accounts	22	**43,171**	17,114
Cash and cash equivalents	22	**743,898**	998,659
		4,634,959	4,318,169
Current liabilities			
Trade and other payables	23	**310,434**	40,584
Income tax payable		**67,864**	66,372
Loan payable	24	**250,000**	–
Promissory notes payable	25	**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
Non-current liabilities			
Deferred taxation	26	**109,986**	216,406
Convertible notes liability	27	**–**	101,150
Promissory notes payable	25	**320,642**	–
		430,628	317,556
Net assets		**4,601,716**	5,098,440

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital	28	**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

The consolidated financial statements on pages 51 to 123 were approved and authorised for issue by the Board of Directors on 28 March 2017 and are signed on its behalf by:

Sam Nickolas David Hing Cheong *DIRECTOR*	**Chow Chi Wah Vincent** *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company										Non-controlling interests			
	Share capital HK$'000 (Note)	Share premium HK$'000	Translation reserve HK$'000	Contribution surplus HK$'000	Warrant reserve HK$'000	Special reserve HK$'000	Investment revaluation reserve HK$'000	Share options reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Convertible notes reserve HK$'000	Share of net assets (liabilities) HK$'000	Investments revaluation reserve HK$'000	Total HK$'000
At 1 January 2015	71,897	3,041,421	22,764	544	–	–	870	3,928	1,213,328	4,354,752	–	7,634	–	4,362,386
Exchange differences arising on translation to presentation currency	–	–	(57,434)	–	–	–	–	–	–	(57,434)	–	–	–	(57,434)
Fair value change on available-for-sale investments	–	–	–	–	–	–	3,883	–	–	3,883	–	–	–	3,883
Profit for the year	–	–	–	–	–	–	–	–	713,071	713,071	–	–	–	713,071
Total comprehensive income for the year	–	–	(57,434)	–	–	–	3,883	–	713,071	659,520	–	–	–	659,520
Issue of new shares upon exercise of share options	42	1,308	–	–	–	–	–	–	–	1,350	–	–	–	1,350
Transfer upon exercise of share option	–	162	–	–	–	–	–	(162)	–	–	–	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	12,974	–	12,974	–	–	–	12,974
Issue of warrants	–	–	–	–	13,360	–	–	–	–	13,360	–	–	–	13,360
Issue of convertible notes by a subsidiary of the Company	–	–	–	–	–	–	–	–	–	–	48,850	–	–	48,850
At 31 December 2015	71,939	3,042,891	(34,670)	544	13,360	–	4,753	16,740	1,926,399	5,041,956	48,850	7,634	–	5,098,440
Exchange differences arising on translation to presentation currency	–	–	(60,428)	–	–	–	–	–	–	(60,428)	–	–	–	(60,428)
Fair value change on available-for-sale investments reclassified to profit or loss upon disposal	–	–	–	–	–	–	(4,753)	–	–	(4,753)	–	–	–	(4,753)
Fair value change on available-for-sale investments	–	–	–	–	–	–	(56,692)	–	–	(56,692)	–	–	(7,570)	(64,262)
Loss for the year	–	–	–	–	–	–	–	–	(941,990)	(941,990)	–	(93,876)	–	(1,035,866)
Total comprehensive expense for the year	–	–	(60,428)	–	–	–	(61,445)	–	(941,990)	(1,063,863)	–	(93,876)	(7,570)	(1,165,309)
Share option lapsed	–	–	–	–	–	–	–	(162)	162	–	–	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	1,361	–	1,361	–	–	–	1,361
Redemption of convertible notes by a subsidiary of the Company	–	–	–	–	–	–	–	–	2,074	2,074	(48,850)	–	–	(46,776)
Changes in ownership interests in a subsidiary without loss of control	–	–	–	–	–	383,950	–	–	–	383,950	–	330,050	–	714,000
At 31 December 2016	**71,939**	**3,042,891**	**(95,098)**	**544**	**13,360**	**383,950**	**(56,692)**	**17,939**	**986,645**	**4,365,478**	**-**	**243,808**	**(7,570)**	**4,601,716**

Note: Special reserve represents the difference between the consideration received and the amount by which the non-controlling interests is adjusted as a result of the change in ownership interests in a subsidiary without loss of control, as detailed in note 41.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before taxation		**(1,137,223)**	864,084
Adjustments for:			
Depreciation of property and equipment	14	**26,050**	13,770
Interest expenses		**12,174**	15,472
Interest income	6	**(37,280)**	(40,621)
Loss (gain) on disposal of property and equipment		**11**	(2,608)
Impairment loss in respect of loan receivables	7, 19	**12,529**	4,231
Loss on disposal of an associate		**–**	3,218
Gain on disposal of subsidiaries		**(2,769)**	–
Gain on disposal of available-for-sale investments		**(2,862)**	(3,313)
Impairment loss in respect of available-for-sale investments		**75,415**	–
Release of financial guarantees		**(2,328)**	(4,293)
Share of results of an associate	16	**(4,449)**	2,844
Dividend income	6	**(20,969)**	(10,702)
Share-based payment expenses		**1,361**	12,974
Operating cash (outflows) inflows before movements in working capital		**(1,080,340)**	855,056
Decrease (increase) in other deposits		**57**	(255)
Decrease (increase) in financial assets at fair value through profit or loss		**1,852,925**	(714,215)
(Increase) decrease in trade and other receivables, deposits and prepayments		**(277,386)**	160,155
(Increase) decrease in bank balances — trust and segregated accounts		**(26,057)**	12,537
Increase (decrease) in trade and other payables		**16,581**	(6,108)
Cash generated from operations		**485,780**	307,170
Interest paid on borrowings		**(11,876)**	(15,472)
Income tax paid		**(3,571)**	(12,892)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**470,333**	278,806

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
INVESTING ACTIVITIES			
Purchase of structured deposit		**(233,918)**	–
Placement of short-term bank deposits		**(81,900)**	(63,246)
Withdrawal of short-term bank deposit		**145,146**	–
Deposits paid for acquisition of property and equipment		**(31,149)**	(37,248)
Increase in deposit paid for an investment		**(15,000)**	–
Dividend received		**20,969**	10,702
Interest received		**37,280**	40,621
Proceeds from disposal of property and equipment		**–**	61,630
Purchase of available-for-sale investments		**(261,218)**	(379,204)
Receipts arising from the disposal of subsidiary		**10,000**	–
Receipts from entrusted loans receivable		**–**	28,308
Purchase of property and equipment	14	**(187)**	(171,807)
Net cash flows arising from disposal of subsidiaries	34	**52,577**	–
Net cash flows arising from acquisition of subsidiaries	35	**60,137**	(54,474)
Investment in an associate		**(525,000)**	–
Disposal of an investment in an associate		**–**	42,416
Disposal of available-for-sale investments		**129,460**	5,944
NET CASH USED IN INVESTING ACTIVITIES		**(692,803)**	(516,358)
FINANCING ACTIVITIES			
Drawdown of bank loan		**250,000**	–
Increase in loan payable		**–**	600,000
Repayment of bank loans		**–**	(600,000)
Issue of warrants		**–**	13,360
(Repayment) issue of convertible notes by a subsidiary		**(147,926)**	150,000
Issue of shares		**–**	1,350
Repayment of promissory note payable		**(95,000)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**7,074**	164,710
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(215,396)**	(72,842)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**998,659**	1,127,641
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(39,365)**	(56,140)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by cash and cash equivalents		**743,898**	998,659

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 address of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

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 management 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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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[5]

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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 ("FVTPL") or be designated as fair value through other comprehensive income (subject to fulfilment 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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 and operating cash flows, respectively.

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 as disclosed in note 36. 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.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity 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. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

All intragroup assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition- related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising from an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising from an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising from the acquisition of an associate is described below.

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue or income arising from financial services are recognised on the following basis:

- Commission income for broking business is recorded as income on a trade date basis;

- Underwriting commission income, sub-underwriting income and placing commission are recognised as income in accordance with the terms of the underlying agreement or deal mandate when relevant significant act has been completed;

- Advisory and other fee income are recognised when the relevant transactions have been arranged or the relevant services have been rendered; and

- Interest income from clients are recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Other interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on tangible and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

Financial assets

The Group's financial assets are classified into the following specified categories: including financial assets at FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for loans and receivables.

