



# **Enerchina**

**H o l d i n g s   L i m i t e d**

威華達控股有限公司\*

(Incorporated in the Bermuda with limited liability)

(Stock Code: 622)

# 2018

INTERIM REPORT

\* For identification purpose only

# CONTENTS

	Page(s)
Corporate Information	2
Financial Highlights	3
Management Discussion and Analysis	4
Other Information	15
Report on Review of Interim Financial Information	18
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	19
Condensed Consolidated Statement of Financial Position	20
Condensed Consolidated Statement of Changes in Equity	21
Condensed Consolidated Statement of Cash Flows	23
Notes to the Condensed Consolidated Financial Statements	24

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### **Executive Directors**

Mr. SAM Nickolas David Hing Cheong  
(*Acting Chairman*)  
Mr. CHOW Chi Wah Vincent  
Mr. WONG Yat Fai

#### **Independent Non-executive Directors**

Mr. CHEUNG Wing Ping  
Mr. CHUI Kark Ming  
(Resigned on 1 April 2018)  
Mr. MA Ka Ki  
(Retired on 4 June 2018)  
Mr. HUNG Cho Sing  
Mr. CHAN Hak Kan

### **AUTHORISED REPRESENTATIVES**

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

### **AUDIT COMMITTEE**

Mr. CHEUNG Wing Ping (*Chairman*)  
Mr. CHUI Kark Ming  
(Resigned on 1 April 2018)  
Mr. MA Ka Ki  
(Retired on 4 June 2018)  
Mr. HUNG Cho Sing  
Mr. CHAN Hak Kan

### **NOMINATION COMMITTEE**

Mr. CHEUNG Wing Ping (*Chairman*)  
(Appointed as Chairman on 1 April 2018)  
Mr. CHUI Kark Ming (*Chairman*)  
(Resigned on 1 April 2018)  
Mr. MA Ka Ki  
(Retired on 4 June 2018)  
Mr. SAM Nickolas David Hing Cheong  
Mr. HUNG Cho Sing  
Mr. CHAN Hak Kan

### **REMUNERATION COMMITTEE**

Mr. SAM Nickolas David Hing Cheong  
Mr. CHEUNG Wing Ping (*Chairman*)  
Mr. CHUI Kark Ming  
(Resigned on 1 April 2018)  
Mr. MA Ka Ki  
(Retired on 4 June 2018)  
Mr. HUNG Cho Sing  
Mr. CHAN Hak Kan

### **COMPANY SECRETARY**

Mr. CHOW Chi Wah Vincent

### **LEGAL ADVISOR**

(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  
28 Marble Road, North Point  
Hong Kong  
Telephone : (852) 3198 0622  
Facsimile : (852) 2704 2181  
Stock Code : 622  
Website : <http://www.enerchina.com.hk>

### **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

## FINANCIAL HIGHLIGHTS

**Financial highlights of Enerchina Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2018:**

- Revenue is a negative amount of approximately HK\$271.3 million.
- Loss attributable to owners of the Company amounted to approximately HK\$200.5 million.
- Basic loss per share is approximately HK7.24 cents.

## **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 six months ended 30 June 2018, the Group's revenue amounted to a negative of approximately HK\$271.3 million compared with the negative revenue of approximately HK\$312.1 million for the same period last year. An ever-increasing number of SFC licensed corporations and new applicants to the industry has intensified market competition in the financial services industry in Hong Kong. In addition, market uncertainties fueled by China-US trade disputes also contributed to the Group's decline in revenue from the provision of financial services.

Loss for the six months ended 30 June 2018 amounted to approximately HK\$225.3 million compared a loss of approximately HK\$402.1 million for the same period last year. Basic loss per share amounted to HK7.24 cents compared with loss per share of HK20.26 cents (adjusted) for the same period last year.

The decreased net loss of the Company was mainly due to the narrowed loss on the financial assets at fair value through profit or loss. Despite the Hong Kong stock market being shadowed by uncertainties such as the escalating China-US trade dispute since the beginning of 2018, market responses has not been as negative as expected. During the first half of 2018, the Group's net loss on the financial assets at fair value through profit or loss amounted to HK\$286.6 million, a reduction of by 23% when compared to the corresponding period in 2017. The reduction was mainly attributable to the significant increase in the trading price of the shares in Evergrande Health Industry Group Limited (stock code: 708).

