Enerchina

Holdings Limited

威華達控股有限公司*

(Incorporated in the Bermuda with limited liability)

(Stock Code: 622)

2017

ANNUAL REPORT

* For identification purpose only

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 as Managing Director on 5 April 2017)
Mr. WONG Yat Fai (Appointed on 19 April 2017)
Mr. CHEN Wei *(Chairman)*
(Resigned on 5 April 2017)
Mr. TANG Yui Man Francis
(Resigned on 28 June 2017)

Independent Non-executive Directors

Mr. CHEUNG Wing Ping
Mr. CHUI Kark Ming
Mr. MA Ka Ki
Mr. HUNG Cho Sing (Appointed on 6 April 2017)
Mr. CHAN Hak Kan (Appointed on 6 April 2017)

AUTHORISED REPRESENTATIVES

Mr. CHOW Chi Wah Vincent
Mr. SAM Nickolas David Hing Cheong

AUDIT COMMITTEE

Mr. CHEUNG Wing Ping *(Chairman)*
Mr. CHUI Kark Ming
Mr. MA Ka Ki
Mr. HUNG Cho Sing (Appointed on 6 April 2017)
Mr. CHAN Hak Kan (Appointed on 6 April 2017)

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Mr. CHEUNG Wing Ping *(Chairman)*
Mr. CHUI Kark Ming
Mr. MA Ka Ki
Mr. SAM Nickolas David Hing Cheong
Mr. HUNG Cho Sing (Appointed on 6 April 2017)
Mr. CHAN Hak Kan (Appointed on 6 April 2017)
Mr. CHEN Wei (Resigned on 5 April 2017)

COMPANY SECRETARY

Mr. CHOW Chi Wah Vincent

LEGAL ADVISORS

(As to Bermuda law)
Conyers Dill & Pearman

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

25th Floor, China United Centre
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

HONG KONG BRANCH SHARE TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

Mazars CPA Limited
Certified Public Accountants
42nd Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

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 2017.

FINANCIAL HIGHLIGHTS

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

OVERVIEW

In 2017, the global economic is in steady recovery. To name a few, the U.S. economy has steady growth amid monetary policy contraction and fiscal policy expansion, improved employment rate and personal spending power. The PRC's economy maintains positive progress and continues to strengthen throughout the year as the Chinese companies are boosted by the implementation of the Belt and Road Initiative. However, the financial sector in many countries still has weaknesses, financial risks are arising in emerging markets, and risks and uncertainties persisted.

OUTLOOK

Looking ahead, we believe the economic outlook is expected to be challenging in 2018 due to unclear implications of the Brexit negotiations, global political tension, volatility in currency and financial markets, etc. In Hong Kong, the financial regulation has intensified. The business compliance and risk management requirements are becoming more stringent which hinder the opportunity of business expansion.

Notwithstanding the above uncertainties, we remain confident on the stock market in Hong Kong as we believe behind every challenge is an opportunity. As a major international financial centre, we believe that Hong Kong will continue to play a major role in connecting the PRC market to the rest of the world. We expect 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.

For 2018, we will continue to pursue long-term business and profitability growth in line with the Group's corporate mission and goals. We will continue to adopt prudent capital management and liquidity risk management policies and practices to preserve adequate buffer to meet the challenges ahead. We will also continue to conduct fund-raising activities and invite competent personnel to join the Group in order to enhance and expand its capability to cope with the ever-changing environment and seize the opportunities if they arise.

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.

SAM Nickolas David Hing Cheong
Acting Chairman

Hong Kong, 21 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

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

Brokerage Services

Brokerage commission income generated from provision of securities brokerage services amounted to approximately HK$1.5 million for the year (2016: approximately HK$2.1 million).

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

Money Lending

Interest income from provision of money lending services increased by approximately 134.3% to approximately HK$50.6 million for the year, when compared to approximately HK$21.6 million in last year as more loans were granted to customers during the year.

Placing and Underwriting Services

During the year, Win Wind Securities Limited, a non-wholly owned subsidiary of the Company, has placed and underwritten securities with a value of approximately HK$739.3 million, and generated placement commission income of approximately HK$9.4 million (2016: HK$10.2 million). Win Wind Securities Limited has executed 3 placements and underwritings (including sub-placing).

Corporate Finance

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

Investment advisory

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

Proprietary Trading and Investments Holding

The Group engages in proprietary trading of listed securities, listed bonds and unlisted investment funds, which is classified as financial assets at fair value through profit or loss. The fair value of the portfolio amounted to approximately HK$2,790.7 million (2016: approximately HK$2,919.8 million), with a gain on fair value of approximately HK$159.8 million was recognised, as compared to a loss on fair value of approximately HK$1,058.0 million in last year. Dividend income increased by approximately 874.8% to approximately HK$204.7 million when compared to approximately HK$21.0 million in last year, which was mainly due the distribution of the shares of Satinu Resources Group Ltd. from Freewill Holdings Limited to the Group.

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 "Warrant Holders") to subscribe for 1,335,950,132 unlisted transferable warrants ("Warrant(s)") to be issued by the Company at HK$0.01 per Warrant pursuant to the Placing Agreement (as supplemented by two supplemental agreements dated 20 May 2015 and 15 June 2015). The Warrants entitle the holder thereof to subscribe for one new share to be allotted and issued by the Company upon the exercise of the subscription rights attaching to the Warrants ("Warrant Share(s)") at HK$0.65 per Warrant Share (subject to adjustment pursuant to the instrument) at any time during a period of 24 months of the issue of the Warrants and subject to the mandatory exercise rights.

The net proceeds from the placing amounts to approximately HK$13.40 million which will be used as the general working capital of the Group. Any additional proceeds from the issue of the Warrant Shares upon the exercise of the subscription rights attaching to the Warrants with mandatory exercise rights in the future up to a total amount of approximately HK$846.16 million (after deduction of expenses) will also be applied as the general working capital and/or as funds for the future business development of the Group. Details of the placing was mentioned in the circular to shareholders on 19 June 2015. The placing was approved by shareholders of the Company at a special general meeting on 7 July 2015, authorising the Board to allot and issue the Warrants and the related Warrant Shares.

On 12 July 2017, the Company entered into a settlement agreement with the Warrant Holders, pursuant to which the Company agreed to accept an ex-gratia payment of HK$0.05 per Warrant from the Warrant Holders in exchange for the Company not taking legal action to enforce the mandatory exercise rights. The Company received a total sum of HK$66.8 million from the Warrant Holders upon the signing of the settlement agreement.

SIGNIFICANT INVESTMENTS

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

Name of investments	Notes	Percentage of shareholding as at 31 Dec 2017	Percentage of shareholding as at 31 Dec 2016	Fair value/ carrying amount as at 31 Dec 2017	Fair value/ carrying amount as at 31 Dec 2016	Net gain/ (loss) for the year ended 31 Dec 2017	Net gain/ (loss) for the year ended 31 Dec 2016
		%	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments							
Unlisted shares in overseas, at cost							
– HEC Capital Limited	1	–	6.87	–	500,000	–	–
– Satinu Resources Group Ltd.	2	8.83	–	688,639	–	–	–
– Freewill Holdings Limited	3	7.71	6.63	29,588	159,600	(130,012)	(49,400)
Unlisted shares, at fair value							
– Co-Lead Holdings Limited	4	3.71	5.44	100,000	100,000	–	–
Listed shares in Hong Kong, at fair value							
– Shengjing Bank Co., Ltd. (stock code: 2066)	5	12.33	–	1,176,100	–	(77,900)	–
– Huishang Bank Corporation Ltd. (stock code: 3698)	6	0.95	–	128,400	–	9,900	–

MANAGEMENT DISCUSSION AND ANALYSIS

Name of investments	Notes	Percentage of shareholding as at 31 Dec 2017	Percentage of shareholding as at 31 Dec 2016	Fair value/ carrying amount as at 31 Dec 2017	Fair value/ carrying amount as at 31 Dec 2016	Net gain/ (loss) for the year ended 31 Dec 2017	Net gain/ (loss) for the year ended 31 Dec 2016
		%	*%*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss							
Listed shares							
– China Evergrande Group (Stock code: 3333)	7	0.26	0.05	913,605	33,810	215,254	(3,430)
– Freeman FinTech Corporation Limited (Stock code: 279)	8	4.42	4.82	361,109	345,000	13,223	4,800
– Evergrande Health Industry Group Limited (stock code: 708)	9	0.89	0.89	238,394	113,411	124,983	(63,318)
– C C Land Holdings Limited (stock code: 1224)	10	2.15	1.88	144,303	109,960	(35,334)	(1,682)
– Guosheng Financial Holding Inc. (stock code: 2670.SZ)	11	0.33	–	114,653	–	21,421	–
– Asia Standard International Group Limited (stock code: 129)	12	3.09	3.09	77,602	64,533	13,070	(4,084)
– Newton Resources Ltd (stock code: 1231)	13	2.27	0.52	85,450	16,932	23,018	1,254
– Larry Jewelry International Company Limited (stock code: 8351)	14	3.81	3.81	63,004	13,887	49,118	(1,672)
– HengTen Networks Group Limited (stock code: 136)	15	–	3.41	–	990,668	(408,375)	(483,714)
– Kingston Financial Group Limited (stock code: 1031)	16	–	0.18	–	83,750	156,750	1,500

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

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

1. **HEC Capital Limited ("HEC Capital")**
   HEC Capital and its subsidiaries engage in integrated financial services, securities brokerage services, money lending, securities, property and other direct investments. As a result of the internal corporate reorganisation of HEC Capital on 6 January 2017, the Group has since held the issued shares of Satinu Resources Group Ltd. as stated in point 2 below.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

4. **Co-Lead Holding Limited ("Co-Lead")**
   Co-Lead engages in securities trading and investment holding businesses. Its investment portfolio consists of listed and unlisted securities.

5. **Shengjing Bank Co., Ltd. ("Shengjing") (Stock code: 2066)**
   Shengjing engages in the provision of corporate and personal deposits, loans and advances, settlement, treasury business and other banking services as approved by the China Banking Regulatory Commission.

6. **Huishang Bank Corporation Limited ("Huishang") (Stock code: 3698)**
   Huishang Bank engages in Renminbi ("RMB") and foreign currency deposits, loans, clearing and settlement services, assets custody services, finance leasing services, and the provision services as approved by the respective regulators.

7. **China Evergrande Group ("China Evergrande") (Stock code: 3333)**
   China Evergrande focuses on property development, property investment, property management, property construction, hotel operations, finance business, internet business and health industry business in the PRC.

8. **Freeman FinTech Corporation Limited ("FFC") (formerly known as Freeman Financial Corporation Limited) (Stock code: 279)**
   FFC principally engages in the financial services sector, including the provision of securities and futures brokerage services, the provision of placing, underwriting and margin financing services, the provision of insurance brokerage and financial planning services, the provision of corporate finance advisory services, the trading of securities and futures, the provision of finance, as well as investment holding.

9. **Evergrande Health Industry Group Limited ("Evergrande Health") (Stock code: 708)**
   Evergrande Health principally engages in magazine publishing, distribution of magazine, digital business and provision of magazine content and "Internet+" community health management, international hospitals, elderly care and rehabilitation, medical cosmetology and anti-ageing.

10. **C C Land Holdings Limited ("CC Land") (Stock code: 1224)**
    CC Land principally engages in property development and investment and treasury investments.

11. **Guosheng Financial Holding Inc. ("Guosheng Financial") (Stock code: 2670. SZ)**
    Guosheng Financial is a China-based company listed on Shenzhen Stock Exchange and principally engages in security, investment and cable and wire businesses.

12. **Asia Standard International Group Limited ("Asia Standard") (Stock code: 129)**
    Asia Standard focuses on developing and investing properties in prime locations in Hong Kong and first-tier cities in the PRC, which is divided into operation sectors including property development, property leasing, hotel and travel, and financial investments.

13. **Newton Resources Ltd ("Newton Resources") (Stock code: 1231)**
    Newton Resources and its subsidiaries engage in trading business, mining, processing and sale of iron concentrates and gabbro-diabase and stone products and car-park business.

MANAGEMENT DISCUSSION AND ANALYSIS

14. **Larry Jewelry International Company Limited ("Larry Jewelry") (Stock code: 8351)**
    Larry Jewelry and its subsidiaries engage in design and retailing of jewelry products and sales of Chinese pharmaceutical products, dried seafood, health products and foodstuffs in Hong Kong, Macau and the PRC.

15. **HengTen Networks Group Limited ("HengTen Networks") (Stock code: 136)**
    HengTen Networks and its subsidiaries principally engage in internet community services, investment and trading of securities, property investment and manufacture and sales of accessories for photographic and electrical products.

16. **Kingston Financial Group Limited ("Kingston") (Stock code: 1031)**
    Kingston principally engages in the provision of a wide range of financial services which include securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory services, futures brokerage and asset management services. Kingston also provides gaming and hospitality services in Macau.

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

FINANCIAL POSITION

The Group's certain other receivables and bank balances are denominated in United States Dollar ("USD") in amount of HK$10,474,000. The Group's financial services business is not exposed to significant foreign exchange risk as most of the transactions are denominated in Hong Kong Dollar ("HK$"). No financial instruments were used for hedging purposes.

Capital commitments

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

MATERIAL TRANSACTIONS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

(d) Grant and exercise of share options

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

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

(e) Settlement agreement with Warrant Holders of unlisted warrants

Please refer to page 5 of this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

(f) Placing of new shares under general mandate

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

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

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

(g) Share consolidation

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

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

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

EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

LITIGATION

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

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

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

On 20 December 2017, the Group received a civil judgement (廣東省深圳市中級人民法院民事判決書[2014]深中法涉外初字第59號) in favour of the Group in relation to the litigation on the previous disposal of shares in Fuhuade, pursuant to which the Group is judged to receive approximately RMB85.5 million (equivalent to approximately HK$102.3 million) together with related interest of approximately RMB28.3 million (equivalent to approximately HK$34 million) (before tax).

On 13 February 2018, the Group received approximately RMB102.3 million (equivalent to approximately HK$122.4 million) in this regard.

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

(b) Legal proceedings against Qin Jun

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

PROSPECTS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

FINAL AND INTERIM DIVIDEND

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed approximately 47 full time employees for its principal activities. The Group recognizes the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Sam Nickolas David Hing Cheong, aged 36, has been appointed as an executive director and a member of the nomination committee of the Company since March 2012, and a member of the remuneration committee and the acting chairman of the Company respectively since 15 June 2016 and 5 April 2017. Mr. Sam was formerly the chief executive officer of the Company from 27 March 2012 to 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, 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 49, has been appointed as an executive director of the Company since 1 June 2016 and 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 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. Wong Yat Fai, aged 58, was appointed as an executive director of the Company since 19 April 2017. He holds a professional diploma in banking from The Hong Kong Polytechnic University. Mr. Wong has over 13 years of working experience in an international banking group. He was an executive director of China Soft Power Technology Holdings Limited (formerly known as China Jinhai International Group Limited, Stock Code: 139) for the period from 1 April 2000 to 31 July 2015, a non-executive director of Y. T. Realty Group Limited (Stock Code: 75) for the period from 1 October 2007 to 28 February 2016 and C C Land Holdings Limited (Stock Code: 1224) for the period from 1 October 2007 to 29 February 2016, an independent non-executive director of Skyway Securities Group Limited (formerly known as Mission Capital Holdings Limited, Stock Code: 1141) for the period from 14 November 2014 to 29 July 2015 and an executive director of Imagi International Holdings Limited (Stock Code: 585) for the period from 28 January 2016 to 9 April 2017. Save as disclosed above, Mr. Wong 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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Wing Ping, aged 51, has been appointed as an independent non-executive director of the Company, a member of nomination committee and the member and chairman of audit committee and remuneration committee of the Company since 21 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 Financial Corporation Limited (Stock Code: 279) and Heritage International Holdings Limited (Stock Code: 412), all of which are publicly listed companies in Hong Kong. Mr. Cheung was formerly an executive director of Mason Group Holdings Limited (formerly known as Willie International Holdings Limited, Stock Code: 273) from July 2013 to September 2016, which is 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 59, was appointed as an independent non-executive director, a member of each of audit committee and remuneration committee and the chairman of nomination committee of the Company since 21 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. He has over 20 years of experience in accounting, financial management and company secretarial works gained from various listed companies in Hong Kong. Prior to the printing of this annual report, Mr. Chen resigned as an independent non-executive director, a member of each of audit committee and remuneration committee and the chairman of nomination committee of the Company. Mr. Chui has not held any directorship in listed public companies in the past three years.