Financial assets at FVTPL

Financial assets at FVTPL represents financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other income" line item. Fair value is determined in the manner described in note 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivables, trade and other receivables, structured deposits, bank balances — trust and segregated accounts, short-term bank deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated equity securities (e.g. unlisted shares, listed shares and unlisted investment fund) as available-for-sale financial assets on initial recognition of those items.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method are recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of profit or loss and other comprehensive income. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recovery of amounts previously written off are credited to the consolidated statement of profit or loss and other comprehensive income.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through the consolidated statement of profit or loss and other comprehensive income to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in the consolidated statement of profit or loss and other comprehensive income. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible notes containing liability and equity components and early redemption option

Convertible notes issued by the Group that contain both the liability (together with the early redemption option which is closely related to the host liability component) and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible notes into equity, is included in equity (convertible notes reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of a subsidiary, will remain in convertible notes reserve until the embedded option is exercised (in which case the balance stated in convertible notes reserve will be transferred to share premium). When the notes are redeemed, and difference between the redemption amount and the carrying amounts of both components is recognised in profit or loss. Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be transferred to retained earnings. No gain or loss is recognised in the consolidated statement of profit or loss and other comprehensive income upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Other financial liabilities

Other financial liabilities including trade and other payables, loan payable, promissory note payable and convertible notes liability are subsequently measured at amortised cost, using the effective interest method.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts (the liability component) and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the consolidated statement of profit or loss and other comprehensive income.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of profit or loss and other comprehensive income.

Share-based payment transactions

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated statement of profit or loss and other comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit for the year" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in the consolidated statement of profit or loss and other comprehensive income.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in consolidated statement of profit or loss and other comprehensive income in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the group entities are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the translation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest became a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to consolidated statement of profit or loss. On disposal of subsidiaries which are not foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company is transferred to retained earnings.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of available-for-sale investments

For available-for-sale investments at fair value, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment. In determining whether the decline in fair value should be recognised in profit or loss accounts, the directors of the Company considers if such decrease was prolonged or significant by a number of factors. Based on its assessment of the magnitude of the decrease in fair value and the length of time of which the fair value been lower than the Group's original investment cost in the investments, it is concluded that there is no impairments required for both years. As at 31 December 2016, the carrying amount of available-for-sale investments at fair value is HK$290,190,000 (2015: HK$169,168,000).

For available-for-sale investments at cost, the Group assesses the issuers' latest financial information and the market and economic environment to determine if there is any objective evidence of impairment. As at 31 December 2016, the carrying amount of available-for-sale investments at cost is HK$676,721,000 (2015: HK$804,597,000) and an impairment provision of HK$75,415,000 has been recognised (2015: Nil).

Allowance for doubtful debts

The policy for allowance for doubtful debts of the Group is based on the evaluation of recoverability and creditworthiness of the borrowers against the available information, such as the background information of the borrowers, recoverable amount of securities collateral, past collection history of borrowers concentration risk of borrowers, the Group's actual loss experience and subsequent of the loan and interest receivables. If the financial conditions of debtors and their ability to make payments worsen, additional allowance may be required. As at 31 December 2016, the aggregate carrying amount of trade receivables arising from loan and interest receivables from independent third parties was HK$314,637,000 (2015: HK$308,456,000) and an impairment allowance of HK$12,529,000 (2015: HK$4,231,000) has been provided during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

5. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

5. REVENUE AND SEGMENT INFORMATION (Continued)

(B) Segment information (Continued)

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 FVTPL	–	(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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

5. REVENUE AND SEGMENT INFORMATION (Continued)

(B) Segment information (Continued)

Segment revenue and results (Continued)

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 FVTPL	–	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 operating decision makers also consider loss/gain on financial assets at FVTPL as segment revenue.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies in note 3. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

5. REVENUE AND SEGMENT INFORMATION (Continued)

(B) Segment information (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

At 31 December 2016

	Financial services	Securities trading and investments	Money lending	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	506,412	3,907,578	314,637	4,728,627
Unallocated property and equipment				13,998
Deposit paid for acquisition of property and equipment				68,397
Unallocated other receivables, deposits and prepayments				78,545
Interests in an associate				529,449
Cash and cash equivalents				743,898
Structured deposit				223,464
Consolidated assets				6,386,378
Segment liabilities	41,229	261,118	250,988	553,335
Unallocated other payables				7,099
Income tax payable				67,864
Deferred taxation				109,986
Promissory notes payable				1,046,378
Consolidated liabilities				1,784,662

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

5. REVENUE AND SEGMENT INFORMATION (Continued)

(B) Segment information (Continued)

Segment assets and liabilities (Continued)

As at 31 December 2015

	Financial services HK$'000	Securities trading and investments HK$'000	Money lending HK$'000	Consolidated HK$'000
Segment assets	240,252	3,830,029	312,570	4,382,851
Unallocated property and equipment				21,974
Deposit paid for acquisition of property and equipment				37,248
Unallocated other receivables, deposits and prepayments				18,974
Short-term bank deposits				63,246
Cash and cash equivalents				998,659
Consolidated assets				5,522,952
Segment liabilities	32,379	–	2,236	34,615
Unallocated other payables				5,969
Income tax payable				66,372
Deferred taxation				216,406
Convertible notes liability				101,150
Consolidated liabilities				424,512

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than certain property and equipment, deposit paid for acquisition of property and equipment, interests in an associate, certain other receivables, deposits and prepayments, short-term bank deposits, cash and cash equivalents and structured deposit.

- all liabilities are allocated to operating and reportable segments other than certain other payables, income tax payable, deferred taxation, promissory notes payable and convertible notes liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

5. REVENUE AND SEGMENT INFORMATION (Continued)

(B) Segment information (Continued)

Other segment information

For the year ended 31 December 2016

	Financial services HK$'000	Securities trading and investments HK$'000	Money lending HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets:					
Impairment loss in respect of loan receivables	–	–	12,529	–	12,529
Impairment loss in respect of available-for-sale investments	–	75,415	–	–	75,415
Loss on disposal of property and equipment	–	–	–	11	11
Depreciation of property and equipment	18,045	–	–	8,005	26,050

For the year ended 31 December 2015

	Financial services HK$'000	Securities trading and investments HK$'000	Money lending HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets:					
Additions of property and equipment	170,478	–	–	3,780	174,258
Gain on disposal of property and equipment	(2,478)	–	–	(130)	(2,608)
Depreciation of property and equipment	6,022	–	–	7,748	13,770

Geographical information

The Group's operations are located in Hong Kong. Accordingly, the Group's revenue from external customers and all non-current assets (excluding financial assets) are located in Hong Kong.

Information about major customers

There is no single customer contributing over 10% of total sales of the Group for the years ended 31 December 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

6. 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 FVTPL	**8,998**	5,482
— others	**173**	731
	37,280	40,621
Dividend income from financial assets at FVTPL:		
— listed investments held for trading	**20,969**	10,702
Others	**27,748**	3,701
	85,997	55,024

7. OTHER GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
Net exchange gain	**2,885**	1,608
Gain on bargain purchase of subsidiaries (note 35)	**2,895**	–
(Loss) gain on disposal of property and equipment	**(11)**	2,608
Gain on disposal of available-for-sale investments	**2,862**	3,313
Loss on disposal of an associate (note 16)	**–**	(3,218)
Gain on disposal of subsidiaries (note 34)	**2,769**	–
Release on financial guarantees	**2,328**	4,293
Impairment loss in respect of loan receivables (Note 19)	**(12,529)**	(4,231)
	1,199	4,373

8. FINANCE COSTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

9. INCOME TAX (CREDIT) EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Current tax — Hong Kong	**5,063**	64,698
Deferred tax (credit) expense (note 26)	**(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.

Taxation for the year can be reconciled to the (loss) profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2016	2015
	HK$'000	*HK$'000*
(Loss) profit before taxation	**(1,137,223)**	864,084
Tax (credit) expense at applicable tax rate of 16.5% (2015: 16.5%)	**(187,642)**	142,574
Tax effect of expenses not deductible for tax purpose	**97,870**	10,790
Tax effect of income not taxable for tax purpose	**(17,069)**	(8,957)
Tax effect of tax losses not recognised	**6,122**	10,527
Utilisation of tax losses previously not recognised	**(638)**	(3,921)
Income tax (credit) expense for the year	**(101,357)**	151,013

10. (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 FVTPL	**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 ended 31 December 2016 (2015: HK$278,700,000) on disposal of investments held for trading is included in loss (gain) on financial assets at FVTPL disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

The emoluments paid or payable to each of the 10 (2015: 9) directors were as follows:

	Year ended 31 December 2016										
	Mr. Chen Wei HK$'000	Mr. Cheung Wing Ping HK$'000	Mr. Chow Chi Wah Vincent HK$'000 (Note d)	Mr. Chui Kark Ming HK$'000	Mr. Ma Ka Ki HK$'000 (Note d)	Mr. Sam Nickolas David Hing Cheong HK$'000 (Note i)	Mr. Tang Yui Man, Francis HK$'000	Dr. Xiang Bing HK$'000 (Note d)	Mr. Xiang Ya Bo HK$'000 (Note d)	Mr. Xin Luo Lin HK$'000 (Note d)	Total HK$'000
Fees (Note a)	–	250	–	250	146	–	–	105	–	105	856
Other emoluments											
– salaries and other benefits (Note b)	1,120	–	700	–	–	1,596	1,800	–	656	–	5,872
– contributions to retirement benefit schemes	42	–	16	–	–	36	18	–	33	–	145
– performance and discretionary bonuses (Note c)	–	–	–	–	–	200	500	–	–	–	700
Total emoluments	1,162	250	716	250	146	1,832	2,318	105	689	105	7,573

	Year ended 31 December 2015									
	Mr. Chen Wei HK$'000	Mr. Cheung Wing Ping HK$'000 (Note g)	Mr. Chui Kark Ming HK$'000 (Note g)	Mr. Lam Ping Cheung HK$'000 (Note g)	Mr. Sam Nickolas David Hing Cheong HK$'000 (Note i)	Mr. Tang Yui Man, Francis HK$'000	Dr. Xiang Bing HK$'000	Mr. Xiang Ya Bo HK$'000	Mr. Xin Luo Lin HK$'000 (Note g)	Total HK$'000
Fees (Note a)	–	154	154	125	–	–	250	–	250	933
Other emoluments										
– salaries and other benefits (Note b)	1,120	–	–	–	1,596	1,793	–	1,560	–	6,069
– contributions to retirement benefit schemes	42	–	–	–	36	18	–	113	–	209
– performance and discretionary bonuses (Note c)	–	–	–	–	200	700	–	700	–	1,600
Total emoluments	1,162	154	154	125	1,832	2,511	250	2,373	250	8,811

Notes:

a. The directors' fee of independent non-executive directors/non-executive directors are determined by the board of directors with recommendation from the remuneration committee of the Company with reference to their duties and responsibilities with the Company, the Company's performance and the prevailing market situation and to be authorised by the shareholders of the Company at the annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION (CONTINUED)

Notes: (Continued)

b. The emoluments of the directors are covered by their respective service contracts and/or supplemental agreements or letters of appointment entered into with the Company.

c. The performance and discretionary bonuses are determined by the board of directors from time to time with reference to the directors' duties and responsibilities and the Company's performance and profitability.

d. Dr. Xiang Bing resigned as an independent non-executive director on 1 June 2016. Mr. Xin Luo Lin resigned as a non-executive director on 1 June 2016. Mr. Xiang Ya Bo resigned as executive director on 15 June 2016. Mr. Chow Chi Wah Vincent was appointed as executive director on 1 June 2016. Mr. Ma Ka Ki was appointed as an independent non-executive director on 1 June 2016.

e. The emoluments of executive directors, including Mr. Chen Wei, Mr. Chow Chi Wah Vincent, Mr. Sam Nickolas David Hing Cheong, Mr. Tang Yui Man Francis and Mr. Xiang Ya Bo were mainly for their services in connection with the management of the affairs of the Company and the Group during the year ended 31 December 2016.

f. The emoluments of independent non-executive directors, including Mr. Cheung Wing Ping, Mr. Chui Kark Ming, Mr. Ma Ka Ki and Mr. Xiang Bing were mainly for their services as directors of the Company during the year ended 31 December 2016.

g. Mr. Lam Ping Cheung resigned as an independent non-executive director on 21 May 2015. Mr. Xin Luo Lin was redesignated as a non-executive director on 21 May 2015. Mr. Cheung Wing Ping and Mr. Chui Kark Ming were appointed as independent non-executive directors on 21 May 2015.

h. The emoluments of executive directors, including Mr. Chen Wei, Mr. Sam Nickolas David Hing Cheong, Mr. Tang Yui Man, Francis and Mr. Xiang Ya Bo were mainly for their services in connection with the management of the affairs of the Company and the Group during the year ended 31 December 2015.

i. Mr. Sam Nickolas David Hing Cheong is also the Chief Executive Officer of the Company and his emoluments for both years disclosed above include those for services rendered by him as the Chief Executive Officer.

j. The emoluments of Mr. Xin Luo Lin as an non-executive director was mainly for his services as director of the Company or its subsidiaries during the years ended 31 December 2016 and 2015.

k. The emoluments of independent non-executive directors, including Mr. Cheung Wing Ping, Mr. Chui Kark Ming, Mr. Lam Ping Cheung and Dr. Xiang Bing were mainly for their services as directors of the Company during the year ended 31 December 2015.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years.

The five highest paid individuals of the Group included 5 (2015: 4) directors of the Company. Details of their emoluments are included above.

The emoluments of the remaining from the five highest paid individual for the years are set out as follows:

	2016	2015
	HK$'000	*HK$'000*
Employees		
Salaries and other benefits	–	1,000
Contributions to retirement benefit scheme contributions	–	18
	–	1,018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION (continued)

The emoluments are within the following band:

	2016 *Number of employees*	2015 *Number of employee*
HK$1,000,001 to HK$1,500,000	–	1

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. 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).

13. (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 *HK$'000*	2015 *HK$'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 would result in a decrease 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 for both years has been adjusted for the bonus issue element in right issues completed on 13 March 2017 (note 44).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

14. PROPERTY AND EQUIPMENT

	Leasehold improvement	Furniture, fixtures and Yacht	Motor equipment	vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 January 2015	730	–	37,969	1,672	40,371
Currency realignment	–	410	–	–	410
Additions	–	154,100	2,806	17,352	174,258
Disposals	–	(61,592)	–	(1,178)	(62,770)
Acquisition of a subsidiary (note 35)	–	61,182	–	–	61,182
At 31 December 2015	730	154,100	40,775	17,846	213,451
Additions	–	–	187	–	187
Disposals	–	–	(82)	–	(82)
At 31 December 2016	730	154,100	40,880	17,846	213,556
DEPRECIATION					
At 1 January 2015	677	–	11,753	1,672	14,102
Provided for the year	16	5,139	7,575	1,040	13,770
Eliminated on disposals	–	(2,570)	–	(1,178)	(3,748)
At 31 December 2015	693	2,569	19,328	1,534	24,124
Provided for the year	16	14,667	7,896	3,471	26,050
Eliminated on disposals	–	–	(71)	–	(71)
At 31 December 2016	709	17,236	27,153	5,005	50,103
CARRYING VALUES					
At 31 December 2016	21	136,864	13,727	12,841	163,453
At 31 December 2015	37	151,531	21,447	16,312	189,327

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvement	15% to 20%
Yacht	10%
Furniture, fixtures and equipment	18% to 20%
Motor vehicles	20%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

15. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	HK$'000	*HK$'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 Wise Union Limited, a wholly owned subsidiary of the Group (note 34).

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. Details of the fair value measurements are set out in note 32.