Mr. Ma Ka Ki, aged 37, has been appointed as an independent non-executive director and a member of each of audit committee, remuneration committee and nomination committee of the Company since 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 an independent non-executive director of Celebrate International Holdings Limited (stock code: 8212) with effect from 28 March 2018. Previously, he was a director of a private investment company, which is principally engaged in securities investment in Hong Kong and the US. 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 77, has been appointed as an independent non-executive director and a member of each of audit committee, remuneration committee and nomination committee of the Company since 6 April 2017. He 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 (B.B.S., J.P.), aged 41, has been appointed as an independent non-executive director and a member of each of audit committee, remuneration committee and nomination committee of the Company since 6 April 2017. He graduated from The Chinese University of Hong Kong with a Bachelor of Social Science Honour (Government and Public Administration) degree in December 1997 and a Master of Social Science (Law and Public Affairs) degree in December 2003. From January 2000 to December 2003, Mr. Chan served as an elected member of the Sha Tin District Council. From October 2008 to October 2011, he was appointed as a member of the Council of the Chinese University of Hong Kong. Mr. Chan was appointed as a member of the Fish Marketing Advisory Board of Hong Kong since January 2011 to December 2016. From March 2011 to February 2017, he was appointed as a member of the Hong Kong Community Involvement Committee on Greening. He was also appointed as a member of Marine Fish Scholarship Fund Advisory Committee since April 2011 to March 2017. Mr. Chan has been a member of each of the Legislative Council of Hong Kong, the Beat Drugs Fund Association Governing Committee, the Advisory Board of Tung Wah Group of Hospitals and the Advisory Committee on Corruption of the Hong Kong Independent Commission Against Corruption respectively since October 2008, July 2012, October 2016 and January 2017. In 2012, Mr. Chan was appointed as a Justice of the Peace by the Chief Executive of Hong Kong. Mr. Chan is currently 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 and the audited consolidated financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 42 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 126 of this Annual Report. Description of the principal risks and uncertainties facing the Group can be found throughout this Annual Report particularly in note 35 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 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 Marshall Islands and Hong Kong.

During the year ended 31 December 2017 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 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 AND DIVIDEND

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 60.

An interim dividend of HK$0.004 was paid to the shareholders during the year, with an option to receive new and fully paid shares in lieu of cash under the Scrip Dividend Scheme. The Board now recommends the payment of a final dividend of HK$0.01 per share for the year ended 31 December 2017, amounting to approximately HK$29.1 million to the shareholders of the Company whose names appear on the Company's register of members as at 12 June 2018, subject to the approval of the shareholders at the forthcoming annual general meeting.

PROPERTY AND EQUIPMENT

Details of the movements in the property and equipment of the Group during the year are set out in note 15 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 30 to the consolidated financial statements.

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 64.

The Company's reserves available for distribution to shareholders as at 31 December 2017 amounted to HK$36,160,000.

DIRECTORS

The Directors during the year and up to the date of this Annual 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 as Managing Director on 5 April 2017)
Mr. WONG Yat Fai (Appointed on 19 April 2017)
Mr. CHEN Wei (Chairman) (Resigned on 5 April 2017)
Mr. TANG Yui Man Francis (Resigned on 28 June 2017)

Independent Non-executive Directors:

Mr. CHEUNG Wing Ping
Mr. CHUI Kark Ming
Mr. MA Ka Ki
Mr. HUNG Cho Sing (Appointed on 6 April 2017)
Mr. CHAN Hak Kan (Appointed on 6 April 2017)

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 Directors proposed for re-election at the forthcoming annual general meeting have a service contract, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

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

As at 31 December 2017, none of the Directors and chief executives of the Company had, nor were they taken to or deemed to have under (a) divisions 7 to 9 of Part XV of the Securities and Futures Ordinance (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, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) 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 2017 held by each Director were as follows:

Name of Directors	Date of grant	Exercise period	Adjusted Exercise Price *HK$* (Notes 4, 5)	Number of shares subject to outstanding options as at 31.12.2017	Approximate percentage of the issued shares of the Company as at 31.12.2017
Chen Wei (Note 6)	13.11.2007	01.01.2010–12.11.2017	1.075	–	–
	13.11.2007	01.01.2011–12.11.2017	1.075	–	–
Tang Yui Man Francis (Note 7)	13.11.2007	01.01.2010–12.11.2017	1.075	–	–
	13.11.2007	01.01.2011–12.11.2017	1.075	–	–

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 Rights Issue:

Name of Directors	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. On 7 November 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 Share Consolidation:

Name of Directors	Number of share options before the Share Consolidation	Exercise price per share before the Share Consolidation *HK$*	Adjusted number of share options after the Share Consolidation	Adjusted exercise price per share after the Share Consolidation *HK$*
Chen Wei	62,865,000	0.215	12,573,000	1.075
Tang Yui Man Francis	20,955,000	0.215	4,191,000	1.075

6. 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.

7. Mr. Tang Yui Man Francis resigned as the executive director of the Company on 28 June 2017.

REPORT OF THE DIRECTORS

Save as disclosed above, at no time during the year, the Directors, chief executives (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 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.

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. No further options should thereafter be offered under the 2002 Share Option Scheme upon expiry on 12 November 2007 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.

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 of Directors.

REPORT OF THE DIRECTORS

Details of specific categories of options granted under 2002 Share Option Scheme are as follows:

Option type	Date of grant	Exercise period	Adjusted Exercise price HK$ (Notes 3, 4)
2007 Option	13.11.2007	01.01.2010–12.11.2017	1.075
	13.11.2007	01.01.2011–12.11.2017	1.075

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 1.1.2017	Adjustment for the Rights Issue (Note 3)	Exercised during the year	Transferred during the year	Adjustment for the Share Consolidation (Note 4)	Lapsed during the year	Outstanding at 31.12.2017
Category 1: Directors								
Chen Wei	2007 Option	41,910,000	20,955,000	–	(62,865,000)	–	–	–
Tang Yui Man Francis	2007 Option	13,970,000	6,985,000	–	(20,955,000)	–	–	–
Total for Directors		55,880,000	27,940,000	–	(83,820,000)	–	–	–
Category 2: Other Participants								
Other Participants	2007 Option	37,719,000	18,859,500	–	83,820,000	(112,318,800)	(28,079,700)	–
Total for Other Participants		37,719,000	18,859,500	–	83,820,000	(112,318,800)	(28,079,700)	–
All categories		93,599,000	46,799,500	–	–	(112,318,800)	(28,079,700)	–

Notes:

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

2. Mr. Chen Wei and Mr. Tang Yui Man Francis resigned as the executive director of the Company during the year and the options were transferred to under the category of other participants.

3. 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:

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
Other Participants	37,719,000	0.322	56,578,500	0.215
Total	93,599,000		140,398,500	

REPORT OF THE DIRECTORS

4. On 7 November 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 Share Consolidation:

Directors/Employees	Number of share options before the Share Consolidation	Exercise price per share before the Share Consolidation *HK$*	Adjusted number of share options after the Share Consolidation	Adjusted exercise price per share after Rights Issue *HK$*
Other Participants	140,398,500	0.215	28,079,700	1.075

5. During the year, no options were exercised or cancelled but 28,079,700 options were lapsed under the 2002 Share Option Scheme.

As at 31 December 2017 and the date of this report, the Company had no underlying shares comprised in options outstanding under the 2002 Share Option Scheme.

(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.

REPORT OF THE DIRECTORS

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.

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

Option type	**Date of grant**	**Exercise period**	**Adjusted Exercise price** *HK$* (Notes 4, 5)
2015 Option	15.05.2015	01.08.2015–14.05.2018	3
		15.11.2015–14.05.2018	3
		15.05.2016–14.05.2018	3

Option type	**Date of grant**	**Exercise period**	**Adjusted Exercise price** *HK$* (Note 2)
2017 Option	05.07.2017	05.07.2017–04.07.2027	0.88

REPORT OF THE DIRECTORS

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 1.1.2017	Adjustment for the Rights Issue (Note 4)	Granted during the year	Exercised during the year	Adjustment for the Share Consolidation (Note 5)	Lapsed during the year	Outstanding at 31.12.2017
Category:								
Other Participants								
Other Participants	2015 Option	50,000,000	25,000,000	–	–	(60,000,000)	–	15,000,000
	2017 Option	–	–	1,116,876,999	(1,116,876,999)	–	–	–
Total for Other Participants		50,000,000	25,000,000	1,116,876,999	(1,116,876,999)	(60,000,000)	–	15,000,000

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, 1,116,876,999 options were granted under 2012 Share Option Scheme. The exercise price was HK$0.1764 at date of grant and was adjusted to HK$0.88 following the Rights Issue and Share Consolidation.

3. During the year, 1,116,876,999 options were exercised and no options 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 Participants	50,000,000	0.9	75,000,000	0.6
Total	50,000,000		75,000,000	

5. On 7 November 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 Share Consolidation:

Category	Number of share options before the Share Consolidation	Exercise price per share before the Share Consolidation *HK$*	Adjusted number of share options after the Share Consolidation	Adjusted exercise price per share after Share Consolidation *HK$*
Other Participants	75,000,000	0.6	15,000,000	3
Total	75,000,000		15,000,000	

REPORT OF THE DIRECTORS

As at 31 December 2017 and the date of this report, the Company had 15,000,000 underlying shares comprised in options outstanding under the 2012 Share Option Scheme, which represented approximately 0.52% of the Company's shares in issue as at those dates. As at the date of this report, a total of 15,000,000 shares (representing approximately 0.52% 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 32 to the consolidated financial statements.

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 of the Company 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

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 41 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 2017:

Long positions in shares of the Company

Name of shareholders	Capacity/Nature of interest	Aggregate interest	Approximate percentage of the issued shares as at 31.12.2017
Ou Yaping	Interest held jointly with another person and interest of controlled corporations/Family interest and corporate interest	782,734,778 (Note)	26.94%
Asia Pacific Promotion Limited ("Asia Pacific")	Beneficial owner and interest of controlled corporations/Beneficial interest and corporate interest	779,146,714 (Note)	26.81%

Note:

On 7 November 2017, the Company implemented Share Consolidation and the number of issued and unissued shares have been adjusted.

782,734,778 shares of the Company represent the aggregate of (i) 767,131,685 shares of the Company held by Asia Pacific directly; (ii) 12,015,029 shares held by Sinolink Worldwide Holdings Limited ("Sinolink"); and (iii) 3,588,064 shares representing interests held jointly with another person. 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 2017. Therefore, he is deemed to be interested in all these 779,146,714 shares of the Company under the SFO.

Save as disclosed above, as at 31 December 2017, 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 37.5% of the Group's turnover from continuing operations. Sales to the largest customer accounted for 13.2% of the Group's turnover from continuing operations.

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 2017.

REPORT OF THE DIRECTORS

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$8,446,000.

EMOLUMENT POLICY

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

The emoluments of the Directors of the Company 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 32 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 29 to 39 of this Annual Report.

AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises four 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 2017 had been audited by the Company's auditor, Mazars CPA Limited, and had been reviewed by the Audit Committee.

Details of the Company's Audit Committee are set out in Corporate Governance Report on pages 34 to 35.

REPORT OF THE DIRECTORS

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2017.

AUDITOR

During the year, Deloitte Touche Tohmatsu resigned and Mazars CPA Limited was appointed as the auditor of the Company. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Mazars CPA Limited.

On behalf of the Board
Enerchina Holdings Limited

SAM Nickolas David Hing Cheong
Acting Chairman
Hong Kong, 21 March 2018

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, save for the deviation from Code Provision A.2.1, the Company has complied with the code provisions as set out in the Corporate Governance Code (the “Code”) set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

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

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

BOARD OF DIRECTORS

Composition

As at the date of this Annual Report, the Board comprises 7 members (each member of the Board, a “Director”), including three Executive Directors, namely Mr. Sam Nickolas David Hing Cheong (appointed acted as acting chairman on 5 April 2017 and resigned as Chief Executive Officer on 6 April 2017), Mr. Chow Chi Wah Vincent (appointed acted as managing director on 5 April 2017) and Mr. Wong Yat Fai (appointed on 19 April 2017) and five Independent Non-executive Directors, namely Mr. Cheung Wing Ping, Mr. Chui Kark Ming, Mr. Ma Ka Ki, 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 2017 to 31 December 2017, subject to retirement by rotation and re-election in accordance with the Bye-laws.

In accordance with bye-law 87(2) of the Bye-laws of the Company (the “Bye-laws”), Messrs. SAM Nickolas David Hing Cheong, WONG Yat Fai and CHEUNG Wing Ping will retire by rotation at the forthcoming annual general meeting. All the retiring directors, being eligible, will offer themselves for re-election thereat. Besides, Mr. MA Ka Ki will retire and no longer seek for re-election at the forthcoming annual general meeting.

CORPORATE GOVERNANCE REPORT

Responsibilities of the Board and Management

The Board, headed by the Acting 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.

Managing Director and another Executive Director are responsible for day-to-day management of the Company's operations. They 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.

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 2017, the Board held 4 regular Board meetings (within the meaning of the Code) at approximately quarterly intervals, 10 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 a special general meeting 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	10	2
Chow Chi Wah Vincent *(Appointed as Managing Director on 5 April 2017)*	4	10	2
Wong Yat Fai *(Appointed on 19 April 2017)*	2	5	
Tang Yui Man Francis *(Resigned on 28 June 2017)*	1	0	1
Chen Wei *(Chairman) (Resigned on 5 April 2017)*	0	0	–
Independent Non-executive Directors			
Cheung Wing Ping	4	10	2
Chui Kark Ming	4	9	1
Ma Ka Ki	4	10	2
Hung Cho Sing *(Appointed on 6 April 2017)*	3	6	2
Chan Hak Kan *(Appointed on 6 April 2017)*	3	6	2

CORPORATE GOVERNANCE REPORT

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 is sufficiently aware of his 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.

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 organised 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 as Managing Director on 5 April 2017)*	✓	✓
Wong Yat Fai *(Appointed on 19 April 2017)*	✓	✓
Tang Yui Man Francis *(Resigned on 28 June 2017)*	✓	✓
Chen Wei *(Chairman) (Resigned on 5 April 2017)*	✓	✓
Independent Non-executive Directors		
Cheung Wing Ping	✓	✓
Chui Kark Ming	✓	✓
Ma Ka Ki	✓	✓
Hung Cho Sing *(Appointed on 6 April 2017)*	✓	✓
Chan Hak Kan *(Appointed on 6 April 2017)*	✓	✓

CORPORATE GOVERNANCE REPORT

ACTING CHAIRMAN AND MANAGING DIRECTOR

During the year the role of the Acting Chairman, Mr. Sam Nickolas David Hing Cheong, remains separate from that of the Managing Director, Mr. Chow Chi Wah Vincent. 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 Acting Chairman provides leadership for the Board and oversees the Board so that it acts in the best interests of the Group. The Acting Chairman is responsible for deciding the agenda of each Board meeting, taking into account matters proposed by other Directors. The Acting Chairman has overall responsibility for providing leadership, vision and direction regarding business development. During the year, the Acting Chairman had met the Independent Non-executive Directors without the presence of Executive Directors.