(iii) During the year ended 31 December 2016, the Group disposed of its entire interests in an unlisted investment fund via the disposal of Assets & Equity Holdings Limited, a wholly-owned subsidiary of the Group (note 34).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

16. 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, Enerchine 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 that the Profit Guarantee will be unlikely to be exercised and the fair value of the Profit Guarantee is considered to be insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

16. INTERESTS IN AN ASSOCIATE (continued)

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**

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16. INTERESTS IN AN ASSOCIATE (Continued)

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.

During the year ended 31 December 2015, the Group disposed of its interests in an associate to an independent third party at a cash consideration of HK$42,416,000 which resulted in a loss of HK$3,218,000 being recognised in the consolidated profit or loss and other comprehensive income.

17. INTANGIBLE ASSETS

The amount represented trading rights that confer eligibility on the Group to trade on the Stock Exchange. The trading rights have no foreseeable limit to the period over which the Group can use to generate cash flows. As a result, the trading rights are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until its useful life is determined to be finite.

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18. OTHER DEPOSITS

	2016 HK$'000	2015 HK$'000
Statutory and other deposits with exchanges and clearing houses	**478**	535

The above deposits are non-interest bearing.

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 HK$'000	2015 HK$'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**	–
Loan and interest receivables 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.

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19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

(c) Loan and interest 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 loans receivables

	2016	2015
	HK$'000	*HK$'000*
Balance at the beginning of the year	**4,231**	–
Impairment loss recognised during the year (Note 7)	**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 loan and interest receivables from independent third parties which have been in severe financial difficulties in repaying their outstanding balances. HK$13,862,000 has been written off against the allowance account as at 31 December 2016. 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 receivable 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, a wholly-owned subsidiary of the Group, signed a sales and purchase agreement with an independent third party and Win Wind Capital Group Limited 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 (note 34).

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. Details are set out in note 33.

Details of the Group's policy on credit risk are set out in note 32.

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FOR THE YEAR ENDED 31 DECEMBER 2016

20. 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 of during the year ended 31 December 2016.

21. STRUCTURED DEPOSITS

The structured deposits as at 31 December 2016 (2015: Nil) are placed with banks in the PRC and the returns of which are determined by reference to the change in interest rates quoted in the market. The structured deposits are measured at amortised cost less any identified impairment losses. The principal amount of the structured deposits is RMB200,000,000 as at 31 December 2016 (31 December 2015: Nil) which was matured and settled in January 2017. The annual coupon rate was between 3.25% to 4.25%, dependent on the 3 month London Inter Bank Offered Rate for deposits in United States Dollars ("USD") during the period from inception date to maturity date of the deposit agreements.

22. SHORT-TERM BANK DEPOSITS/CASH AND CASH EQUIVALENTS/BANK BALANCES — TRUST AND SEGREGATED ACCOUNTS

Short-term bank deposits

Short-term bank deposits are deposits with banks with a maturity period of more than three months when acquired. Short-term bank deposits will mature within 12 months from the reporting date and are therefore classified as current assets as at 31 December 2015. The deposits carry interest at prevailing market rate ranging from 3.30% to 3.50% per annum for the year ended 31 December 2015.

Bank balances — trust and segregated accounts

The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding accounts payable to respective clients and other institutions (note 23). However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

Cash and cash equivalents

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates with an original maturity of three months or less.

Bank balances carry interest at prevailing market rate ranging from 0.01% to 3.50% (2015: 0.01% to 3.50%) per annum.

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FOR THE YEAR ENDED 31 DECEMBER 2016

23. 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 loans 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).

24. LOAN PAYABLE

	2016	2015
	HK$'000	*HK$'000*
Unsecured borrowing		
— Other loans (Note)	**250,000**	–

Note: The above loan from an independent third party as at 31 December 2016 (2015: Nil) is unsecured, interest bearing at 7.5% per annum and repayable within 3 months from drawdown date.

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25. 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"), details of which are set out in note 35(a). 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 a 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 on 8 December 2016, 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 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.

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26. DEFERRED TAXATION

The following are the deferred tax liability recognised and the movements thereon during the current and prior years:

	Unrealised gain on financial assets at fair value through profit or loss
	HK$'000
At 1 January 2015	130,091
Charge to loss for the year (note 9)	86,315
At 31 December 2015	216,406
Credit to profit or loss for the year (note 9)	(106,420)
At 31 December 2016	109,986

Deferred tax asset has not been recognised in the consolidated financial statements in respect of the estimated tax losses of HK$905,292,000 (2015: HK$872,056,000) available to offset the future assessable profit due to the unpredictability of future profits streams. Estimated tax losses may be carried forward indefinitely.

27. CONVERTIBLE NOTES LIABILITY

On 28 December 2015, Win Wind, a wholly-owned subsidiary of the Company, issued 2% per annum convertible notes with a principal amount of HK$150,000,000 which will mature on their third anniversary following the issue of convertible notes ("Convertible Notes") at 100% of principal amount to an independent third party ("Noteholder"). The Convertible Notes are denominated in HK$ and will be redeemed at 100% of the principal amount upon maturity.

The Noteholder has the right to convert, the whole or any part of the outstanding principal amount of the Convertible Notes into the ordinary shares of Win Wind at HK$30 per share (subject to adjustments) for the period commencing on the date of issue and ending on the maturity date ("Conversion Period").

Also, the Company may redeem the convertible notes in whole or in part, at an amount equal to the principal amount outstanding and interest accrued up to redemption date, any time before maturity. This early redemption option is closely related to the host liability component.

The convertible notes contain two components, liability (together with the closely related early redemption option) and equity component. The equity component is presented in equity under the heading convertible notes reserve. The effective interest rate of the liability component is approximately 13.8% per annum. The convertible notes have been valued as at 28 December 2015 by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group.

The fair value of the liability component was HK$101,150,000 as at the date of issue and the residual of HK$48,850,000 was included in equity. The Convertible Notes were fully redeemed during the year ended 31 December 2016.

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28. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2015 and 31 December 2015	12,000,000,000	120,000
Authorisation of shares (Note)	88,000,000,000	880,000
At 31 December 2016	100,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2015	7,189,655,664	71,897
Issue of shares on exercise of share options	4,191,000	42
At 31 December 2015 and 31 December 2016	7,193,846,664	71,939

Note: Pursuant to resolutions in writing of the directors of the Company passed on 28 February 2016, the authorised share capital of the Company was increased from HK$120,000,000 to HK$1,000,000,000 divided into 100,000,000,000 shares of a par value of HK$0.01 each.

Subsequent to the end of the reporting date, rights issue was completed on 13 March 2017 as detailed in note 44(a).

29. WARRANTS

On 11 May 2015, the Company entered into a conditional warrant placing agreement (the "Warrant Placing Agreement") with Win Wind Securities Limited (the "Warrant Placing Agent"), a wholly-owned subsidiary of the Company, pursuant to which the Company agreed to grant and the Warrant Placing Agent agreed to procure not less than six professional investors (the "Warrant Placees") in relation to the placing of a total of 1,335,950,132 warrants (the "Warrants") at the placing price of HK$0.01 per warrant (the "Warrant Placings"). The Warrants entitle the Warrant Placees to subscribe for in aggregate 1,335,950,132 shares in the Company at the subscription price of HK$0.65 per new share (subject to anti-dilutive adjustment) for a period 24 months after the date of issue of the Warrants. By the end of 24 months after the issue of the warrants, the Company must exercise the mandatory exercise rights to request all warrants holders who hold any unexercised warrants to exercise the subscription right. The conditions set out in the Warrant Placing Agreement were fulfilled and the Warrant Placings took place on 7 July 2015. The net proceeds from the Warrant Placing were approximately HK$13,360,000. None of the Warrants had been exercised as at 31 December 2016.

30. SHARE OPTION SCHEMES

The Company has a share option scheme (the "2002 Scheme") which will remain in force for a period of ten years from 13 November 2007. The Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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30. SHARE OPTION SCHEMES (Continued)

A nominal consideration of HK$1 is payable on the grant of an option. The exercise price is the highest of the closing price of the shares of the Company as stated on the Stock Exchange on the date of grant, the average of the closing prices of the share of the Company as stated on the Stock Exchange for the five business days immediately preceding the date of grant and the nominal value of the share of the Company.

A share option scheme was adopted by shareholders of the Company on 17 May 2012 (the "2012 Share Option Scheme"), under which the board of directors may, at its discretion, offer any employee (including any executive director) of the Company or its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The 2012 Share Option Scheme has a life of ten years from 13 November 2007. On 15 August 2015, the Group granted 50,000,000 share options to the eligible persons of the Group. No share options are granted during the year ended 31 December 2016.

The following tables disclose details of the Company's share options held by employees (including directors) and movement in such holdings during the year ended 31 December 2016 and 2015:

	Number of the share options					
Option scheme	**Outstanding at 1.1.2016**	**Granted during 2016**	**Exercised during 2016**	**Lapsed during 2016**	**Outstanding at 31.12.2016**	**Exercisable at the end of the year**
2002 Scheme	**97,790,000**	**–**	**–**	**(4,191,000)**	**93,599,000**	**93,599,000**
2012 Scheme	**50,000,000**	**–**	**–**	**–**	**50,000,000**	**50,000,000**
Total	**147,790,000**	**–**	**–**	**(4,191,000)**	**143,599,000**	**143,599,000**
Weighted average exercise price	**HK$0.52**	**–**	**–**	**–**	**HK$0.52**	**HK$0.52**

	Number of the share options					
Option scheme	Outstanding at 1.1.2015	Granted during 2015	Exercised during 2015	Lapsed during 2015	Outstanding at 31.12.2015	Exercisable at the end of the year
2002 Scheme	101,981,000	–	(4,191,000)	–	97,790,000	97,790,000
2012 Scheme	–	50,000,000	–	–	50,000,000	37,500,000
Total	101,981,000	50,000,000	(4,191,000)	–	147,790,000	135,290,000
Weighted average exercise price	HK$0.32	HK$0.90	HK$0.32	–	HK$0.52	HK$0.48

In relation to the options granted to employees during the year ended 31 December 2015, 25% of the options will vest three months after the grant date, 50% of the options will vest six months after the grant date and remaining 25% of the options will vest twelve months after the grant date. The exercisable periods are 15 August 2015 to 14 May 2018, 15 November 2015 to 14 May 2018 and 15 May 2016 to 14 May 2018 respectively.

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30. SHARE OPTION SCHEMES (Continued)

The fair value of the options determined at the date of grant using the Binomial model was approximately HK$14,335,000.

The following assumptions were used to calculate the fair values of share options:

	15 May 2015
Grant date share price	HK$0.79
Exercise price	HK$0.90
Expected life	3 years
Expected volatility (note a)	63.29%
Risk-free rate (note b)	0.708%
Dividend yield (note c)	0%

Notes:

(a) Expected volatility is estimated by calculating the historical daily share price volatility of the stock price of the Company over a historical period of 3 years.

(b) Risk-free rate is determined by reference to the yield of 3-year Hong Kong government bonds.

(c) Estimated by reference to the historical dividend payment of the Company.

During the year ended 31 December 2016, total share-based payments of approximately HK$1,361,000 (2015: HK$12,974,000) has been recognised in the consolidated statements of profit or loss and other comprehensive income, with the corresponding amount being credited to share options reserve.

During the year ended 31 December 2016, 4,191,000 number of share options (2015: Nil) have lapsed.

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31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes loan payable and promissory note payable, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016	2015
	HK$'000	*HK$'000*
Financial assets		
FVTPL		
Held for trading	**2,919,767**	2,751,599
Loans and receivables		
(including cash and cash equivalents)	**1,729,050**	1,564,994
Available-for-sale investments	**966,911**	973,765
Financial liabilities		
Amortised cost	**1,606,812**	141,734

Financial risk management objectives and policies

The Group's major financial instruments include other deposits, financial assets at FVTPL, trade and other receivables, deposit for an investment, available-for-sale investments, structured deposits, short-term bank deposits, bank balances — trust and segregated accounts, cash and cash equivalents, trade and other payables, loan payable, promissory note payable and convertible notes liability. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The risks associated and the management policies remain unchanged from prior year.

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32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk

Foreign currency risk

Certain other receivables and bank balances are denominated in foreign currencies which expose the Group to foreign currency risk.

At the end of the reporting period, the Group had the following amounts denominated in currency other than the functional currency of the relevant entity to which it relates.

	Assets	
	2016	2015
	HK$'000	*HK$'000*
USD	**18,062**	100,359
Euro ("EUR")	**–**	12,742

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The management considers the Group's exposure on foreign exchange rate risk from the remaining foreign currencies are minimal.

Sensitivity analysis

Since the exchange rate of HK$ is pegged with US$, the Group does not expect any significant movements in the US$/HK$ exchange rates. Therefore, the following sensitivity analysis does not include the effect between US$ and HK$.

The Group's sensitivity to a reasonably possible change of 5% in the EUR against HK$ for the year ended 31 December 2015 was approximately HK$637,000. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in profit for the year where EUR strengthens 5% against the relevant foreign currencies. For a 5% weakening of EUR against HK$, there would be an equal but opposite impact on the profit for the year, and the balances below would be negative.

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32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate promissory note payable (note 25) and fixed-rate loans to independent third parties (note 19) and cash flow interest rate risk in relation to variable-rate structured deposit and variable-rate cash and cash equivalents. The management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The management considers that the Group's exposure to cash flow interest rate risk on variable-rate bank balances as a result of the change of market interest rate is insignificant due to its short-term maturity and thus no sensitivity analysis is prepared for cash flow interest rate risk.

The management considers that a sensitivity analysis for the Group's exposure to fair value interest rate risk to be unrepresentative as the year ended exposure does not reflect the exposure during the year end thus no sensitivity analysis is prepared for fair value interest rate risk.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities, listed bonds, unlisted investment funds as well as investments in unlisted equity investments whereby the fair value cannot be measured reliably and thus stated at cost less impairment. The management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise. The Group's other price risk is mainly concentrated on the fluctuation of market price of equity securities listed in Hong Kong and overseas. Other than this, the Group does not have any concentration on price risk in listed shares or unlisted investment funds.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date from financial assets at FVTPL (including investments in listed equity securities, unlisted investment fund and listed bonds) and available-for-sale investments.

If the prices of the respective equity securities, unlisted investment fund and listed bonds had been 15% (2015: 15%) higher/lower, profit for the year ended 31 December 2016 would increase/decrease by approximately HK$365,701,000 (2015: HK$344,638,000) as a result of the changes in fair value of financial assets at FVTPL and investment revaluation reserve for the year ended 31 December 2016 would increase/decrease by HK$43,529,000 (2015: HK$25,375,000) as a result of the changes in unlisted shares in overseas, listed equity securities and unlisted investment funds classified as available-for-sale investments carried at fair value.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk as the year end exposure does not reflect the exposure during the year.

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32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In order to minimise the credit risk on brokerage, financing and corporate finance operations, the management of the Group is responsible to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, management of the Group reviews the recoverable amount of loans receivable and trade receivables from provision of financial, consultancy and corporate finance advisory services and secured margin clients as disclosed in note 19 on an individual and collective basis at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

As at 31 December 2016, the Group has concentration of credit risk as 16% and 65% of total loan receivables was due from the Group's largest customer and the ten largest customers respectively, within the money lending segment. As at 31 December 2015, there is no concentration of credit risk on loans to independent third parties as the exposure spread over a number of customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average effective interest rate %	On demand or less than 1 year HK$'000	1 – 2 years HK$'000	2 years to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2016 HK$'000
2016						
Non-derivative financial liabilities						
Amounts due to cash and margin clients	–	40,058	–	–	40,058	40,058
Other payables and accrued charges	–	9,258	–	–	9,258	9,258
Secured margin loans from securities brokers	–	261,118	–	–	261,118	261,118
Loan payable	7.5%	250,655	–	–	250,655	250,000
Promissory note payable	5.0%	840,000	420,000	–	1,260,000	1,046,378
		1,401,089	420,000	–	1,821,089	1,606,812