The Managing Director, assisted by another Executive Director, 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 Managing Director is accountable to the Board for keeping the Acting Chairman and all Directors fully informed of all major business developments and issues.

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 REPORT

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.

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 the continuing connected transactions and the annual cap; and

– 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 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, and five Independent Non-executive Directors, Mr. Cheung Wing Ping, Mr. Chui Kark Ming, Mr. Ma Ka Ki, 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 2017, the Remuneration Committee:

– reviewed the remuneration policy for 2017/2018;

– 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 2017 with individual attendance as follows:

Members of Remuneration Committee	No. of meeting(s) attended
Cheung Wing Ping	2
Chui Kark Ming	2
Ma Ka Ki	2
Sam Nickolas David Hing Cheong	2
Hung Cho Sing *(appointed as member on 6 April 2017)*	1
Chan Hak Kan *(appointed as member on 6 April 2017)*	1
Chen Wei *(resigned on 5 April 2017)*	–

The remuneration of the members of the senior management by band for the year ended 31 December 2017 is set out below:

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

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 12 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, 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 2017, the Audit Committee:

– reviewed financial statements for the year ended 31 December 2016 and for the six months ended 30 June 2017;

– 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 2016 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 2017, 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 3 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	3
Chui Kark Ming	3
Ma Ka Ki	3
Hung Cho Sing *(appointed as member on 6 April 2017)*	2
Chan Hak Kan *(appointed as member on 6 April 2017)*	2

Nomination Committee

As at the date of this Annual Report, a Nomination Committee comprises one Executive Director, Mr. Sam Nickolas David Hing Cheong and five Independent Non-executive Directors, namely Mr. Cheung Wing Ping, Mr. Chui Kark Ming, Mr. Ma Ka Ki, 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 2017, 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 3 meetings during the year 2017 with individual attendance as follows:

Members of Nomination Committee	No. of meeting(s) attended
Cheung Wing Ping	3
Chui Kark Ming	3
Sam Nickolas David Hing Cheong	3
Ma Ka Ki	3
Hung Cho Sing *(appointed as member on 6 April 2017)*	2
Chan Hak Kan *(appointed as member on 6 April 2017)*	2

CORPORATE GOVERNANCE REPORT

In 2017, Mr. Sam Nickolas David Hing Cheong and Mr. Chow Chi Wah Vincent were respectively be appointed as Acting Chairman and Managing Director, Mr. Wong Yat Fai be appointed as Executive Director and Mr. Hung Cho Sing and Mr. Chan Hak Kan be appointed as Independent Non-executive Directors.

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.

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 2017, 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 former external auditor of the Company is Deloitte Touche Tohmatsu ("Deloitte") who resigned on 23 November 2017.

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*
Professional services in connection with the major transactions	1,274
Professional services in connection with the proposed rights issue	553
Professional services in connected with the tax compliance	125
Others	100

The external auditor of the Company was changed to Mazars CPA Limited ("Mazars") on 23 November 2017. Mazars provided professional services in respect of the audit of the Company's consolidated financial statements prepared under HKFRSs for the year ended 31 December 2017.

Fee charged by Mazars in respect of audit service for the year 2017 amounted to HK$1,980,000. Non-audit services fees charged by Mazars were as follows:

Description of service performed	Fee *HK$'000*
Professional services in connection with the internal control review	240
Provision of advisory on the application of International Financial Reporting Standard IRFS 15	200
Others	95

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.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. Chow Chi Wan, Vincent has been the Company secretary and on employee of the Group since 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.

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 Bye-laws of the Company during the year.

A copy of memorandum of association and Bye-laws of the Company 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 the 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.

CORPORATE GOVERNANCE REPORT

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 Special General Meeting held on 6 November 2017, an ordinary resolution was proposed by the chairman of the meeting in respect of the share consolidation. All Independent Non-executive Directors participated in the meetings and answered the question of the Shareholders.

At the 2017 Annual General Meeting, a resolution was proposed by the chairman of the meeting in respect of each separate issue itemised 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 2017 Annual General Meeting and answered questions from 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, 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 54 to 59.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Overview

This Environmental, Social and Governance (ESG) Report (the "Report") of Enerchina Holdings Limited and its subsidiaries ("the Group") for the year ended 31 December 2017 covers environmental and social subject areas in accordance with the requirements of Environmental, Social and Governance Reporting Guide stated in Appendix 27 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Corporate governance is addressed separately in the Corporate Governance Report.

Scope of the Report

The Report endeavours to present a balanced representation of the Group's environmental and social performance and covers the entire operations of all subsidiaries in the Group.

The content of the Report is defined through a process to determine ESG management approach, strategy, priorities and objectives relating to the Group's operations, to describe our management, measurement and monitoring system employed to implement ESG strategy, and to disclose our key policies, compliance with relevant laws and regulations, our performance, and key performance indicators ("KPIs").

Approved by the board of directors

The board has overall responsibility for the Group's ESG strategy and reporting. The board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Report was approved by the board on 21 March 2018.

ENVIRONMENTAL AND SOCIAL SUBJECT AREAS OF THE GROUP

About the Group

The Group is principally engaged in investment holdings, trading and investment of securities, securities brokerage services, placing and underwriting services, corporate financial advisory services, margin financing services, money lending services and investment advisory and management services. The Group operates in Hong Kong. Particulars of the Group's principal entities are set out in note 42 to the consolidated financial statements for the year ended 31 December 2017.

Strategies

Environmental and social responsibilities are viewed as the Group's core commitment to environment, internal workplace, and external community, and an integral part of the Group's practice to create value for stakeholders. Our strategy is to fulfil the Group's environmental and social responsibilities through achieving environmental and social objectives during daily operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Objectives

We integrate environmental and social considerations into the Group's business objectives to achieve:

Environmental objectives:

- Add environmentally friendly elements to our daily service and operation activities;
- Reduce greenhouse gas emissions
- Use energy and resources efficiently; and
- Continuously improve waste management

Social objectives:

- Respect employees' rights and promote an equal opportunity workplace;
- Commit to occupational safety and health, and provide a safe and healthy workplace;
- Commit to ethical business practices, and build integrity within the workplace; and
- Promote community participation

Approach

Monitored by the board of directors, the Group is executing its environmental and social strategy and achieving its related objectives through a series of actions and commitments:

- Embed environmental and social objectives into business processes including decision making process;
- Establish and document environmental and social policies for management and staff members to follow;
- Comply with environmental and social laws and regulations;
- Report our performance on a balanced picture;
- Disclose KPIs as measurement of actual results
- Ensure appropriate and effective ESG risk management and internal control systems are in place; and
- Practise corporate citizenship in things we do

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental and social management system comprises:

- The direction from the board to fulfil the ESG responsibilities;
- Daily execution of environmental and social strategy and achieving its objectives by senior management;
- Performance and achievements done by employees in accordance with the Group's environmental and social policies;
- Compliance with environmental and social laws and regulations; Review and monitoring of ESG risks management and internal control systems by the board; and
- Reporting and disclosure of our performance and KPIs

Measures for the achievement of environmental and social objectives are:

- Environmental policies;
- Social policies;
- Checklists for the compliance with applicable environmental and social laws and regulations;
- Requiring documentation for the performance and accomplishment of environmental and social related activities or matters; and
- Data collection, calculation, and disclosure of KPIs

The implementation of environmental and social strategies, management of environmental activities, and measurement of achieving environmental and social objectives are monitored by dedicated managerial staff members and finally by the board for its overall ESG responsibility.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

Stakeholder engagement is a key success factor in formulating our environmental and social strategy, defining our objectives, assessing materiality, and establishing policies. Our key stakeholders include customers, suppliers or service providers, employees, management, and shareholders. We have conducted a survey, discussed or communicated with stakeholders to understand their views and respond to their needs and expectations, evaluated and prioritised their inputs to improve our performance, and finally strived to provide value to our stakeholders, community and the public as a whole.

Based on the stakeholder engagement, we have identified issues with significant environmental and social impact and issues concerning stakeholders. The results of materiality assessment prioritised stakeholder inputs and made us focused on the material aspects for actions, achievements and reporting. We present below the relevant and required disclosure.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GENERAL DISCLOSURE AND KPIS

A. Environmental

The Group recognises the value of a practice to protect the natural environment for the benefit of humans. We are committed to doing everything we can to reduce the degrading of the biophysical environment.

Aspect A1: Emissions

Emissions refer to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Emissions disclosed as KPIs are calculated based on the consumption data collected and applicable emission factors.

- **Air and Greenhouse Gas Emissions**

  Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

  – Air and Greenhouse Gas Emissions from Production

    In view of the Group's business nature, there were no air and greenhouse gas emissions from production.

  – Air and Greenhouse Gas Emissions from Vehicles and a Yacht

    The Group believes that green transportation brings benefits, which include reduction of transportation costs and reduction of energy consumption and pollution. As such, the Group encourages optimising transportation routes, high filling rate or carpooling and proper tire pressure to achieve efficiency.

    The Group reminds employees to consider environmental impact in their commuting decisions to reduce air and greenhouse emissions. Employees are encouraged to take public transportation as often as possible and avoid excessive idling of automobile.

    KPI A1.1 Emissions from vehicles

	2017 (g)
Types of emissions	
NO_x	1,203
SO_x	59
Particulate Matter ("PM")	89

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPI A1.2 Greenhouse gas ("GHG") emissions in total

GHG emissions in total are 454 tonnes for the year ended 31 December 2017, which includes scope 1, scope 2, and scope 3 emissions as disclosed below.

KPI A1.2 Scope 1 – Direct emissions from operations that are owned or controlled by the Group

Main categories of Scope 1 emissions: GHG emissions from mobile combustion sources

	2017 (kg)
Types of emissions	
Carbon Dioxide ("CO_2")	300,067
Methane ("CH_4")	358
Nitrous Oxide ("N_2O")	38,668
Total GHG emissions	339,093

– Indirect Greenhouse Gas Emissions from Electricity Consumption

Electricity consumption of the Group is a major part of its greenhouse gas emissions. Various electricity-saving policies have been established to reduce the electricity consumption by the Group. The Group encourages staff members to switch off light during daytime, maintain lamps well to keep clean, and install energy-efficient lighting. Air conditioning is required to be set no lower than 25℃. It is also required to ensure the windows and doors are closed while air-conditioning is on, and turn off the air-conditioning after office hours or after the usage of a meeting room.

KPI A1.2 Scope 2 – Energy indirect emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Group

Main sources of Scope 2 emissions: Electricity purchased from power companies

	2017 (kg)
Types of emissions	
CO_2 equivalent emission	107,852
Total GHG emissions	107,852

– Indirect Greenhouse Gas Emissions from Paper Waste Disposed at Landfills

In order to address indirect emissions relating to paper waste deposited at landfills, the Group encourages employees to apply computer technology such as emails and storage devices to reduce paper consumption, print on both sides of a sheet of paper, avoid unnecessary printing or copying on paper, and adjust documents and use space efficiency formats to optimise use of paper, and put recycling boxes near the photocopiers to collect single-sided paper for reuse and used double-sided paper for recycling.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

– Indirect Greenhouse Gas Emissions from Business Travel by Employees

The Group constantly reminds employees to consider environmental impact in their commuting decisions to reduce air and greenhouse gas emissions. Employees are encouraged to take public transportation as often as possible.

The Group recognises the severity of indirect greenhouse gas emissions from business travel by employees, and requires employees to utilise teleconference instead of overseas meetings and choose railway rather than airway for short distance travel to reduce the carbon footprint of business travel.

KPI A1.2 Scope 3 – All other indirect emissions that occur outside the Group, including both upstream and downstream emissions

Activities from which indirect GHG emissions arise:

	2017 (kg)
• Paper waste disposed at landfills	
Types of emissions	
CO_2 equivalent emission	4,830
• Business air travel by employees	
Types of emissions	
CO_2 equivalent emission	1,890
Total GHG emissions	6,720

- **Discharges into Water and Land**
  The Group requires that discharges, if any, into waterways and land must comply with relevant laws and regulations.

- **Generation of Hazardous Waste and Non-hazardous Waste**
  Our internal guidance encourages employees to handle office waste generated in a proper and environmentally friendly manner.

– Hazardous Waste

Hazardous wastes are those defined by national regulations. There was no significant hazardous waste generated in view of the Group's business nature.

KPI A1.3 Total hazardous waste produced and intensity

There was no significant hazardous waste generated in view of the Group's business nature.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

– Non-hazardous Waste

We promote waste reduction practices including waste reduction at source, reuse, clean recycling, recover and reduction of disposal at landfills. Employees are encouraged to purchase supplies or equipment with longer life-span, to install recycling bins to collect recyclables, such as waste paper, glass or aluminium bottles, metal, and plastics, and to have recyclers to collect recyclables.

KPI A1.4 Total non-hazardous waste produced and the intensity

	2017 (Tonnes)
Non-hazardous waste produced – Landfill	3

	(Tonnes/per employee)
Non-hazardous waste intensity	0.0625

KPI A1.5 Description of measures to mitigate emissions and results achieved

In accordance with policies stated above for the reduction of air and greenhouse gas emissions from vehicles, the Group adopts the following measures: control the numbers of vehicles owned by the Group; control the frequency of employees not to take public transportation for local business commuting; and control the volume of business travel by employees. We consider such measures had been achieved for the year ended 31 December 2017.

KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved

Non-hazardous wastes are preferred to be recycled, otherwise, they are sent for landfill. In accordance with policies stated above for the reduction of non-hazardous wastes, the Group adopts the following measures: control the commercial wastes generated by employees; control the waste of papers; control the volume of non-hazardous waste going direct to landfill without recycling. We consider such measures had been achieved for the year ended 31 December 2017.

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**
  For the year ended 31 December 2017, there were no confirmed non-compliance incidents or grievances in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect A2: Use of Resources

The Group recognises that efficient use of resources, including energy, water and other raw materials, in production, storage, transportation, buildings, electronic equipment, etc., is one of the significant aspects to protect environment.

- **Efficient Use of Energy**

  The Group established policies and procedures to reduce energy consumption in the facility, to assess the energy efficiency, to increase the use of clean energy, if possible, to set applicable targets to monitor energy consumption, and to ensure power is turned off when electrical appliances are not in use.

  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 Label), and require our colleagues to adopt green office practices.

  KPI A2.1 Direct and/or indirect energy consumption by type in total and intensity

	2017 (kWh in '000s)
Direct energy consumption by type	
Non-renewable fuel consumed	1,012
Electricity purchased for consumption	137
Total energy consumed	1,149
	(kWh in '000s/ per employee)
Total energy consumption intensity	24

- **Water Consumption**

  The Group requires employees to reduce water consumption in the offices. For example, employees are encouraged to fully empty any containers before washing, to turn off water taps promptly, to check faucets and pipes for leaks, and to adopt water saving appliances.

  We operate in leased office premises for which both the water supply and discharge are solely controlled by the building management, therefore, the provision of water withdrawal and discharge data or sub-meter for individual occupants are not feasible.

  KPI A2.2 Water consumption in total and intensity

  As mentioned before, data for water usage is not available for the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPI A2.3 Description of energy use efficiency initiatives and results achieved

The Group's ability to use energy efficiently can be revealed by its intention and measures for the reductions in energy consumption. Energy consumption has a direct effect on the environmental footprint of the Group, its operational costs, and exposure to certain risks (e.g. fluctuations in energy supply and prices). The Group's policies and measures specific to managing energy use have been stated above. We consider such policies had been adopted and measures had been achieved for the year ended 31 December 2017.

KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved

The Group's ability to use water efficiently can be revealed by its intention and measures for the reductions in water consumption. Water consumption has a direct effect on the environmental footprint of the Group, its operational costs, and exposure to certain risks (e.g. reliance on sources of water that may be considered sensitive due to their relative size or function; or status as a possibly rare, threatened, or endangered system; or to their possible support of a particular endangered species of plant or animal). The Group's policies and measures specific to water use have been stated above. We consider such policies had been adopted and measures had been achieved for the year ended 31 December 2017.

- **Efficient Use of Raw Material and Packaging Material**
  No significant raw material or packaging material waste was generated in view of the Group's business nature.

KPI A2.5 Total packaging material used for finished products and, if applicable, with reference to per unit produced

The disposal of products and packing materials at the end of a use phase is a steadily growing environmental challenge, tracking the use of packaging materials is to reduce, reuse and/or recycle the packaging materials. As mentioned above, no significant raw material or packaging material waste was generated in view of the Group's business nature.

Aspect A3: The Environment and Natural Resources
The Group is committed to reducing the operation impacts on environment and natural resources. Policies are established to consider the actual impacts on environment and natural resources and to reduce such impacts. We encourage environmental education and advocacy among employees to motivate environmentally responsible behaviour which helps fulfil the Group's commitment to minimising its adverse impacts on the environment.

KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them

We understand that our performance in respect of emissions, waste production and disposal, and use of resources impacts the environment, we endeavour to minimise such impacts, and communicate our environmental policies, measures, performance, and achievements to our stakeholders. No significant impacts on the environment and natural resources was caused in view of the Group's business nature. Policies and/or measures adopted in the year ended 31 December 2017 specific to managing potential impacts of activities on the environment and natural resources are mentioned above.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social

The Group strives to fulfil its social responsibilities as a corporate citizen of communities. We endeavour to establish harmonious relationship with our employees, customers, suppliers, and the communities. We care about the well-being and development of employees, ensure high standard of service responsibility, enhance transparent relationship with external parties, including customers, and contribute to our community development.

Employment and Labour Practices

Aspect B1: Employment

The Group established employment policies, including compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

- **Compensation and Dismissal**

  The Group offers competitive remuneration to attract and retain talented staff members. Laws and regulations on minimum wage and statutory social benefits are required to be followed. Dismissal is required to comply with employment laws and regulations, and to follow the internal policies and procedures, including policy on prevention of dismissal purely on employees' gender, marital status, disability, age or family status.

  A share option scheme was adopted in 2012 for a purpose of providing incentives to directors and eligible employees to attract, retain and motivate eligible employees whose present and potential contributions are important to the success of the Group by offering them an opportunity to participate in the Group's future performance through the grant of share options.

- **Recruitment and Promotion**

  The Group attracts talent through fair, flexible and transparent recruitment strategy. Recruitment process includes application for recruitment, description of position, collection of job applications, interview, selection, approval, and job offering. Year-end bonuses and promotion opportunities are also provided to staff according to their individual and the Group's performance.

- **Working Hours, Rest Periods, Benefits and Welfare**

  Employees' working hours, rest periods, benefits and welfare, including mandatory provident fund, are required to be in compliance with employment or labour laws and regulations. Medical insurance is offered to our employees with reference to prevailing market practices.

- **Equal Opportunities, Diversity and Anti-discrimination**

  The Group is an equal opportunity employer. We endeavour to provide a fair workplace for employees and follow the principles of equality and non-discrimination. Recruitment, remuneration, promotion, and benefits are handled based on objective assessment, equal opportunity and non-discrimination regardless of gender, race, or other measures of diversity.

  We respect every employee and embrace diversity of our workforce. We 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group
For the year ended 31 December 2017, there were no confirmed non-compliance incidents or grievances in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that would have a significant impact on the Group.

Aspect B2: Health and Safety
The Group is committed to maintaining a healthy and safe workplace for employees, and to preventing workplace injuries and illnesses.

- **Providing a Safe Working Environment**
  The Group requires entities to establish and document policies and procedures on safety for employees to follow, set targets for the safety of employees, monitor the safety performance against the targets periodically, and report any safety incidents to management.

  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..

- **Protecting Employees from Occupational Hazards**
  One of the key factors for successfully protecting employees from occupational hazards is to train employees to protect themselves from psychological and physical hazards. The Group encourages such training to be delivered to 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.

- **Work-life Balance**
  The Group supports employees to enjoy leisure and sports activities outside of workplace. We provide free employee meals, a family-friendly working environment and work-life balance to our employees.

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**
  For the year ended 31 December 2017, there were no confirmed non-compliance incidents or grievances in relation to providing a safe working environment and protecting employees from occupational hazards that would have a significant impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect B3: Development and Training

The Group is committed to providing adequate training to our employees to improve their knowledge and skills for discharging duties at work. Training includes vocational training courses provided internally or externally.

- **Employee Development**
  The Group requires employees to attend internal and external training courses including employee continuing education to improve employees' knowledge and skills for their job positions.

- **Training Activities**
  Training and development courses are offered throughout the Group to upgrade employee skills and knowledge. 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. During the year, all directors received the 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.

Aspect B4: Labour Standards

The Group is committed to avoiding child and forced labour in the workplace.

- **Preventing Child and Forced Labour**
  The Group prohibits child labour. It requires human resource department and user departments to work together to prevent or identify child labour, and to ensure child labour is not in the workforce.

  We are committed to protecting human rights, to prohibiting forced labours, and to creating a workplace with respect, fairness, and free will for our employees.

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**
  For the year ended 31 December 2017, there were no confirmed non-compliance incidents or grievances in relation to child and forced labour that would have a significant impact on the Group.

Operating Practices

Aspect B5: Supply Chain Management

Supply chain management is a key area of our business, which includes managing environmental and social risks of the supply chain. The Group requires suppliers to provide products and services for us with up-to-standard quality, health and safety to ensure compliance with environmental laws and regulations, and labour standards. The contracting for procurement of products and services is required to be based solely upon specification, quality, service, price, tendering, and applicable environmental and social considerations.

The Group requires impartial selection of suppliers and service providers, maximisation of competition in tendering process, approval of contract terms, compliance with laws and regulations, prevention and detection of bribery or fraud in the tendering and procurement process, and accomplishment of efficiency and cost saving in procurement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group established supply chain management policies and procedures, including assessment, selection, approval, procurement, and monitoring. We also consider suppliers' ESG performance as well as related qualifications including ISO 14001 and OHSAS 18001. 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.

Aspect B6: Product Responsibility
Product responsibility refers to health and safety, advertising, labelling and privacy matters relating to services provided.

- **Health and Safety**
  The Group is fully responsible for our services. We ensure health and safety relating to our services provided. We strictly follow the internal policies and regulatory requirements when delivering our services and regularly review our services quality and seek customer feedback to identify areas of improvement. Apart from complying with 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.

- **Advertising**
  The Group respects our customers' rights and is committed to providing accurate service information for customers in connection with their purchase decision. The Group requires careful review of advertising material to protect customers' interest.

- **Labelling**
  The Group requires that labelling is accurate, legitimate, clear, and not misleading, and intellectual property rights are protected. 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.

- **Privacy Matters**
  The Group is committed to protecting customer data and privacy information, and keeping business information confidential. Training to employees in this regard and proper information system security are required.

  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 clients.

- **Methods of Redress**
  Although we ensure the quality of our services, at the same time, the Group requires that services with quality, safety, or health issues should be compensated in accordance with terms of service agreements. Compensation is required to be offered to all customers who are affected with consistent treatment and procedures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**
  For the year ended 31 December 2017, there were no confirmed non-compliance incidents or grievances in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress that would have a significant impact on the Group.

Aspect B7: Anti-corruption

The Group established anti-corruption policies to prohibit employees from receiving any advantages offered by customers, suppliers, colleagues, or other parties, while they are performing employee duties, and prohibit any activities involving conflicts of interest, bribery, extortion, fraud, and money laundering. The Group encourages employees, customers, suppliers, or other parties to report incidents relating to any conflicts of interest, 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 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.

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**
  For the year ended 31 December 2017, there were no confirmed non-compliance incidents or grievances in relation to bribery, extortion, fraud and money laundering that would have a significant impact on the Group.

Community

Aspect B8: Community Investment

The Group endeavours to support the communities in which we operate including community engagement to understand the needs of communities, and to ensure the Group's activities take into consideration of the communities' interest.

- **Labour Needs**
  The Group strives to enlarge the business operation so that we can hire more workers to utilize communities' available labour resources.

- **Community Activities**
  We encourage our employees to participate in community activities, such as community health initiatives, sports, cultural activities, volunteer work, and charitable events.

- **Environmental Protection**
  All employees of the Group are encouraged to participate in environmental protection activities and raise the environmental awareness of people in the communities.

INDEPENDENT AUDITOR'S REPORT

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
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TO THE MEMBERS 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 (together the "Group") set out on pages 60 to 125, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 financial position of the Group as at 31 December 2017, and of its financial performance and 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 judgement, 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 MATTERS (Continued)

Key Audit Matters

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 significant management judgement.

As at 31 December 2017, the Group has AFS investments measured at cost and AFS investments measured at fair value of HK$773,814,000 and HK$1,598,610,000 respectively.

For AFS investments measured at cost, the Group assesses the investees' latest financial information and the market and economic environment to determine if there is any objective evidence of impairment. An impairment provision of HK$130,012,000 has been recorded for the year ended 31 December 2017.

For AFS investments measured 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 2017.

Details of the disclosure of key source of estimation uncertainty and disclosure of AFS investments are set out in notes 4 and 16 to the consolidated financial statements, respectively.

How our audit addressed the key audit matters

Our key procedures in relation to management's impairment assessment of AFS investments included:

- understanding, through enquiry with management, the established policies and procedures in respect of the impairment assessment process for AFS investments;
- in respect of AFS investments at cost, performing a review on the latest financial information of the investee companies;
- 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;
- challenging the reasonableness of key assumptions made by management in the recoverability assessment; and
- checking the mathematical accuracy of management's calculations for impairment of AFS investments.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matters	How our audit addressed the key audit matters
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 significant judgement by the management in evaluating the recoverability and credit worthiness of the borrowers. In particular, as detailed in note 35 to the consolidated financial statements, the Group has concentration of credit risk as the exposure of the largest client and the five largest clients represents 48% and 95% of the total loans to money lending clients as at 31 December 2017 respectively. As any impairment of such receivables will have a significant impact on the Group's financial position and financial performance, we consider impairment assessment of such receivables as a key audit matter. The carrying value of the loan and interest receivables from money lending business was HK$220,292,000 as at 31 December 2017 and no impairment allowance has been made during the year. Further details are contained in notes 4 and 22 to the consolidated financial statements.	Our key audit procedures in relation to management's recoverability assessment of loan and interest receivables from money lending business included: • understanding, through enquiry with 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 default payments or insufficient collateral; and • evaluating the reasonableness of key assumptions made by the management in recoverability assessment of 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 Company's 2017 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. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

As part of an audit in accordance with HKSAs, we exercise professional judgement 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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 and 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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 21 March 2018

The engagement director on the audit resulting in this independent auditor's report is:
Chan Wai Man
Practising Certificate Number: P02487

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	5	**85,560**	58,064
Other income	6	**259,356**	85,997
Other gains and losses	8	**143,477**	1,199
Gain (Loss) on financial assets at fair value through profit or loss	11	**159,775**	(1,058,044)
Impairment losses in respect of available-for-sale investments	16(d)	**(130,012)**	(75,415)
Depreciation of property and equipment	15	**(25,587)**	(26,050)
Employee benefits expenses	11	**(92,426)**	(30,450)
Other expenses		**(144,731)**	(84,799)
Share of results of associates	17	**41,531**	4,449
Loss on early settlement of promissory notes	28	**(153,622)**	–
Finance costs	9	**(57,013)**	(12,174)
Profit (Loss) before taxation	11	**86,308**	(1,137,223)
Income tax (expense) credit	10	**(65,019)**	101,357
Profit (Loss) for the year		**21,289**	(1,035,866)
Other comprehensive income (loss):			
Items that are reclassified or may be reclassified subsequently to profit or loss			
Exchange differences arising on translation to presentation currency		**65,220**	(60,428)
Fair value change on available-for-sale investments reclassified to profit or loss upon disposal		**55,082**	(4,753)
Fair value change on available-for-sale investments		**(62,553)**	(64,262)
Total other comprehensive income (loss) for the year		**57,749**	(129,443)
Total comprehensive income (loss) for the year		**79,038**	(1,165,309)
Profit (Loss) for the year attributable to:			
Owners of the Company		**57,464**	(941,990)
Non-controlling interests		**(36,175)**	(93,876)
		21,289	(1,035,866)
Total comprehensive income (loss) attributable to:			
Owners of the Company		**113,021**	(1,063,863)
Non-controlling interests		**(33,983)**	(101,446)
		79,038	(1,165,309)
		HK cents	*HK cents* (adjusted)
Earnings (Loss) per share	14		
Basic		**2.41**	(63.57)
Diluted		**2.41**	(63.57)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property and equipment	15	**137,342**	163,453
Available-for-sale investments	16	**2,372,424**	966,911
Interests in associates	17	**578,255**	529,449
Intangible assets	18	**3,908**	3,908
Other investment	19	**179,426**	–
Held-to-maturity investments	20	**29,290**	–
Deposit paid for an investment		**–**	15,000
Other deposits	21	**520**	478
Loan receivables	22	**28,841**	3,823
Deposit paid for acquisition of property and equipment		**77,014**	68,397
		3,407,020	1,751,419
Current assets			
Trade, loan and other receivables	22	**446,098**	704,659
Financial assets at fair value through profit or loss	23	**2,790,718**	2,919,767
Structured deposits	24	**265,550**	223,464
Bank balances – trust and segregated accounts	25	**8,801**	43,171
Cash and cash equivalents	25	**850,229**	743,898
		4,361,396	4,634,959
Current liabilities			
Trade and other payables	26	**292,039**	310,434
Income tax payable		**110,820**	67,864
Loan payables	27	**895,000**	250,000
Promissory notes payable	28	**–**	725,736
		1,297,859	1,354,034
Net current assets		**3,063,537**	3,280,925
Total assets less current liabilities		**6,470,557**	5,032,344
Non-current liabilities			
Deferred taxation	29	**131,193**	109,986
Promissory notes payable	28	**–**	320,642
		131,193	430,628
NET ASSETS		**6,339,364**	4,601,716

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Note	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital	30	**145,294**	71,939
Reserves		**5,937,049**	4,293,539
Equity attributable to owners of the Company		**6,082,343**	4,365,478
Non-controlling interests	42	**257,021**	236,238
TOTAL EQUITY		**6,339,364**	4,601,716

The consolidated financial statements on pages 60 to 125 were approved and authorised for issue by the Board of Directors on 21 March 2018 and are signed on its behalf by:

Sam Nickolas David Hing Cheong
Director

Chow Chi Wah Vincent
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

	Attributable to equity holders of the Company										Non-controlling interests				
	Share capital HK$'000	Share premium HK$'000 (Note i)	Translation reserve HK$'000 (Note ii)	Contribution surplus HK$'000 (Note iii)	Warrant reserve HK$'000 (Note 31)	Special reserve HK$'000 (Note iv)	Investment revaluation reserve HK$'000 (Note v)	Share option reserve HK$'000 (Note 32)	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	Total HK$'000
At 1 January 2016	71,939	3,042,891	(34,670)	544	13,360	–	4,753	16,740	1,926,399	5,041,956	48,850	7,634	–	7,634	5,098,440
Loss for the year	–	–	–	–	–	–	–	–	(941,990)	(941,990)	–	(93,876)	–	(93,876)	(1,035,866)
Other comprehensive loss															
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)	(7,570)	(64,262)
Total other comprehensive loss for the year	–	–	(60,428)	–	–	–	(61,445)	–	–	(121,873)	–	–	(7,570)	(7,570)	(129,443)
Total comprehensive loss for the year	–	–	(60,428)	–	–	–	(61,445)	–	(941,990)	(1,063,863)	–	(93,876)	(7,570)	(101,446)	(1,165,309)
Transactions with owners:															
Contribution and distribution															
Share options 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															
Changes in ownership interests in a subsidiary without loss of control	–	–	–	–	–	383,950	–	–	–	383,950	–	330,050	–	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)	236,238	4,601,716

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

		Attributable to equity holders of the Company										Non-controlling interests			
	Note	Share capital HK$'000	Share premium HK$'000 (Note i)	Translation reserve HK$'000 (Note ii)	Contribution surplus HK$'000 (Note iii)	Warrant reserve HK$'000 (Note 31)	Special reserve HK$'000 (Note iv)	Investment revaluation reserve HK$'000 (Note v)	Share option reserve HK$'000 (Note 32)	Retained earnings HK$'000	Total HK$'000	Share of net assets (liabilities) HK$'000	Investments revaluation reserve HK$'000	Total HK$'000	Total HK$'000
At 1 January 2017		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)	236,238	4,601,716
Profit (Loss) for the year		–	–	–	–	–	–	–	–	57,464	57,464	(36,175)	–	(36,175)	21,289
Other comprehensive income (loss)															
Exchange differences arising on translation to presentation currency		–	–	65,220	–	–	–	–	–	–	65,220	–	–	–	65,220
Fair value change on available-for-sale investments reclassified to profit or loss upon disposal		–	–	–	–	–	–	48,593	–	–	48,593	–	6,489	6,489	55,082
Fair value change on available-for-sale investments		–	–	–	–	–	–	(58,256)	–	–	(58,256)	–	(4,297)	(4,297)	(62,553)
Total other comprehensive income for the year		–	–	65,220	–	–	–	(9,663)	–	–	55,557	–	2,192	2,192	57,749
Total comprehensive income for the year		–	–	65,220	–	–	–	(9,663)	–	57,464	113,021	(36,175)	2,192	(33,983)	79,038
Transactions with owners:															
Contribution and distribution															
Warrants lapsed	31	–	–	–	–	(13,360)	–	–	–	13,360	–	–	–	–	–
Ex-gratia payment from warrant holders	31	–	–	–	–	–	–	–	–	66,798	66,798	–	–	–	66,798
Share options lapsed	32(a)	–	–	–	–	–	–	–	(3,606)	3,606	–	–	–	–	–
Recognition of equity-settled share-based payments	32(b)	–	–	–	–	–	–	–	97,793	–	97,793	–	–	–	97,793
Issue of new shares upon rights issue	30(b)	35,969	888,620	–	–	–	–	–	–	–	924,589	–	–	–	924,589
Issue of new shares upon share swap	30(c)	3,780	98,280	–	–	–	–	–	–	–	102,060	–	–	–	102,060
Issue of new shares upon exercise of share options	32(b)	11,168	283,641	–	–	–	–	–	(97,793)	–	197,016	–	–	–	197,016
Issue of new shares upon placing of shares	30(d)	22,338	304,273	–	–	–	–	–	–	–	326,611	–	–	–	326,611
Dividend paid	13	100	1,721	–	–	–	–	–	–	(58,078)	(56,257)	–	–	–	(56,257)
Transfer		–	–	–	–	–	–	–	–	(54,766)	(54,766)	54,766	–	54,766	–
At 31 December 2017		**145,294**	**4,619,426**	**(29,878)**	**544**	**-**	**383,950**	**(66,355)**	**14,333**	**1,015,029**	**6,082,343**	**262,399**	**(5,378)**	**257,021**	**6,339,364**

Notes:

(i) Share premium represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value. The application of the share premium account is governed by Section 46(2) of the Companies Act 1981 of Bermuda (as amended).

(ii) Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(iii) Contribution surplus represents residual arising from the reduction of share premium of the Company pursuant to special resolutions passed by the Company on 2 June 2005 and 23 May 2007.

(iv) 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 of interests in a subsidiary without loss of control.

(v) Investment revaluation reserve comprises the accumulated gains and losses arising on the revaluation of available-for-sale investments measured at fair value that have been recognised in other comprehensive income, net of the amounts reclassified to profit or loss when those investments are disposed of or are determined to be impaired.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Note	**2017** **HK$'000**	2016 HK$'000
OPERATING ACTIVITIES			
Profit (Loss) before taxation		**86,308**	(1,137,223)
Depreciation of property and equipment	15	**25,587**	26,050
Interest expenses	9	**57,013**	12,174
Interest income		**(44,840)**	(37,280)
(Gain) Loss on disposal of property and equipment		**(910)**	11
(Reversal of) Provision for impairment loss in respect of loan receivables		**(2,898)**	12,529
Gain on disposal of subsidiaries		**–**	(2,769)
Loss (Gain) on disposal of available-for-sale investments		**1,713**	(2,862)
Impairment losses in respect of available-for-sale investments	16(d)	**130,012**	75,415
Release of financial guarantees		**–**	(2,328)
Recovery of doubtful consideration receivables	22(e)	**(135,378)**	–
Share of results of associates	17	**(41,531)**	(4,449)
Loss on early settlement of promissory notes	28	**153,622**	–
Dividend income		**(204,651)**	(20,969)
Share-based payment expenses	32	**97,793**	1,361
Changes in working capital			
Other deposits		**(42)**	57
Financial assets at fair value through profit or loss		**129,049**	1,852,925
Trade, loan and other receivables		**322,284**	(277,386)
Bank balances – trust and segregated accounts		**34,370**	(26,057)
Trade and other payables		**(18,355)**	16,581
Cash generated from operations		**589,146**	485,780
Interest paid on other borrowings and margin financing		**(47,095)**	(11,876)
Income tax paid		**(853)**	(3,571)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**541,198**	470,333

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Note	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES			
Purchase of structured deposits		**(265,550)**	(233,918)
Redemption of structured deposits		**206,555**	–
Placement of short-term bank deposits		**–**	(81,900)
Withdrawal of short-term bank deposits		**–**	145,146
Deposits paid for acquisition of property and equipment		**(8,617)**	(31,149)
Deposit refunded (paid) for an investment		**15,000**	(15,000)
Dividend received		**16,012**	20,969
Interest received		**44,838**	37,280
Proceeds from disposal of property and equipment		**1,757**	–
Purchase of available-for-sale investments		**(1,700,015)**	(261,218)
Purchase of held-to-maturity investments		**(29,288)**	–
Purchase of other investment		**(179,426)**	–
Receipts arising from the disposal of subsidiary		**–**	10,000
Purchase of property and equipment	15	**(323)**	(187)
Net cash flows arising from disposal of subsidiaries		**50,000**	52,577
Net cash flows arising from acquisition of subsidiaries		**–**	60,137
Investments in associates		**(7,275)**	(525,000)
Disposal of available-for-sale investments		**484,471**	129,460
NET CASH USED IN INVESTING ACTIVITIES		**(1,371,861)**	(692,803)
FINANCING ACTIVITIES			
Drawdown of loan payables		**1,855,000**	250,000
Ex-gratia payment from warrant holders	31	**66,798**	–
Repayment of loan payables		**(1,210,000)**	–
Repayment of convertible notes by a subsidiary		**–**	(147,926)
Repayment of promissory notes payable	28	**(1,209,918)**	(95,000)
Issue of shares		**1,448,216**	–
Interim dividend paid	13	**(56,257)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**893,839**	7,074
Net increase (decrease) in cash and cash equivalents		**63,176**	(215,396)
Cash and cash equivalents at beginning of year		**743,898**	998,659
Effect on exchange rate changes on cash and cash equivalents		**43,155**	(39,365)
Cash and cash equivalents at end of year, represented by cash and bank balances		**850,229**	743,898

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The 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 (together the "Group") are investment holdings, trading and investment of securities, provision of securities brokerage, placing and underwriting, corporate financial advisory, margin financing, money lending and 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. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2016 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

Adoption of new/revised HKFRSs

Amendments to HKAS 7: Disclosure Initiative

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

The adoption of the amendments results in the additional disclosures in note 33 to the consolidated financial statements. In accordance with the transitional provisions therein, the comparative information is not presented in the first year of adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Adoption of new/revised HKFRSs (Continued)

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

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

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

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

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

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

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for certain available-for-sale investments and financial assets at fair value through profit or loss, which are measured at fair values as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

Allocation of total comprehensive income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented in note 42 to the consolidated financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

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 of those policies.

The Group's investment in associate is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Goodwill arising on an acquisition of an associate is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate. Such goodwill is included in interests in associates. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvements	15 to 20%
Yacht	10%
Furniture, fixtures and equipment	18% to 25%
Motor vehicles	20%

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

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.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

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.

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 the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

1) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading. They are carried at fair value, with any resultant gain and loss recognised in profit or loss.

Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not financial guarantee contracts or not designated and effective as hedging instruments.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

2) *Loans and receivables*

Loans and receivables including other investments, loan receivables, trade and other receivables, bank balances and cash and cash equivalents are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

3) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Classification and measurement (Continued)

3) *Available-for-sale financial assets (Continued)*

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 financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

4) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. They are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

5) *Financial liabilities*

The Group's financial liabilities include trade and other payables. All financial liabilities, except for financial liabilities at fair value through profit or loss, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

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.

When an available-for-sale financial asset stated at fair value is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

For an available-for-sale financial asset that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

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 Company are recorded at the proceeds, net of direct issue costs.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For classification in the statement of financial position, cash equivalents represent assets similar in nature to cash and which are not restricted as to use.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Revenue or income arising from financial services is 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 is recognised when the relevant transactions have been arranged or the relevant services have been rendered; and
- Interest income from clients is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rate 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's net carrying amount on initial recognition.

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

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is also the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Foreign currency translation (Continued)

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period.

- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate.

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property and equipment, interests in associates, intangible assets and investments in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

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 cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Leases

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

As lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of the relevant lease.

Lease incentives are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Retirement benefit costs

Payment to defined contribution retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Long service payments

The Group's net obligation in respect of long service payments under the Employment Ordinance is the amounts of future benefit that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducting the fair value of any related assets, including those retirement scheme benefits.

Share-based payment transactions

Equity-settled share-based 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

YEAR ENDED 31 DECEMBER 2017

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised. The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3. FUTURE CHANGES IN HKFRSs

At the date of authorisation of the consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are relevant to the Group and are not yet effective for the current year, which the Group has not early adopted.

Annual Improvements to HKFRSs	2014–2016 Cycle: HKFRS 1 and HKAS 28[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
Annual Improvements to HKFRSs	2015–2017 Cycle[2]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKAS 28	Investments in Associates and Joint Ventures[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] The effective date to be determined

The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. While the assessment has been substantially completed for HKFRS 9, HKFRS 15 and HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial information for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

HKFRS 9 Financial Instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39 Financial instruments: Recognition and Measurement.

HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3. FUTURE CHANGES IN HKFRSs (Continued)

HKFRS 9 Financial Instruments (Continued)

The Group's equity securities which are currently classified as available-for-sale financial assets will satisfy the conditions for classification as financial assets at fair value through other comprehensive income ("FVOCI") and hence there will be no change to the accounting for these assets However, investments in equity securities which are currently classified as AFS financial assets and do not meet the criteria to be classified either as financial assets at fair value through other comprehensive income ("FVOCI") or financial assets at amortised cost will have to be reclassified to financial assets at fair value through profit or loss ("FVTPL"). The Group may also opt to designate the equity securities as financial assets at FVOCI at the date of application. Related fair value losses will have to be transferred from the investment revaluation reserve to retained profits on 1 January 2018.

The equity investments which currently measured at FVTPL and other investments and held-to-maturity investments which currently measured at amortised cost will continue to be measured on the same basis under HKFRS 9.

Fair value gains or losses realised on the disposal of financial assets at FVOCI will no longer be transferred to profit or loss on disposal, but instead reclassified directly from the FVOCI reserve to retained profits.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses and will need to perform a more detailed analysis to determine the impact on the Group's consolidated financial statements.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 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, HKAS 11 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 new 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

3. FUTURE CHANGES IN HKFRSs (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

- 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 result in more disclosures. However, they do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the future reporting periods.

HKFRS 16 Leases

HKFRS 16 significantly changes, among others, the lessee accounting by replacing the dual model under HKAS 17 with a single model which requires a lessee to recognise right-of-use and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carry forward the lessor accounting requirements in HKAS 17. Accordingly, it is expected that HKFRS 16 will not have a significant impact on the future financial position, financial performance and cash flows of the Group upon adoption.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

Estimated impairment of available-for-sale investments

For available-for-sale investments measured 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, the directors of the Company consider if such decrease was prolonged or significant by a number of factors. Based on the 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 impairment required for both years. As at 31 December 2017, the carrying amount of available-for-sale investments measured at fair value is HK$1,598,610,000 (2016: HK$290,190,000).

For available-for-sale investments measured 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 2017, the carrying amount of available-for-sale investments measured at cost is HK$773,814,000 (2016: HK$676,721,000) and an impairment provision of HK$187,223,000 (2016: HK$57,977,000) has been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Key sources of estimation uncertainty (Continued)

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 borrowers and their ability to make payments worsen, additional allowance may be required. As at 31 December 2017, the aggregate carrying amount of trade receivables arising from loan and interest receivables from independent third parties was HK$220,292,000 (2016: HK$314,637,000) and no impairment allowance (2016: HK$12,529,000) has been charged to profit or loss during the year.

5. REVENUE

	2017	2016
	HK$'000	HK$'000
Fee and commission income	10,895	12,306
Interest income from margin clients	22,460	18,775
Interest income from loan receivables	50,645	21,603
Advisory and other fee income	1,560	5,380
	85,560	58,064

6. OTHER INCOME

	2017	2016
	HK$'000	HK$'000
Interest income on:		
– bank deposits	38,335	28,109
– listed bonds at fair value through profit or loss ("FVTPL")	4,000	8,998
– held-to-maturity investments	1,091	–
– others	1,414	173
	44,840	37,280
Dividend income from:		
– financial assets at FVTPL	16,012	20,969
– available-for-sale investments (Note 16(c))	188,639	–
	204,651	20,969
Others	9,865	27,748
	259,356	85,997

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

7. SEGMENT INFORMATION

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

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

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

(b) securities trading and investments; and

(c) money lending.