	Weighted average effective interest rate %	On demand or less than 1 year HK$'000	1 – 2 years HK$'000	2 years to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2015 HK$'000
2015						
Non-derivative financial liabilities						
Amounts due to cash and margin clients	–	16,868	–	–	16,868	16,868
Trade payables arising from provision of securities brokerage business with HKSCC	–	11,308	–	–	11,308	11,308
Other payables and accrued charges	–	12,408	–	–	12,408	12,408
Convertible notes (note)	13.8%	3,000	3,000	153,000	159,000	101,150
		43,584	3,000	153,000	199,584	141,734

Note: The amount of undiscounted cash flows represents the redemption amount including the relevant interest payment of the convertible notes required on the assumption that no early conversion and redemption would take place before its maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

32. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of financial assets.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs
	2016	2015		
1) Investments in listed equity securities classified as financial assets at FVTPL	**Listed equity securities in: – Hong Kong HK$2,623,080,000 – Overseas Nil**	Listed equity securities in: – Hong Kong HK$2,560,790,000 – Overseas HK$34,376,000	Level 1	Quoted bid prices in an active market
2) Investments in listed bonds issued by listed companies classified as financial assets designated at FVTPL	**Listed bonds in – Hong Kong Nil – Overseas Nil**	Listed bonds in – Hong Kong HK$22,930,000 – Overseas HK$44,460,000	Level 2	Recent transaction prices or derived from quoted prices from inactive market
3) Investments in unlisted investment funds classified as financial assets at FVTPL	**HK$296,687,000**	HK$89,043,000	Level 2	Derived from quoted prices from pricing services based on net asset value of the funds
4) Investments in unlisted funds classified as available-for-sale investments	**Nil**	HK$42,068,000	Level 2	Derived from quoted prices from pricing services based on net asset value of the funds
5) Investments in listed equity securities classified as available-for-sale investments	**Listed equity securities in Hong Kong – HK$190,190,000**	Listed equity securities in Hong Kong – HK$27,100,000	Level 1	Quoted from quoted price in an active market
6) Investment in unlisted equity interest classified as available-for-sale investments	**HK$100,000,000**	HK$100,000,000	Level 2	Recent transaction price

There were no transfers between Level 1 and 2 during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

32. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments (Continued)

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

Valuation process

The chief financial officer of the Company is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engaged third party qualified valuers to perform the valuation. The chief financial officer works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Chief financial officer reports to executive directors semi-annually to explain the cause of fluctuations in the fair value of the assets.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or

- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

Under the continuous net settlement arrangement, money obligations receivable and payable with HKSCC due to or from the Group entity on the same settlement date are settled on a net basis. The Group has legally enforceable right to set off the amounts of receivables and payables with cash clients and margin clients that are due to be settled on the same date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS (Continued)

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in the Group's consolidated statement of financial position are as follows:

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amount not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2016						
Trade receivables from margin clients	**302,584**	**(3,051)**	**299,533**	**–**	**(299,533)**	**–**
Trade receivables from cash clients	**1,145**	**(1,090)**	**55**	**–**	**(30)**	**25**
Trade receivables arising from the provision of securities business with HKSCC	**3,045**	**(2,485)**	**560**	**–**	**–**	**560**
Financial assets at fair value through profit or loss	**2,919,767**	**–**	**2,919,767**	**(261,118)**	**–**	**2,658,649**
As at 31 December 2015						
Other deposits with HKSCC	535	–	535	(535)	–	–
Trade receivables from margin clients	38,419	(100)	38,319	–	(38,319)	–
Trade receivables from cash clients	9,702	(118)	9,584	–	–	9,584
Trade receivables arising from the provision of securities business with HKSCC	62	(62)	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS (Continued)

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements (Continued)

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amount not set off in the consolidated statement of financial position: Financial instruments	Related amount not set off in the consolidated statement of financial position: Collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2016						
Trade payables to cash clients	**(15,764)**	**1,090**	**(14,674)**	**–**	**–**	**(14,674)**
Trade payables arising from the provision of securities business with HKSCC	**(2,485)**	**2,485**	**–**	**–**	**–**	**–**
Trade payables to margin clients	**(28,435)**	**3,051**	**(25,384)**	**–**	**–**	**(25,384)**
Secured margin loans from securities brokers	**(261,118)**	**–**	**(261,118)**	**–**	**261,118**	**–**
As at 31 December 2015						
Trade payables to cash clients	(3,573)	118	(3,455)	–	–	(3,455)
Trade payables arising from the provision of securities business with HKSCC	(11,370)	62	(11,308)	535	–	(10,773)
Trade payables to margin clients	(13,513)	100	(13,413)	–	–	(13,413)

The amounts which have been offset against the related recognised financial assets and financial liabilities in the Group's consolidated statement of financial position are measured on the same basis as the recognised financial assets and financial liabilities, which is amortised cost.

34. DISPOSAL OF SUBSIDIARIES

On 9 June 2015, the Group entered into a sale agreement with an independent third party to dispose of Enerchine Investment Management Limited, a subsidiary of the Group, at a consideration of HK$10,000,000 in cash. This disposal was completed on 20 June 2016, on which date control of Enerchine Investment Management Limited was passed to the acquirer and the total consideration was settled. Enerchine Investment Management Limited was principally engaged in the provision of consultancy services and investment management.

On 22 June 2016, the Group entered into a sale agreement with an independent third party to dispose of Wise Union Limited, a wholly owned subsidiary of the Group, at a consideration of HK$50,713,000 in cash. This disposal was completed on 22 June 2016, on which date control of Wise Union Limited was passed to the acquirer and the total consideration was settled. Wise Union Limited was an investment holding company.

On 23 December 2016, the Group entered into a sale agreement with an independent third party to dispose of Assets & Equity Holdings Limited, a wholly-owned subsidiary of the Group, at a consideration of HK$50,000,000 in cash. This disposal was completed on 29 December 2016, on which date control of Assets & Equity Holdings Limited was passed to the acquirer. The total consideration was settled on 11 January 2017. Assets & Equity Holdings Limited was principally engaged in securities proprietary trading.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

34. DISPOSAL OF SUBSIDIARIES (Continued)

The net assets of the disposed subsidiaries at the date of disposal were as follows:

	Enerchine Investment Management Limited 20/06/2016 *HK$'000*	**Wise Union Limited 22/06/2016** *HK$'000*	**Assets & Equity Holdings Limited 29/12/2016** *HK$'000*
Net assets disposed of:			
Available-for-sale investments	–	57,479	49,567
Investment held for trading	–	–	502
Trade and other receivables, deposits and prepayments	750	–	–
Cash and cash equivalent	4,999	–	137
Trade and other payables	(175)	–	–
Taxation payable	(171)	–	–
	5,403	57,479	50,206
Gain (loss) on disposal of subsidiaries:			
Cash consideration received and receivable	10,000	50,713	50,000
Add: Cumulative gain in respect of the investments retained in the disposed subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	–	–	5,144
Less: Net assets disposed of	5,403	57,479	50,206
	4,597	(6,766)	4,938
Net cash inflow (outflow) arising on disposal:			
Cash consideration	10,000	50,713	50,000
Less: Consideration received in previous year	3,000	–	–
Less: Consideration receivable	–	–	50,000
Less: Cash and cash equivalents disposed of	4,999	–	137
	2,001	50,713	(137)

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35. ACQUISITION OF SUBSIDIARIES

Smart Jump Corporation and its subsidiaries ("Smart Jump Group")

On 15 August 2016, Win Wind, a non-wholly owned subsidiary as to 88.22% held by the Company entered the sale and purchase agreement with an independent third party for acquisitions of 100% of the issued share capital of Smart Jump Group. The total consideration of the acquisition was settled by issuance of promissory notes with total face value of HK$1,295,000,000. The acquisitions was completed on 8 December 2016. Details of the promissory note are set out in note 25. Smart Jump Group was principally engaged in proprietary trading securities.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Trade and other receivables	34
Investments at fair value through profits or loss	1,307,596
Bank balances and cash	87,065
Trade and other payable	(2)
Bank and other borrowings	(253,613)
	1,141,080

Net cash inflow on acquisition of Smart Jump Group:

	HK$'000
Cash Consideration (note 25)	–
Less: Cash and cash equivalent balances acquired	87,065
	87,065

Included in the loss for the current year is a loss of HK$42,230,000 attributable to the additional business generated by Smart Jump Group. No revenue generated by Smart Jump Group is included in the Group's revenue for the current year. Had the acquisition been completed on 1 January 2016, loss for the current year would have been HK$746,179,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

As at the date of issuance of these consolidated financial statements, the fair value assessments of certain underlying assets and liabilities of Smart Jump Group had not been finalised and thus, the initial accounting for the aforesaid acquisition of Smart Jump Group has been determined provisionally and no intangible assets, no goodwill or gain on bargain purchase has been recognised in the consolidated financial statements. Upon finalisation of the valuation, goodwill or gain on bargain purchase may also change accordingly. The directors expect the valuation will be finalised by June 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

35. ACQUISITION OF SUBSIDIARIES (Continued)

First Call Limited and its subsidiaries ("First Call Group")

On 19 July 2016 Win Wind Capital Group Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to acquire the entire equity interest in First Call Group, an entity incorporated in Hong Kong, at a consideration of HK$28,000,000 ("First Call Acquisition") which was to be satisfied by cash. The First Call Acquisition was completed on 19 July 2016.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Trade and other receivables	29,843
Tax recoverable	1
Bank balances and cash	1,072
Trade and other payables	(21)
	30,895

Gain on bargain purchase	
Consideration transferred	(28,000)
Less: Net assets acquired	30,895
	2,895

Net cash outflow on acquisition of First Call Group:

	HK$'000
Cash consideration paid	(28,000)
Less: Cash and cash equivalent balances acquired	1,072
	(26,928)

Included in the loss for the current year is a profit of HK$3,422,000 attributable to the additional business generated by First Call Group. Revenue for the current period includes HK$4,408,000 generated from First Call Group. Had the acquisition been completed on 1 January 2016, total Group revenue for the current year would have been HK$58,130,000, and loss for the current year would have been HK$1,036,100,000.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

35. ACQUISITION OF SUBSIDIARIES (Continued)

High Gear Limited and its subsidiaries ("High Gear")

On 24 December 2014, Enerchina Group Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to acquire the entire equity interest in High Gear, an entity incorporated in the British Virgin Islands, at a consideration of Euro 7.1 million (equivalent to approximately HK$61,202,000) ("High Gear Acquisition") which was to be satisfied by cash. The High Gear Acquisition was completed on 15 April 2015. The main asset of High Gear is a yacht in Hong Kong.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	61,182
Bank balances and cash	20
	61,202

Net cash outflow arising on acquisition of High Gear:

	HK$'000
Cash consideration paid	(61,202)
Amount paid in previous period (note)	6,708
Less: Cash and cash equivalent balances acquired	20
	(54,474)

Note: A deposit of Euro 0.71 million (equivalent to approximately HK$6,708,000) was paid by the Group as at 31 December 2014 and included in deposits paid for investment in the consolidated statement of financial position.

There is no revenue for year contributed by High Gear. Included in the profit for the year ended 31 December 2015 is a loss of HK$1,895,000 contributed by High Gear.

36. OPERATING LEASE ARRANGEMENT

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented properties which fall due as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**6,855**	11,482
In the second to fifth year inclusive	**353**	4,807
	7,208	16,289

Leases are negotiated for terms up to 4 years (2015: 3 years) and rentals are fixed over the respective leases.

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FOR THE YEAR ENDED 31 DECEMBER 2016

37. CAPITAL COMMITMENTS

	2016	2015
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
— acquisition of property and equipment	**7,600**	37,248

38. RETIREMENT BENEFIT SCHEMES

In December 2000, the Group enrolled all non-PRC employees in a Mandatory Provident Fund ("MPF") Scheme. The assets of the MPF Scheme are held separately from those of the Group under the control of trustees. The retirement benefit cost for the MPF charged to the consolidated statement of profit or loss and other comprehensive income represents contributions paid and payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

The Group's subsidiaries operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. The Group is required to make specific contributions to the retirement schemes at a rate of 13% to 15% (2015: 13% to 15%) of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made.

During the year ended 31 December 2016, the total expense recognised in the consolidated statement of profit or loss and other comprehensive income are HK$728,000 (2015: HK$580,000).

39. RELATED PARTY TRANSACTIONS

The Group does not have any significant related party transactions and balances for both years.

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 11.

40. CONTINGENT LIABILITIES AND PROVISION

During the year ended 31 December 2015, the Group fully settled the obligation of HK$8,629,000 to the bank arising from the Group's financial guarantee provided in respect of the banking facility of an investee and HK$4,293,000 was refunded from two other shareholders pursuant to deed of undertaking which is recognised in other gains and losses. HK$2,328,000 was subsequently refunded by another shareholder during the year ended 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
			2016		2015		
			Directly %	Indirectly %	Directly %	Indirectly %	
Ace Energy Holdings Limited	BVI – Limited liability company	US$1	**100**	**–**	100	–	Investment holding
Citizens Money Lending Corporation Limited	Hong Kong – Limited liability company	HK$10,000	**–**	**100**	–	–	Money lending
Enerchina Investments Limited	BVI – Limited liability company	US$1	**100**	**–**	100	–	Investment holding
Enerchina Resources Limited	Hong Kong – Limited liability company	HK$2	**88.22 (Note)**	**–**	100	–	Provision of management services
Enerchine Corporate Finance Limited	Hong Kong – Limited liability company	HK$10,000,000	**–**	**88.22 (Note)**	–	100	Corporate finance advisory services
Enerchine Nominee Limited	Hong Kong – Limited liability company	HK$1	**–**	**88.22 (Note)**	–	100	Provision of nominee services
Goodunited Holdings Limited	BVI – Limited liability company	US$1	**–**	**100**	–	100	Investment holding
Global Mind Investment Limited	BVI – Limited liability company	US$1	**–**	**88.22 (Note)**	–	100	Investment holding
High Gear Limited	BVI – Limited liability company	HK$44,752,979	**–**	**100**	–	100	Investment holding
Ideal Principles Limited	BVI – Limited liability company	US$1	**–**	**100**	–	100	Investment holding
Kenson Investment Limited	BVI – Limited liability company	US$1	**100**	**–**	100	–	Investment holding
Kenson Investment Limited	Republic of the Marshall Islands	US$1	**–**	**100**	–	100	Securities investment

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41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
			2016		2015		
			Directly %	Indirectly %	Directly %	Indirectly %	
Kenson Investment Limited	Bermuda	US$1	–	100	–	100	Securities trading and investments
Million Profits Investments Limited	BVI – Limited liability company	US$1	–	100	–	100	Investment holding
Rado International Limited	BVI – Limited liability company	US$1	100	–	100	–	Investment holding
Roxy Link Limited	BVI – Limited liability company	US$1	–	100	–	100	Securities investment
Sinolink Electric Power Company Limited 百仕達電力有限公司	Hong Kong – Limited liability company	HK$2 ordinary shares and HK$100,000 non-voting deferred shares	–	100	–	100	Investment holding
Sinolink Industrial Limited	BVI – Limited liability company	US$50,000	100	–	100	–	Investment holding
Supreme All Investments Limited	BVI – Limited liability company	US$1	100	–	100	–	Investment holding
Smart Jump Corporation	BVI – Limited liability company	US$1	–	88.2 (Note)	–	–	Securities investment
Win Wind Capital Limited	BVI – Limited liability company	US$249,659,464	88.22 (Note)	–	100	–	Investment holding
Win Wind Corporate Services Limited (previously known as Enerchine Corporate Services Limited)	Hong Kong – Limited liability company	HK$1	–	88.22 (Note)	–	100	Provision of management services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company 2016 Directly %	2016 Indirectly %	2015 Directly %	2015 Indirectly %	Principal activities
Win Wind Resources Limited (previously known as Enerchine Resources Limited)	Hong Kong – Limited liability company	HK$150,000,001	–	88.22 (Note)	–	100	Money lending
Win Wind Securities Limited (previously known as Enerchine Securities Limited)	Hong Kong – Limited liability company	HK$589,000,000	–	88.22 (Note)	–	100	Securities brokerage and financial services
Win Wind Intermediary Financial Services Limited (previously known as Enerchine Intermediary Financial Services Limited)	BVI – Limited liability company	US$1	–	88.22 (Note)	–	100	Investment holding
Wwind Investments Limited (previously known as Enerchine Investments Limited)	BVI – Limited liability company	Authorized capital 50,000 ordinary shares with no par value 100 share issued	–	88.22 (Note)	–	100	Investment holding
Win Wind Value Investments Limited (previously known as Enerchine Value Investments Limited	BVI – Limited liability company	Authorized capital 50,000 ordinary shares with no par value 1 share issued	–	100	–	100	Investment holding
威華達信息管理（深圳）有限公司	PRC – Limited liability company	RMB10,000,000	100	–	100	–	Investment holding
深圳威華軒信息諮詢有限公司	PRC – Limited liability company	RMB24,000,000	–	75	–	75	Investment holding