Segment revenue and results

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

For the year ended 31 December 2017

	Financial services *HK$'000*	Securities trading and investments *HK$'000*	Money lending *HK$'000*	Consolidated *HK$'000*
Revenue				
Revenue from financial services	34,915	–	–	34,915
Revenue from money lending	–	–	50,645	50,645
Total revenue	34,915	–	50,645	85,560
Gain on financial assets at FVTPL	–	159,775	–	159,775
Segment revenue	34,915	159,775	50,645	245,335
Segment profit (loss)	10,842	176,373	(3,323)	183,892
Unallocated other income				38,332
Net exchange gain				6,855
Share of results of associates				41,531
Other gains and losses				136,297
Loss on early settlement of promissory notes				(153,622)
Finance costs – unallocated				(9,918)
Central corporate expenses				(157,059)
Profit before taxation				86,308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

7. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

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

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

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies in note 2. Segment result represents the profit earned or loss incurred by each segment without allocation of certain other income, certain other gains and losses, share of results of associates, gain on disposal of subsidiaries, gain on bargain purchase of subsidiaries, release of provision of financial guarantees, certain finance costs and the central corporate expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

At 31 December 2017

	Financial services	Securities trading and investments	Money lending	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	64,781	5,750,992	499,292	6,315,065
Unallocated property and equipment				137,227
Other investment				179,426
Deposit paid for acquisition of property and equipment				77,014
Unallocated other receivables				152,447
Interests in associates				578,255
Cash and cash equivalents				63,432
Structured deposits				265,550
Consolidated assets				7,768,416
Segment liabilities	11,392	650,256	505,373	1,167,021
Unallocated other payables				20,018
Income tax payable				110,820
Deferred taxation				131,193
Consolidated liabilities				1,429,052

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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 for property and equipment				68,397
Unallocated other receivables				78,545
Interests in an associate				529,449
Cash and cash equivalents				743,898
Structured deposits				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

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, other investment, deposit paid for acquisition of property and equipment, interests in associates, certain other receivables, certain cash and cash equivalents and structured deposits.
- all liabilities are allocated to operating and reportable segments other than certain other payables, income tax payable, deferred taxation and promissory notes payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

7. SEGMENT INFORMATION (Continued)

Other segment information

2017

	Financial services	**Securities trading and investments**	**Money lending**	**Unallocated**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Amounts included in the measure of segment profit or segment assets:					
Interest income included in revenue and other income	**(22,494)**	**(6,471)**	**(50,645)**	**(38,335)**	**(117,945)**
Interest expenses	**–**	**11,793**	**35,302**	**9,918**	**57,013**
Loss on early settlement of promissory notes	**–**	**–**	**–**	**153,622**	**153,622**
Reversal of impairment loss in respect of loan receivables	**–**	**–**	**(2,898)**	**–**	**(2,898)**
Recovery of doubtful consideration receivables	**–**	**–**	**–**	**(135,378)**	**(135,378)**
Impairment losses in respect of available-for-sale investments	**–**	**130,012**	**–**	**–**	**130,012**
Gain on disposal of property and equipment	**–**	**–**	**–**	**(910)**	**(910)**
Depreciation of property and equipment	**80**	**–**	**–**	**25,507**	**25,587**

2016

	Financial services	Securities trading and investments	Money lending	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or segment assets:					
Interest income included in revenue and other income	(18,775)	(8,998)	(21,603)	(28,282)	(77,658)
Interest expenses	–	–	12,174	–	12,174
Impairment loss in respect of loan receivables	–	–	12,529	–	12,529
Impairment losses 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

7. SEGMENT INFORMATION (Continued)

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

Revenue from the customers individually accounted for 10% or more of the Group's revenue for the years ended 31 December 2017 and 2016 is as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer A*	**11,324**	–
Customer B*	**9,556**	–
Customer C^	**–**	7,795

* Attributable to money lending segment.

^ Attributable to financial services segment.

8. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Net exchange gain	**6,855**	2,885
Gain on bargain purchase of subsidiaries	**–**	2,895
Gain (Loss) on disposal of property and equipment	**910**	(11)
(Loss) Gain on disposal of available-for-sale investments	**(1,713)**	2,862
Gain on disposal of subsidiaries	**–**	2,769
Release on financial guarantees	**–**	2,328
Reversal of (Provision for) impairment loss in respect of loan receivables (Note 22(c))	**2,898**	(12,529)
Recovery of doubtful consideration receivables (Note 22(e))	**135,378**	–
Other losses	**(851)**	–
	143,477	1,199

9. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on loan payables	**35,302**	12,174
Interest on margin financing	**11,793**	–
Interest on the promissory notes (note 28)	**9,918**	–
	57,013	12,174

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

10. INCOME TAX EXPENSE (CREDIT)

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

	2017	2016
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**43,812**	5,063
Deferred taxation		
Origination and reversal of temporary difference (Note 29)	**21,207**	(106,420)
Income tax expense (credit)	**65,019**	(101,357)

Reconciliation of income tax expense (credit)

	2017	2016
	HK$'000	*HK$'000*
Profit (Loss) before taxation	**86,308**	(1,137,223)
Income tax at applicable tax rate of 16.5% (2016: 16.5%)	**14,241**	(187,642)
Tax effect of expenses not deductible for tax purpose	**78,261**	97,870
Tax effect of income not taxable for tax purpose	**(70,426)**	(17,069)
Tax effect of tax losses not recognised	**44,601**	6,122
Utilisation of tax losses previously not recognised	**(2,323)**	(638)
Others	**665**	–
Income tax expense (credit) for the year	**65,019**	(101,357)

11. PROFIT (LOSS) BEFORE TAXATION

This is stated after charging (crediting):

	2017	2016
	HK$'000	*HK$'000*
Staff costs (including directors' emoluments)		
Salaries and other benefits	**25,606**	28,361
Retirement benefit scheme contributions	**713**	728
Share-based payment expenses	**66,107**	1,361
	92,426	30,450
Auditor's remuneration	**1,980**	2,600
Operating leases in respect of rented premises	**9,293**	11,836
(Gain) Loss on financial assets at FVTPL (Note)	**(159,775)**	1,058,044
Entertainment expenses	**29,202**	27,737
Legal and professional fees	**16,735**	4,902

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

11. PROFIT (LOSS) BEFORE TAXATION (Continued)

Note:

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

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

(i) Directors' and Chief Executive's remuneration:

The emoluments paid or payable to each of the 10 (2016: 10) directors were as follows:

	Year ended 31 December 2017										
	Executive Directors					Independent Non-executive Directors					
	Mr. Chen Wei HK$'000 (Note d)	Mr. Chow Chi Wah Vincent HK$'000 (Note d)	Mr. Sam Nickolas David Hing Cheong HK$'000 (Note d, f)	Mr. Tang Yui Man, Francis HK$'000 (Note d)	Mr. Wong Yat Fai HK$'000 (Note d)	Mr. Cheung Wing Ping HK$'000	Mr. Chui Kark Ming HK$'000	Mr. Ma Ka Ki HK$'000	Mr. Hung Cho Sing HK$'000 (Note d)	Mr. Chan Hak Kan HK$'000 (Note d)	Total HK$'000
Fees (Note a)	-	-	-	-	-	250	250	250	184	184	1,118
Other emoluments											
– salaries and other benefits (Note b)	320	1,200	1,596	831	420	-	-	-	-	-	4,367
– contributions to retirement benefit schemes	11	21	24	9	12	-	-	-	-	-	77
– performance and discretionary bonus (Note c)	-	-	-	-	-	-	-	-	-	-	-
Total emoluments	331	1,221	1,620	840	432	250	250	250	184	184	5,562

	Year ended 31 December 2016										
	Executive Directors					Non-executive Director	Independent Non-executive Directors				
	Mr. Chen Wei HK$'000	Mr. Chow Chi Wah Vincent HK$'000 (Note e)	Mr. Sam Nickolas David Hing Cheong HK$'000 (Note f)	Mr. Tang Yui Man, Francis HK$'000	Mr. Xiang Ya Bo HK$'000 (Note e)	Mr. Xin Luo Lin HK$'000 (Note e)	Mr. Cheung Wing Ping HK$'000	Mr. Chui Kark Ming HK$'000	Mr. Ma Ka Ki HK$'000 (Note e)	Dr. Xiang Bing HK$'000 (Note e)	Total HK$'000
Fees (Note a)	–	–	–	–	–	105	250	250	146	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 bonus (Note c)	–	–	200	500	–	–	–	–	–	–	700
Total emoluments	1,162	716	1,832	2,318	689	105	250	250	146	105	7,573

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION (Continued)

(i) Directors' and Chief Executive's remuneration: (Continued)

Notes: (Continued)

d. Mr. Chen Wei resigned as an executive director and the chairman of the Board of Directors on 5 April 2017. Mr. Sam Nickolas David Hing Cheong resigned from his position as the Chief Executive Officer of the Company on 6 April 2017 due to his new role as the Acting Chairman of the Board of Directors which took effective on 5 April 2017. Mr. Chow Chi Wah Vincent was appointed as Managing Director on 5 April 2017. Mr. Chan Hak Kan and Mr. Hung Cho Sing were appointed as independent non-executive directors on 6 April 2017. Mr. Wong Yat Fai was appointed as an executive director on 19 April 2017. Mr. Tang Yui Man, Francis resigned as an executive director on 28 June 2017.

e. 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.

f. Mr. Sam Nickolas David Hing Cheong was also the Chief Executive Officer of the Company and his emoluments for the year ended 31 December 2016 and up to 6 April 2017 disclosed above include those for services rendered by him as the Chief Executive Officer.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the years ended 31 December 2017 and 2016.

(ii) Employees' remuneration:

The five highest paid individuals of the Group included 3 (2016: 5) directors of the Company. Details of their emoluments are included above.

The emoluments of the remaining 2 (2016: 0) highest paid individuals for the years are set out as follows:

	2017	2016
	HK$'000	*HK$'000*
Salaries and other emoluments	**2,759**	–
Contribution to retirement benefits schemes	**32**	–
	2,791	–

The emoluments of the individuals are within the following bands:

	2017	2016
	Number of employees	*Number of employees*
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	–

During the years ended 31 December 2017 and 2016, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

13. DIVIDENDS

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

The directors of the Company have declared an interim dividend of HK$0.004 per share (before share consolidation as set out in Note 30(a)) during the year ended 31 December 2017 (2016: Nil). The interim dividend was paid in cash, with an option to receive new and fully paid shares in lieu of cash under a scrip dividend scheme (the "Scrip Dividend Scheme"). For the calculation of new shares to be allotted pursuant to the Scrip Dividend Scheme, the market value of the new shares has been fixed at HK$0.1818 per share (before share consolidation as set out in Note 30(a)). Details of which are set out the Company's circular dated 27 September 2017. As a result, 10,014,714 shares amounting to HK$1,821,000 were issued and cash of HK$56,257,000 was paid in relation to the interim dividend.

14. EARNINGS (LOSS) PER SHARE

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

Earnings (Loss)

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

Number of shares

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

Note:

The number of shares for the purpose of calculating basic earnings per share for the year ended 31 December 2017 has been adjusted to reflect (i) rights issue, (ii) share swap, (iii) exercise of share options, (iv) placing of shares, (v) distribution of interim dividend by shares and (vi) share consolidation. Detail of which has been set out in note 30 to the consolidated financial statements. The computation of diluted earnings per share for the year ended 31 December 2017 does not assume the exercise of certain share options as the exercise price was higher than the average market price of shares for 2017.

The number of shares for the year ended 31 December 2016 has been adjusted and restated to reflect rights issue and share consolidation during the year ended 31 December 2017. Detail of which has been set out in note 30 to the consolidated financial statements. The computation of diluted loss per share for the year ended 31 December 2016 did not assume the exercise of certain share option and warrants since their assumed exercise would result in decrease in loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

15. PROPERTY AND EQUIPMENT

	Leasehold improvements	Yacht	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 January 2016	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
Additions	–	250	73	–	323
Disposals	–	–	–	(1,400)	(1,400)
At 31 December 2017	730	154,350	40,953	16,446	212,479
ACCUMULATED DEPRECIATION					
At 1 January 2016	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
Provided for the year	17	15,424	6,699	3,447	25,587
Eliminated on disposals	–	–	–	(553)	(553)
At 31 December 2017	726	32,660	33,852	7,899	75,137
CARRYING VALUES					
At 31 December 2017	**4**	**121,690**	**7,101**	**8,547**	**137,342**
At 31 December 2016	21	136,864	13,727	12,841	163,453

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

16. AVAILABLE-FOR-SALE INVESTMENTS

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

Notes:

(a) The fair values of the listed investments are determined on the basis of quoted market price at the end of the reporting period. Details of the fair value measurements are set out in note 36.

(b) As at 31 December 2017, the Group owns approximately 3.71% (2016: 5.48%) of the share capital of Co-Lead Holdings Limited ("Co-Lead"), an unlisted private company incorporated in the British Virgin Islands, at a carrying value of HK$100,000,000 (2016: HK$100,000,000). Co-Lead and its subsidiaries are principally engaged in securities investment and investment holding business in Hong Kong. Details of the fair value measurements are set out in note 36.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

16. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Notes: (Continued)

(d) Movement of provision of impairment losses

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

During the year ended 31 December 2017, an impairment losses of HK$130,012,000 (2016: HK$75,415,000) in aggregate has been recognised to write down the carrying amount of certain unlisted investments in private entities due to their insolvent financial positions and the distribution made by Freewill. Other than this, the directors of the Company consider no impairment is required in respect of the other unlisted investments as at 31 December 2017.

17. INTERESTS IN ASSOCIATES

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

HEC Securities Company Limited ("HEC Securities")

(i) Profit Guarantee

As at 31 December 2016, interests in an associate represent the Group's interests in 30% of the issued ordinary share capital of HEC Securities. According to the acquisition agreement, the holding company of HEC Securities, HEC International Group Limited, has provided a profit guarantee to the Group that the audited consolidated net profits before tax of HEC Securities for the years ending 31 December 2017, 31 December 2018 and 31 December 2019 (each a "Guaranteed Period") shall not be less than HK$75,000,000, HK$125,000,000 and HK$150,000,000 (the "Guaranteed Amounts") respectively (the "Profit Guarantee").

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

17. INTERESTS IN ASSOCIATES (Continued)

HEC Securities (Continued)

(i) Profit Guarantee (Continued)

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

If the aggregate actual audited consolidated net profits before tax of HEC Securities of all the three Guaranteed Periods is less than the amount of HK$350,000,000 (the "Aggregate Guaranteed Amount"), then HEC International Group Limited is required to pay Uptown Enerchine Capital Limited (formerly known as Enerchine Capital Limited) ("Uptown Enerchine") the amount equal to the proportion of shareholding interest multiplied by the shortfall between the Aggregate Guaranteed Amount and aggregate actual audited consolidated net profits before tax of HEC Securities of all the three Guaranteed Periods.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

17. INTERESTS IN ASSOCIATES (Continued)

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

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

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

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

(a) Fair value of investments

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

(b) Financial information of associates

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

At 31 December 2017	**HEC Securities** *HK$'000*	**Eternal** *HK$'000*	**Topwish** *HK$'000*
Gross amount			
Current assets	**1,346,140**	**511**	**24,636**
Non-current assets	**438**	**–**	**12,647**
Current liabilities	**(193,320)**	**(62)**	**(10,132)**
Non-current liabilities	**–**	**–**	**–**
Equity	**1,153,258**	**449**	**27,151**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

17. INTERESTS IN ASSOCIATES (Continued)

(b) Financial information of associates (Continued)

At 31 December 2017	**HEC Securities** *HK$'000*	**Eternal** *HK$'000*	**Topwish** *HK$'000*
Reconciliation			
Gross amount of equity	**1,153,258**	**449**	**27,151**
Group's ownership interests	**30%**	**25%**	**25%**
Group's share of equity	**345,977**	**112**	**6,788**
Goodwill	**225,259**	**92**	**27**
Carrying amount of interests	**571,236**	**204**	**6,815**

Year/Period ended 31 December 2017	**HEC Securities** *HK$'000*	**Eternal** *HK$'000*	**Topwish** *HK$'000*
Gross amount			
Revenue	**94,827**	**–**	**1,224**
Profit (loss) from continuing operations	**139,291**	**(183)**	**(842)**
Other comprehensive income	**–**	**–**	**–**
Total comprehensive income (loss)	**139,291**	**(183)**	**(842)**
Group's ownership interests	**30%**	**25%**	**25%**
Group's share of results	**41,787**	**(46)**	**(210)**

At 31 December 2016	HEC Securities *HK$'000*
Gross amount	
Current assets	1,927,250
Non-current assets	200
Current liabilities	(913,483)
Non-current liabilities	–
Equity	1,013,967
Reconciliation	
Gross amount of equity	1,013,967
Group's ownership interests	30%
Group's share of equity	304,190
Goodwill	225,259
Carrying amount of interests	529,449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

17. INTERESTS IN ASSOCIATES (Continued)

(b) Financial information of associates (Continued)

Period ended 31 December 2016	HEC Securities *HK$'000*
Gross amount	
Revenue	32,443
Profit from continuing operations	14,830
Other comprehensive income	–
Total comprehensive income	14,830
Group's ownership interests	30%
Group's share of results	4,449

18. INTANGIBLE ASSETS

The amount represents 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.