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FOR THE YEAR ENDED 31 DECEMBER 2016

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Note:

On 19 July 2016 (the "Completion Date"), Win Wind and an independent third party entered into a subscription agreement, pursuant to which, the independent third party subscribed 13,600,000 shares of Win Wind, which was satisfied by the issuance of 2,040,000,000 of the independent third party's shares (the "Share Swap"). After the transaction, the Group retained 88.22% equity interest in Win Wind.

The cost of the investment was HK$714,000,000 which was determined based on the quoted market price of the independent third party's listed shares of HK$0.35 per share on the Completion Date. The net book value of the 11.78% equity interest of Win Wind swapped was approximately HK$330,050,000 on the Completion Date. As a result of the Share Swap, a 'special reserve' attributable to the owners of the Company of approximately HK$383,950,000, being the difference between the consideration received and the amount by which the non-controlling interests is adjusted as a result of the change in ownership interests in a subsidiary without loss of control.

On 2 December 2016, the Group disposed of the entire equity interest of the independent third party's shares acquired in the Share Swap at a consideration of HK$438,600,000 resulting in a loss of HK$275,400,000 recognised included under the loss on financial assets at fair value through profit or loss line item in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

A majority of these subsidiaries operate in the financial services, securities trading and investments and money lending in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries 2016	2015
Financial services	Hong Kong	**2**	3
Securities trading and investments	Hong Kong	**8**	6
Money lending	Hong Kong	**2**	1
		12	10

The table below shows details of non-wholly-owned subsidiaries of the Group that has material non-controlling interests:

Name of subsidiaries	Place of incorporation/ principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2016	2015	Loss allocated to non-controlling interests 2016 HK$'000	2015 HK$'000	Accumulated non-controlling interests 2016 HK$'000	2015 HK$'000
Win Wind Capital Limited	Hong Kong	11.78%	–	93,876	–	228,604	–
Individually immaterial subsidiaries				–	–	7,634	56,484
						236,238	56,484

Summarised financial information for the years ended 31 December 2016 and 2015 in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

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

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)
Note: (Continued)

Win Wind Capital Limited and its subsidiaries

	31 December 2016
	HK$'000
Current assets	3,243,817
Non-current assets	793,762
Current liabilities	(1,195,693)
Equity attributable to owners of the Company	2,613,282
Non-controlling interest	228,604

	Year ended 31 December 2016
	HK$'000
Loss for the year	(841,392)
Loss attributable to owners of the Company	(747,516)
Loss attributable to non-controlling interest	(93,876)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016	2015
	HK$'000	*HK$'000*
Assets		
Non-current assets		
Investments in subsidiaries	**3,791,417**	3,795,213
Amounts due from subsidiaries	**722,412**	402,319
	4,513,829	4,197,532
Current assets		
Other receivables, deposits and prepayments	**562**	2,505
Cash and cash equivalents	**16,966**	59,828
	17,528	62,333
Liabilities		
Current liabilities		
Other payables and accrued charges	**272**	2,234
Amounts due to subsidiaries	**2,142,104**	1,740,334
	2,142,376	1,742,568
Net current liabilities	**(2,124,848)**	(1,680,235)
Total assets less total liabilities	**2,388,981**	2,517,297
Capital and reserves		
Share capital	**71,939**	71,939
Reserves (Note)	**2,317,042**	2,445,358
Total equity	**2,388,981**	2,517,297

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 28 March 2017 and are signed on its behalf by:

Sam Nickolas David Hing Cheong	**Chow Chi Wah Vincent**
DIRECTOR	*DIRECTOR*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

(i) Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Warrant reserve HK$'000	Share options reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
At 1 January 2015	3,041,421	44,396	–	3,928	(668,171)	2,421,574
Loss for the year	–	–	–	–	(3,858)	(3,858)
Issue of new shares upon exercise of share options	1,308	–	–	–	–	1,308
Transfer upon exercise of share option	162	–	–	(162)	–	–
Recognition of equity — settled share-based payments	–	–	–	12,974	–	12,974
Issue of warrants	–	–	13,360	–	–	13,360
At 31 December 2015	3,042,891	44,396	13,360	16,740	(672,029)	2,445,358
Loss for the year	–	–	–	–	(129,677)	(129,677)
Shares options lapsed	–	–	–	(162)	162	–
Recognition of equity — settled share-based payments	–	–	–	1,361	–	1,361
At 31 December 2016	**3,042,891**	**44,396**	**13,360**	**17,939**	**(801,544)**	**2,317,042**

43. MAJOR NON-CASH TRANSACTIONS

(a) During the year, Win Wind entered into a Share Swap arrangement in respect of the partial interests in a subsidiary in exchange for certain listed shares of the counterparty. Further details of the disposal is set out in note 41.

(b) During the year, Win Wind entered into a sale and purchase agreement in respect to the acquisition of a subsidiary whereby the consideration comprised of promissory notes issued by Win Wind. Further details of the acquisition is set out in note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

44. 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 commenced legal proceeding as plaintiff in a lawsuit against Green International, a company listed on the Stock Exchange regarding the purchase of the convertible bonds from Yang Yuezhou, the registered holder of the convertible bonds, which was issued by Green International in the principal amount of HK$40,000,000 with interest rate of 8% ("Convertible Bonds"). Further details are set out in the "Management Discussion and Analysis" section of the annual report. The directors are in the process of assessing the impact.

(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 approximately 19.78% equity interest in Imagi. Details are set out in to the Company's announcement dated 16 March 2017. On 22 March 2017, the share swap was completed. The directors are in the process of assessing the impact.

(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. (the "Vendor"), pursuant to which Uptown Enerchine has conditionally agreed to acquire and the Vendor has conditionally agreed to sell an aggregate of 70% of the entire issued share capital of 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 acquisition has not yet been completed up to the date of this report.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	40,360	43,086	55,359	53,429	**58,064**
Gain/(loss) on financial assets at FVTPL	337,782	371,011	627,967	927,818	**(1,058,044)**
Profit (loss) before taxation	158,577	144,398	652,750	864,084	**(1,137,223)**
Taxation	–	(3,054)	(141,474)	(151,013)	**101,357**
Profit (loss) for the year	158,577	141,344	511,276	713,071	**(1,035,866)**
Attributable to:					
Owners of the Company	158,577	141,344	511,276	713,071	**(941,990)**
Non-controlling interests	–	–	–	–	**(93,876)**
Profit (loss) for the year	158,577	141,344	511,276	713,071	**(1,035,866)**

	As at 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	3,880,887	3,995,841	4,558,135	5,522,952	**6,386,378**
Total liabilities	(181,466)	(145,274)	(195,749)	(424,512)	**(1,784,662)**
	3,699,421	3,850,567	4,362,386	5,098,440	**4,601,716**
Equity attributable to owners of the Company	3,699,421	3,842,933	4,354,752	5,041,956	**4,365,478**
Convertible notes reserve	–	–	–	48,850	**–**
Non-controlling interests	–	7,634	7,634	7,634	**236,238**
	3,699,421	3,850,567	4,362,386	5,098,440	**4,601,716**