19. OTHER INVESTMENT

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

20. HELD-TO-MATURITY INVESTMENTS

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

21. OTHER DEPOSITS

	2017 ***HK$'000***	2016 *HK$'000*
Statutory and other deposits with exchanges and clearing houses	**520**	478

The above deposits are non-interest bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

22. TRADE, LOAN AND OTHER RECEIVABLES

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

Notes:

(a) No aged analysis by invoice date is disclosed as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of brokerage business. The Group offset certain trade receivable and trade 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 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

22. TRADE, LOAN AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) Trade receivables from margin clients are repayable on demand and bear interest ranging from 8% to 30% (2016: 8% to 30%) per annum for year ended 31 December 2017. The loans are secured by pledged marketable securities with a total fair value of approximately HK$687,730,000 (2016: HK$1,686,378,000). The fair value of pledged marketable securities of the individual margin clients is higher than the corresponding outstanding loans. The Group is permitted to sell or repledge the marketable securities if the customers default on the payment when requested by the Group. Entire amount of trade receivables from secured margin clients are neither past due nor impaired as at 31 December 2017 and 2016. During the years ended 31 December 2017 and 2016, no margin loans were granted to the directors of the Company nor directors of subsidiaries.

(c) At the end of the reporting period, loan receivables include fixed rate loan advances to independent third parties of approximately HK$45,474,000 (2016: HK$287,233,000) which are secured by the pledge of certain collaterals and personal guarantees, and have contractual loan period between 2 months and 12 years (2016: 2 months and 8 years) under the Group's money lending operation. The management of the Group believes that the amount is considered recoverable given the fair value of the collaterals is sufficient to cover the entire loan balance for each of the secured loan advances and subsequent repayment. The remaining balance of approximately HK$174,818,000 (2016: HK$27,404,000) is unsecured, a substantial portion of which was settled subsequent to year end. The average interest rate for the loan receivables as at 31 December 2017 was ranging from 5% to 48% (2016: 5% to 36%) per annum.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

22. TRADE, LOAN AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(c) (Continued)

Aging analysis

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

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

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

	2017	2016
	HK$'000	*HK$'000*
Not yet past due	**34,123**	314,637
1 to 3 months past due	**145,186**	–
7 to 12 months past due	**40,983**	–
At the end of the reporting period	**220,292**	314,637

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

22. TRADE, LOAN AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(e) During the year ended 31 December 2011, the Group disposed of its 100% equity interest in a subsidiary 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 finalised 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, for the year ended 31 December 2013.

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

Details of the Group's policy on credit risk are set out in note 35.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Note:

The Group mainly subscribed unlisted investment funds from independent financial institutions. The portfolios of the funds mainly comprise securities listed in Hong Kong and overseas. The funds are redeemable at the discretion of the Group from time to time and the intention of holding them was for short-term investment.

24. STRUCTURED DEPOSITS

The structured deposits as at 31 December 2017 and 2016 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 RMB220,000,000 (equivalent to HK$265,550,000) (2016: RMB200,000,000, equivalent to HK$223,464,000) as at 31 December 2017 which was with maturity date between January and April 2018. The annual coupon rate was between 4.25% and 4.5% (2016: 3.25% and 4.25%) during the period from inception date to maturity date of the deposit agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

25. BANK BALANCES – TRUST AND SEGREGATED ACCOUNTS/CASH AND CASH EQUIVALENTS

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 26). 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% (2016: 0.01% to 3.50%) per annum.

26. TRADE AND OTHER PAYABLES

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

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

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

For secured margin loans from securities brokers, the loans are repayable on demand (except certain balances arising from trades pending settlement or margin deposits) and are interest-bearing at 7.236% (2016: 7.236%). The total market value of debt and equity securities pledged as collateral in respect of the loans was approximately HK$738,272,000 (2016: HK$1,495,319,000) as at 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

27. LOAN PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Unsecured borrowing		
– Other loans	**895,000**	250,000

Note:

The above loans from independent third parties as at 31 December 2017 and 2016 are unsecured, interest bearing of 6% to 15% (2016: 7.5%) per annum and repayable within 1 year (2016: repayable within 3 months) from drawdown date.

28. PROMISSORY NOTES PAYABLE

The promissory notes with total face value of HK$1,200,000,000 and the carrying amount of HK$1,046,378,000 as at 31 December 2016 were issued as part of consideration in relation to acquisition of Smart Jump Corporation and its subsidiaries which bore interest rate of 5% per annum and matured on 6 months, 12 months and 18 months respectively from the issue date of 8 December 2016. The Company may repay all or part of the promissory notes at any time without penalty provided that the Company shall have given not less than seven business day notice to the holder prior to the respective maturity dates at 100% of their face value together with all interest accrued on the principal. The early repayment option is closely related to the host contract.

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

29. DEFERRED TAXATION

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

	Unrealised gain/loss on financial assets at fair value through profit or loss
	HK$'000
At 1 January 2016	216,406
Credit to profit or loss for the year (Note 10)	(106,420)
At 31 December 2016	109,986
Charge to profit or loss for the year (Note 10)	21,207
At 31 December 2017	**131,193**

Deferred tax asset has not been recognised in the consolidated financial statements in respect of the estimated tax losses of HK$1,083,887,000 (2016: HK$905,292,000) available to offset the future assessable profit due to the unpredictability of future profits streams. The tax losses do not expire under current legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

30. SHARE CAPITAL

	Note	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.05 (2016: HK$0.01) each			
Authorised:			
At 1 January 2016		12,000,000,000	120,000
Authorisation of shares		88,000,000,000	880,000
At 31 December 2016 and 1 January 2017		100,000,000,000	1,000,000
Share consolidation	(a)	(80,000,000,000)	–
At 31 December 2017		**20,000,000,000**	**1,000,000**
Issued and fully paid:			
At 1 January 2016		7,189,655,664	71,897
Issue of shares on exercise of share options		4,191,000	42
At 31 December 2016 and 1 January 2017		7,193,846,664	71,939
Issue of shares on:			
– rights issue	(b)	3,596,923,332	35,969
– share swap	(c)	378,000,000	3,780
– exercise of share options	32	1,116,876,999	11,168
– placing of shares	(d)	2,233,753,999	22,338
– distribution of interim dividend	(e)	10,014,714	100
Share consolidation	(a)	(11,623,532,567)	–
At 31 December 2017		**2,905,883,141**	**145,294**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

30. SHARE CAPITAL (Continued)

Notes:

(a) In September 2017, the Board proposed that every five issued and unissued existing shares of HK$0.01 each in the share capital of the Company be consolidated into one consolidated share ("Consolidated Share") of HK$0.05 each in the share capital of the Company (the "Share Consolidation"). Upon the Share Consolidation becoming effective by shareholders' resolution passed at a special general meeting on 6 November 2017, the authorised share capital of the Company became HK$1,000,000,000 divided into 20,000,000,000 Consolidated Shares of par value of HK$0.05 each, and the number of shares in issue became 2,905,883,141 thereafter.

(b) On 30 November 2016, the Company announced a proposed rights issue on the basis of one rights share for every two shares in issue at a subscription price of HK$0.265 per rights share to raise not less than HK$953,185,000 before expenses (the "Rights Issue"). The net proceeds from the Rights Issue after deducting related expenses were approximately HK$924,589,000. Upon completion of the Rights Issue on 13 March 2017, the number of issued share capital of the Company was increased by 3,596,923,332.

(c) Pursuant to the share swap agreement entered into with Imagi International Holdings Limited ("Imagi"), a company listed on the Stock Exchange, on 16 March 2017, Imagi subscribed for, and the Company issued and allotted, 378,000,000 shares under the Company's general mandate, representing approximately 3.50% of the existing issued share capital of the Company while the Company subscribed for, and Imagi issued and allotted, 113,400,000 shares of Imagi under the general mandate of Imagi, representing approximately 19.69% of the existing issued share capital of Imagi. The share swap was completed on 22 March 2017. Approximately HK$75,978,000 has been recorded as the available-for-sale investments at fair value at the end of the reporting period.

(d) On 26 July 2017 the Company issued 2,233,753,999 placing shares (the "Placing Shares") by way of placement (the "Placing"), at a placing price of HK$0.15 per Placing Share. The net proceeds from the Placing after deducting related expenses were approximately HK$326,611,000.

(e) The directors of the Company have resolved to declare an interim dividend of HK$0.004 (2016: nil) per share for the year ended 31 December 2017 to the Company's shareholders. The interim dividend was paid in cash, with an option to receive new and fully paid shares in lieu of cash. The market value of the new shares has been fixed at HK$0.1818 per share, details of which are set out the Company's circular dated 27 September 2017. On 31 October 2017, 10,014,714 shares amounting HK$1,821,000 were issued for distribution of dividends.

31. 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 Holders") 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 Holders to subscribe for in aggregate 1,335,950,132 shares of 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 "Mandatory Exercise Rights"). The conditions set out in the Warrant Placing Agreement were fulfilled on 7 July 2015 and the Company issued an instrument relating to the Warrants on 13 July 2015. The net proceeds from the Warrant Placings were approximately HK$13,360,000.

On 12 July 2017, which is the end of 24 months after issue, all the 1,335,950,132 Warrants remained unexercised. Upon the lapse of Warrant, an amount of HK$13,360,000 recognised in the warrant reserve has transferred to retained earnings. On the same day, the Company entered into a settlement agreement with the Warrant Holders pursuant to which the Company agreed to accept an ex-gratia payment of HK$0.05 per Warrant from the Warrant Holders in exchange for the Company not taking legal action to enforce the Mandatory Exercise Rights. The Company received a total sum of HK$66,798,000, which were recognised directly in equity, from the Warrant Holders upon the signing of the settlement agreement.

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32. SHARE OPTION SCHEMES

The Company has two share option schemes during the year, details as below:

(a) The 2002 Scheme

The Company had a share option scheme (the "2002 Scheme") which was in force for a period of ten years from 13 November 2007 and expired in November 2017. Under the 2002 Scheme, 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 was 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.

A nominal consideration of HK$1 was 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. During the year ended 31 December 2017, the remaining 93,599,000 (2016: 4,191,000) number of share options have lapsed upon expiry of the 2002 Scheme and share based payment amount of HK$3,606,000 (2016: HK$162,000) has been transferred to retained earnings accordingly.

(b) The 2012 Scheme

Another share option scheme was adopted by shareholders of the Company on 17 May 2012 (the "2012 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 Scheme has a life of ten years from 17 May 2012. On 5 July 2017, the Group granted 1,116,876,999 share options with no vesting conditions to the eligible persons of the Group (of which 755,000,000 and 361,876,999 granted to employees and non-employees respectively) who have fully exercised the options granted in the same year. The net proceeds from exercise of options after deducting related expenses were approximately HK$197,016,000. The options were exercised on 11 July 2017 when the closing market price of the Company's shares was HK$0.176 per share (before share consolidation). No share options are granted during the year ended 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

32. SHARE OPTION SCHEMES (Continued)

The following tables disclose details of the Company's share options held by eligible persons (including directors) and movement in such holdings during the years ended 31 December 2017 and 2016:

	Number of the share options							
Option scheme	**Outstanding at 1.1.2017**	**Adjustment for rights issue**	**Granted**	**Exercised**	**Adjustment for share consolidation**	**Lapsed**	**Outstanding at 31.12.2017**	**Exercisable at 31.12.2017**
2002 Scheme	93,599,000	46,799,500	–	–	(112,318,800)	(28,079,700)	–	–
2012 Scheme	50,000,000	25,000,000	1,116,876,999	(1,116,876,999)	(60,000,000)	–	15,000,000	15,000,000
Total	143,599,000	71,799,500	1,116,876,999	(1,116,876,999)	(172,318,800)	(28,079,700)	15,000,000	15,000,000
Weighted average exercise price	HK$2.60^	HK$3.00^	HK$0.88^	HK$0.88^	HK$3.00^	–	HK$3.00^	HK$3.00^

^ The weighted average exercise price was HK$0.1764 for the share options granted and exercised during the year ended 31 December 2017 and was adjusted to HK$0.88 following rights issue on 13 March 2017 (Note 30(b)) and share consolidation on 7 November 2017 (Note 30(a)). The exercise price of share options granted in prior years was adjusted to HK$3.00, while the exercise price of these share options at the date of grant was HK$0.52.

	Number of the share options					
Option scheme	Outstanding at 1.1.2016	Granted	Exercised	Lapsed	Outstanding at 31.12.2016	Exercisable at 31.12.2016
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$2.60*	–	–	–	HK$2.60*	HK$2.60*

* At date of grant, the weighted average exercise price of the share options was HK$0.52. The exercise price was adjusted to HK$2.60 following share consolidation on 7 November 2017 (Note 30(a)).

The weight average remaining contractual life is 0.37 years (2016: 1.04 years) for the share options outstanding as at 31 December 2017.

The fair value of the options determined at the date of grant using the Binomial model was approximately HK$97,793,000 (2016: Nil).

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32. SHARE OPTION SCHEMES (Continued)

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

	5 July 2017
Grant date share price (Note i)	HK$0.870
Exercise price (Note i)	HK$0.882
Expected life	10 years
Expected volatility (Note ii)	67.37%
Risk-free rate (Note iii)	1.51%
Dividend yield (Note iv)	2.30%

Notes:

(i) At date of grant, the share price and exercise price were HK$0.174 and HK$0.1764 respectively and were adjusted to HK$0.870 and HK$0.882 respectively following share consolidation on 7 November 2017 (Note 30(a)).

(ii) Due to cessation of the electrical and energy-related business in 2014, the expected volatility is estimated by calculating the average historical daily share price volatility of the stock price of proxy companies which principally operates in financial service sector over a historical period of 10 years.

(iii) Risk-free rate is determined by reference to the yield of 10-year Hong Kong government bonds.

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

During the year ended 31 December 2017, share-based payments of approximately HK$66,107,000 (2016: HK$1,361,000) and HK$31,686,000 (2016: Nil) have been recognised under "Employee benefits expenses" and "Other expenses" respectively in the consolidated statement of profit or loss and other comprehensive income, with the corresponding amounts being credited to share option reserve.

33. OTHER CASH FLOW INFORMATION

Details of the changes in the Group's liabilities from financing activities are as follows:

	Loan payables	Promissory notes payable	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2017	250,000	1,046,378	1,296,378
Interest expenses	35,302	9,918	45,220
Interest paid	(35,302)	–	(35,302)
Loss on early settlement of promissory notes	–	153,622	153,622
Cash inflow (outflow) in financial activities			
Repayment of promissory notes payable	–	(1,209,918)	(1,209,918)
Drawdown of loan payables	1,855,000	–	1,855,000
Repayment of loan payables	(1,210,000)	–	(1,210,000)
At 31 December 2017	**895,000**	**–**	**895,000**

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34. 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 payables, 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 debts.

The Group is not subject to any externally imposed capital requirements except for certain subsidiaries engaged in securities dealings and broking, corporate finance and investment advisory services which are regulated entities under the Securities and Futures Commission and subject to the respective minimum capital requirements.

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017	2016
	HK$'000	*HK$'000*
Financial assets		
FVTPL – Held for trading	**2,790,718**	2,919,767
Loans and receivables (Note)	**1,778,873**	1,729,050
Available-for-sale investments	**2,372,424**	966,911
Held-to-maturity investments	**29,290**	–
Financial liabilities		
Amortised cost	**1,187,039**	1,606,812

Note: Loans and receivables include other investment, trade, loan and other receivables (excluding deposits and prepayments), structured deposits, bank balances – trust and segregated accounts and cash and cash equivalents.

Financial risk management objectives and policies

The Group's major financial instruments include other deposits, financial assets at FVTPL, trade, loan and other receivables, deposit for an investment, available-for-sale investments, other investment, held-to-maturity investments, structured deposits, short-term bank deposits, bank balances – trust and segregated accounts, cash and cash equivalents, trade and other payables and loan payables. 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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YEAR ENDED 31 DECEMBER 2017

35. 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	
	2017	2016
	HK$'000	*HK$'000*
USD	**10,474**	18,062

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 is 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.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to variable-rate loans to independent third parties 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 and variable-rate loans as a result of the change of market interest rate is insignificant due to its short-term maturity on structured bank deposit and insignificant balance of variable-rate loans, thus no sensitivity analysis is prepared for cash flow interest rate risk.

The management of the Group considers a sensitivity analysis for the Group's exposure to fair value interest rate risk to be unrepresentative of the inherent interest rate risk because the exposure at the end of each reporting period does not reflect the exposure during the year, thus no sensitivity analysis is prepared for fair value interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Equity price risk

The Group is exposed to equity price risk arising from trading of listed equity securities and other financial assets which classified as financial assets at fair value through profit or loss. The sensitivity analysis has been determined based on the exposure to equity price risk.

Sensitivity analysis

At the end of the reporting period, if the quoted market prices of the equity securities had been 15% (2016: 15%) higher or lower while all other variables were held constant, the Group's profit for the year would increase/decrease by approximately HK$349,537,000 (2016: loss for the year would decrease/increase by approximately HK$365,701,000) as a result of changes in fair value of investments.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock prices had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the investments of the Group would change in accordance with the market price and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant market price over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2016.

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. Management has money lending policies in place and the exposure to the credit risk is monitored on an ongoing basis. The Group provides financing services only with recognised and creditworthy third parties. It is the Group's policy that all these borrowers are subject to credit verification procedures. Also, the Group also has 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 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 22 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 2017, the Group has concentration of credit risk as 48% and 95% (2016: 16% and 41%) of total loan receivables was due from the Group's largest borrower and the five largest borrowers respectively, within the money lending segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

35. 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 principal and interest 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**	**1 to 2 years**	**Total undiscounted cash flows**	**Carrying amount at 31.12.2017**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2017					
Non-derivative financial liabilities					
Payables to HKSCC	–	1,973	–	1,973	1,973
Amounts due to cash and margin clients	–	8,747	–	8,747	8,747
Other payables and accrued charges	–	40,541	–	40,541	40,541
Secured margin loans from securities brokers	–	240,778	–	240,778	240,778
Loan payables	8.5%	920,235	–	920,235	895,000
		1,212,274	–	1,212,274	1,187,039

	Weighted average effective interest rate	On demand or less than 1 year	1 to 2 years	Total undiscounted cash flows	Carrying amount at 31.12.2016
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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 payables	7.5%	250,655	–	250,655	250,000
Promissory notes payable	5.0%	840,000	420,000	1,260,000	1,046,378
		1,401,089	420,000	1,821,089	1,606,812

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

36. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

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

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

Financial assets	Fair value as at 31 December 2017	Fair value as at 31 December 2016	Fair value hierarchy	Valuation techniques and key inputs
1) Investments in listed equity securities classified as financial assets at FVTPL	**Listed equity securities in Hong Kong – HK$2,630,254,000**	Listed equity securities in Hong Kong – HK$2,623,080,000	Level 1	Quoted bid prices in an active market
2) Investments in unlisted investment funds classified as financial assets at FVTPL	**HK$160,464,000**	HK$296,687,000	Level 2	Derived from quoted prices from pricing services based on net asset value of the funds
3) Investments in listed equity securities classified as available-for-sale investments	**Listed equity securities in: – Hong Kong HK$1,470,267,000 – The PRC HK$28,343,000**	Listed equity securities in: – Hong Kong HK$190,190,000	Level 1	Quoted bid prices in an active market
4) Investment in unlisted equity interest classified as available-for-sale investments	**HK$100,000,000**	HK$100,000,000	Level 2	Derived from available market information adjusting to reflect liquidity of the investments

There were neither transfers between Level 1 and Level 2 fair value measurement nor transfers into and out of Level 3 fair value measurement during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36. FAIR VALUE MEASUREMENTS (Continued)

(b) 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 management of the Group 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 will establish the appropriate valuation techniques and inputs to the model. Management 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.

37. 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 entities 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.

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

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 assets 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		
				Financial instruments	Collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2017						
Trade receivables from margin clients	**23,613**	**(635)**	**22,978**	**–**	**(22,779)**	**199**
Trade receivables from cash clients	**76**	**–**	**76**	**–**	**(30)**	**46**
Trade receivables from HKSCC	**68**	**(68)**	**–**	**–**	**–**	**–**
Financial assets at FVTPL	**2,790,718**	**–**	**2,790,718**	**(240,778)**	**–**	**2,549,940**
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 from HKSCC	3,045	(2,485)	560	–	–	560
Financial assets at FVTPL	2,919,767	–	2,919,767	(261,118)	–	2,658,649

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37. FINANCIAL ASSETS AND FINANCIAL LIABILITIES 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 2017						
Trade payables to margin clients	**(7,242)**	**635**	**(6,607)**	**–**	**–**	**(6,607)**
Trade payables to cash clients	**(2,140)**	**–**	**(2,140)**	**–**	**–**	**(2,140)**
Trade payables to HKSCC	**(2,041)**	**68**	**(1,973)**	**–**	**–**	**(1,973)**
Secured margin loans from securities brokers	**(240,778)**	**–**	**(240,778)**	**–**	**240,778**	**–**
As at 31 December 2016						
Trade payables to margin clients	(28,435)	3,051	(25,384)	–	–	(25,384)
Trade payables to cash clients	(15,764)	1,090	(14,674)	–	–	(14,674)
Trade payables to HKSCC	(2,485)	2,485	–	–	–	–
Secured margin loans from securities brokers	(261,118)	–	(261,118)	–	261,118	–

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.

38. 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:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**7,308**	6,855
In the second to fifth years inclusive	**4,475**	353
	11,783	7,208

Leases are negotiated for terms up to 3 years (2016: 4 years) and rentals are fixed over the respective leases.

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39. CAPITAL COMMITMENTS

	2017	2016
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property and equipment	**10,236**	7,600

40. RETIREMENT BENEFIT SCHEMES

In December 2000, the Group enrolled all Hong Kong 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% (2016: 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 2017, the total expense recognised in the consolidated statement of profit or loss and other comprehensive income are HK$713,000 (2016: HK$728,000).

41. 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 12.

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42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2017 and 2016 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
			2017		2016		
			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**	–	100	Money lending
Enerchina Resources Limited	Hong Kong – limited liability company	HK$2	**88.22**	**–**	88.22	–	Provision of management services
Enerchine Corporate Finance Limited	Hong Kong – limited liability company	HK$10,000,000	**–**	**88.22**	–	88.22	Corporate finance advisory services
Enerchine Nominee Limited	Hong Kong – limited liability company	HK$1	**–**	**88.22**	–	88.22	Provision of nominee services
Global Mind Investment Limited	BVI – limited liability company	US$1	**–**	**88.22**	–	88.22	Investment holding
Kenson Investment Limited	Republic of the Marshall Islands	US$1	**–**	**100**	–	100	Securities trading and investments
Kenson Investment Limited	Bermuda	US$1	**–**	**100**	–	100	Securities trading and investments
Nu Kenson Limited	BVI – limited liability company	US$1	**–**	**88.22**	–	88.22	Securities trading and investments
Roxy Link Limited	BVI – limited liability company	US$1	**–**	**100**	–	100	Securities investment
Smart Jump Corporation	BVI – limited liability company	US$1	**–**	**88.22**	–	88.22	Securities trading and investments
Uptown Enerchine	Cayman Islands – limited liability company	HK$0.001	**–**	**100**	–	100	Investment holding
Uptown WW Value Investments Limited	BVI – limited liability company	Nil	**–**	**100**	–	100	Investment holding
Win Wind Capital Limited	BVI – limited liability company	US$2,359,000,000	**88.22**	**–**	88.22	–	Investment holding

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YEAR ENDED 31 DECEMBER 2017

42. 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
			2017		2016		
			Directly %	Indirectly %	Directly %	Indirectly %	
Win Wind Corporate Services Limited	Hong Kong – limited liability company	HK$1	–	88.22	–	88.22	Provision of management services
WWind Investments Limited	BVI – limited liability company	Nil	–	88.22	–	88.22	Investment holding
Win Wind Resources Limited	Hong Kong – limited liability company	HK$150,000,001	–	88.22	–	88.22	Money lending
Win Wind Securities Limited	Hong Kong – limited liability company	HK$589,000,000	–	88.22	–	88.22	Securities brokerage and financial services
Uptown WW Group Limited	BVI – limited liability company	Nil	–	100	–	100	Holding of Yacht and motor vehicles
威華達信息管理(深圳)有限公司 (Note)	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

Notes:

(i) None of the subsidiaries had any debt securities outstanding at the end of the reporting period, or at any time during the reporting period.

(ii) 威華達信息管理(深圳)有限公司 is a wholly foreign owned enterprise.

The above list includes the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the year or assets and liabilities of the Group. To give details of all other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Financial information of subsidiaries with individually material non-controlling interests

The following table shows the information relating to the non-wholly owned subsidiaries, Win Wind Capital Limited and its subsidiaries ("WWCL Group") that have material non-controlling interests ("NCI") during the year.

	2017	2016
	HK$'000	*HK$'000*
At 31 December		
Proportion of NCI's ownership interests	**11.78%**	11.78%
Non-current assets	**2,061,634**	793,762
Current assets	**1,451,394**	3,243,817
Current liabilities	**(916,423)**	(1,195,693)
Non-current liabilities	**(23,913)**	–
Net assets	**2,572,692**	2,841,886
Carrying amount of NCI	**251,396**	228,604
Year/Period ended 31 December		
Revenue	**79,785**	42,843
Expenses	**(369,820)**	(839,755)
Loss for the year/period	**(290,035)**	(796,912)
Other comprehensive income (loss)	**18,611**	(64,262)
Total comprehensive loss	**(271,424)**	(861,174)
Loss attributable to NCI	**(34,166)**	(93,876)
Other comprehensive loss attributable to NCI	**2,192**	(7,570)
Total comprehensive loss attributable to NCI	**(31,974)**	(101,446)
Dividends paid to NCI	**–**	–
Net cash flows from (used in):		
Operating activities	**(71,446)**	(1,980,279)
Investing activities	**97,819**	859,420
Financing activities	**(260,147)**	1,155,925

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2017 *HK$'000*	2016 *HK$'000*
Non-current assets			
Investments in subsidiaries		**3,791,417**	3,791,417
Amounts due from subsidiaries		**2,040,584**	722,412
Available-for-sale investments		**75,978**	–
		5,907,979	4,513,829
Current assets			
Other receivables, deposits and prepayments		**802**	562
Cash and cash equivalents		**405**	16,966
		1,207	17,528
Current liabilities			
Other payables and accrued charges		**2,280**	272
Amounts due to subsidiaries		**1,106,026**	2,142,104
		1,108,306	2,142,376
Net current liabilities		**(1,107,099)**	(2,124,848)
NET ASSETS		**4,800,880**	2,388,981
Capital and reserves			
Share capital	30	**145,294**	71,939
Reserves	43a	**4,655,586**	2,317,042
TOTAL EQUITY		**4,800,880**	2,388,981

This statement of financial position was approved and authorised for issue by the Board of Directors on 21 March 2018 and is signed on its behalf by:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

Note a:

Movement of the reserves

	Notes	Share premium HK$'000	Contributed surplus HK$'000	Warrant reserve HK$'000 (Note 31)	Investment revaluation reserve HK$'000	Share option reserve HK$'000 (Note 32)	Accumulated (losses) profits HK$'000	Total HK$'000
At 1 January 2016		3,042,891	44,396	13,360	–	16,740	(672,029)	2,445,358
Loss for the year		–	–	–	–	–	(129,677)	(129,677)
Transactions with owners:								
Contributions and distributions								
Share options lapsed		–	–	–	–	(162)	162	–
Recognition of equity-settled share-based payments		–	–	–	–	1,361	–	1,361
		–	–	–	–	1,199	162	1,361
At 31 December 2016		3,042,891	44,396	13,360	–	17,939	(801,544)	2,317,042
Profit for the year		–	–	–		–	779,370	779,370
Total other comprehensive loss for the year								
Fair value change on available-for-sale investments		–	–	–	(26,081)	–	–	(26,081)
Total comprehensive income for the year		–	–	–	(26,081)	–	779,370	753,289
Transactions with owners:								
Contributions and distributions								
Warrants lapsed	31	–	–	(13,360)	–		13,360	–
Ex-gratia payment from warrant holders	31	–	–	–	–	–	66,798	66,798
Share options lapsed	32(a)	–	–	–	–	(3,606)	3,606	–
Recognition of equity-settled share-based payments	32(b)	–	–	–	–	97,793	–	97,793
Issue of new shares upon rights issue	30(b)	888,620	–	–	–	–		888,620
Issue of new shares upon share swap	30(c)	98,280	–	–	–	–	–	98,280
Issue of new shares upon exercise of share options	32(b)	283,641	–	–	–	(97,793)	–	185,848
Issue of new shares upon placing of shares	30(d)	304,273	–	–	–	–	–	304,273
Dividend paid	13	1,721	–	–	–	–	(58,078)	(56,357)
		1,576,535	–	(13,360)	–	(3,606)	25,686	1,585,255
At 31 December 2017		**4,619,426**	**44,396**	**–**	**(26,081)**	**14,333**	**3,512**	**4,655,586**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

44. EVENT AFTER THE REPORTING PERIOD

In addition to the events disclosed elsewhere in these consolidated financial statements, the Group had the following subsequent events:

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

FINANCIAL SUMMARY

	For the year ended 31 December				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	43,086	55,359	53,429	58,064	**85,560**
Gain (Loss) on financial assets at FVTPL	371,011	627,967	927,818	(1,058,044)	**159,775**
Profit (Loss) before taxation	144,398	652,750	864,084	(1,137,223)	**86,308**
Taxation	(3,054)	(141,474)	(151,013)	101,357	**(65,019)**
Profit (Loss) for the year	141,344	511,276	713,071	(1,035,866)	**21,289**
Attributable to:					
Owners of the Company	141,344	511,276	713,071	(941,990)	**57,464**
Non-controlling interests	–	–	–	(93,876)	**(36,175)**
Profit (Loss) for the year	141,344	511,276	713,071	(1,035,866)	**21,289**

	As at 31 December				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	3,995,841	4,558,135	5,522,952	6,386,378	**7,768,416**
Total liabilities	(145,274)	(195,749)	(424,512)	(1,784,662)	**(1,429,052)**
	3,850,567	4,362,386	5,098,440	4,601,716	**6,339,364**
Equity attributable to owners of the Company	3,842,933	4,354,752	5,041,956	4,365,478	**6,082,343**
Convertible notes reserve	–	–	48,850	–	**–**
Non-controlling interests	7,634	7,634	7,634	236,238	**257,021**
	3,850,567	4,362,386	5,098,440	4,601,716	**6,339,364**