### **Brokerage Services**

Brokerage commission income generated from the provision of securities brokerage services amounted to approximately HK\$0.4 million for the six months ended 30 June 2018 (six months ended 30 June 2017: approximately HK\$1.3 million).

Interest income generated from the provision of margin financing services amounted to approximately HK\$1.5 million for the six months ended 30 June 2018 (six months ended 30 June 2017: approximately HK\$16.3 million).

A significant decrease in trading activities and turnover by the Group's clients was recorded in the first half of 2018 due to the heavy market competition in margin financing interest rates and brokerage commission rates as well as weak market sentiment. Accordingly, the Group's brokerage commission income from the provision of securities brokerage services and the Group's interest income generated from the provision of margin financing activities recorded a decrease when compared to the corresponding period in 2017.

### **Money Lending**

Interest income from the provision of money lending services amounted to approximately HK\$13.1 million for the six months ended 30 June 2018 (six months ended 30 June 2017: approximately HK\$21.7 million).

The significant decrease in the revenue in the money lending business was mainly due to a significant decrease in the Group's total amount lent to clients, a total of HK\$584.6 million for the six months ended 30 June 2018 as compared with HK\$1,347.1 million for the corresponding period in 2017. As a result, the Group's loan interest income was correspondently decreased by 39% to HK\$13.1 million for the six months ended 30 June 2018 (six months ended 30 June 2017: HK\$21.7 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

The money lending market in Hong Kong remains highly competitive, as evidenced by the ever increasing number of licensed money lenders which stood at well over 2,000 licensees in Hong Kong, as at 31 March 2018. Factors including intensive competition on interest margin, persistent increases in funding costs and uncertainties in macroeconomic environment have also created unprecedented challenges for the Group's money lending business. As a result, the Group's interest income experienced a decline in the first half year of 2018.

### Placing and Underwriting Services

The Group has no placing and underwriting activity for the six months ended 30 June 2018 (six months ended 30 June 2017: approximately HK\$17.7 million).

Due to the intensified market competition in the financial services industry in Hong Kong and market uncertainties fueled by China-US trade disputes, the management has maintained a cautious approach before committing to underwriting and placing services at times of weak market sentiments.

### Corporate Finance

A decrease in customers' portfolio resulted in a reduction of approximately 50% of corporate finance advisory fee to approximately HK\$0.3 million as compared to approximately HK\$0.6 million in the same period last year.

The Group's income from corporate finance advisory which was complementary to the Group's underwriting and placing services, was adversely affected by the intensified market competition in the financial services industry in Hong Kong and market uncertainties fueled by China-US trade disputes.

### Investment Advisory

No investment advisory services income has been generated for the six months ended 30 June 2018 (six months ended 30 June 2017: approximately HK\$0.9 million).

### Proprietary Trading

The Group engages in proprietary trading of listed securities, listed bonds and unlisted investment funds, which is classified as financial assets at fair value through profit or loss. The fair value of the portfolio amounted to approximately HK\$2,434.5 million (31 December 2017: approximately HK\$2,790.7 million), and loss on fair value of approximately HK\$286.6 million was recognized, as compared to a loss on fair value of approximately HK\$370.4 million in the same period last year. Such reduction was mainly due to a significant increase in the trading price of the shares in Evergrande Health Industry Group Limited (stock code: 708). Dividend income received by the Group from mainly listed securities increased by approximately 250% to approximately HK\$6.3 million for the six months ended 30 June 2018, as compared to approximately HK\$1.8 million in the same period last year.

The Group will evaluate its present investment portfolios and future investment opportunities and adjust its investment portfolios and investment directions accordingly in light of the changing market environment under a rising-interest-rate context, a set of stringent monetary control policies implemented by the Central Government of China and the escalating trade tensions between China and US.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SIGNIFICANT INVESTMENTS

During the period, the Group had the following significant investments held which were classified as financial assets designated at fair value through other comprehensive income and financial assets at fair value through profit or loss:

Name of investments	Notes	Percentage of	Percentage of	Fair value/	Fair value/	Net gain/(loss)	Net gain/(loss)
		shareholding as at 30 Jun 2018 %	shareholding as at 31 Dec 2017 %	carrying amount as at 30 Jun 2018 HK\$'000	carrying amount as at 31 Dec 2017 HK\$'000	for the period ended 30 Jun 2018 HK\$'000	for the period ended 30 Jun 2017 HK\$'000
<b>Financial assets designated at fair value through other comprehensive income</b>							
Unlisted shares in overseas							
- Satinu Resources Group Ltd.	1	10.56	8.83	702,004	688,639	13,365	-
- Freewill Holdings Limited	2	7.71	7.71	44,541	29,588	14,953	-
- Co-Lead Holdings Limited	3	2.99	3.71	116,263	100,000	16,263	-
Listed shares in Hong Kong							
- Shengjing Bank Co., Ltd. (stock code: 2066)	4	12.33	12.33	908,200	1,176,100	(267,900)	(539)
- Huishang Bank Corporation Ltd. (stock code: 3698)	5	0.95	0.95	111,900	128,400	(16,500)	-
<b>Financial assets at fair value through profit or loss</b>							
Listed shares							
- China Evergrande Group (stock code: 3333)	6	0.26	0.26	678,000	913,605	(235,605)	64,330
- Freeman Fintech Corporation Limited (Stock code: 279)	7	-	4.42	-	361,109	(317,389)	13,800
- Evergrande Health Industry Group Limited (stock code: 708)	8	0.89	0.89	563,195	238,394	324,802	7,715
- C C Land Holdings Limited (stock code: 1224)	9	2.15	2.15	145,971	144,303	1,668	(30,302)
- Guosheng Financial Holding Inc. (stock code: 2670.SZ)	10	0.90	0.33	288,694	114,653	27,891	809
- Asia Standard International Group Limited (stock code: 129)	11	3.09	3.09	73,110	77,602	(4,493)	27,365
- Newton Resources Ltd. (stock code: 1231)	12	2.27	2.27	66,360	85,450	(19,090)	(1,254)
- Larry Jewelry International Co. Limited (stock code: 8351)	13	3.55	3.81	32,788	63,004	(30,216)	8,486
- HengTen Networks Group Limited (stock code: 136)	14	-	-	-	-	-	(408,375)

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

FHL principally engages in the business of property investment, investment advisory and financial services, investment in securities trading and money lending.

### 3. **Co-Lead Holdings Limited ("Co-Lead")**

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

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

Shengjing principally 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.

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

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

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

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

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

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



## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

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

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

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

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

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

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

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

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

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

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

Larry Jewelry and its subsidiaries principally 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 China.

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

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

Going forward, the Group expects that the stock markets in Hong Kong and China will remain challenging for the second half of 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL POSITION

The Group's certain other receivables and bank balances are denominated in USD and RMB in an amount of HK\$1.5 million and HK\$1,047.1 million respectively. The Group's financial services business is not exposed to significant foreign exchange risk as most of the transactions are denominated in HK\$. No financial instruments were used for hedging purposes.

### Capital commitments

As at 30 June 2018, 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

### 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 the 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 "Disposal"). The aggregate fair values of the promissory notes were approximately HK\$378,376,000 at issue date of 18 January 2018. Details of the Disposal were set out in the Company's announcement dated 18 January 2018.

## EVENT AFTER THE REPORTING PERIOD

### (a) Acquisition of 11.78% of equity interests in Win Wind Capital Limited ("Win Wind")

In January 2018, the Company entered into an acquisition agreement with China Touyun Tech Group Limited (formerly known as "China Optoelectronics Holding Group Limited") ("China Touyun") pursuant to which the Company conditionally agreed to acquire and the China Touyun conditionally agreed to sell 13,600,000 shares of Win Wind, representing approximately 11.78% of the entire issued share capital of Win Wind, at consideration of HK\$320,000,000, which will be settled by the issue of a zero-coupon promissory note (the "Acquisition"). Details of the Acquisition were set out in the Company's announcement dated 25 January 2018. Upon completion of the Acquisition on 24 July 2018, Win Wind had become a wholly-owned subsidiary of the Company.

### (b) Rights issue

On 28 March 2018, the Company announced a proposed rights issue on the basis of one rights share for every one share in issue at a subscription price of HK\$0.45 per rights share to raise not less than HK\$1,307.64 million (before expenses) and not more than HK\$1,314.40 million (before expenses) (the "Rights Issue"). Details of the Rights Issue were set out in the announcement of the Company dated 28 March 2018 and the prospectus of the Company dated 28 June 2018. Upon completion of the Rights Issue on 20 July 2018, the issued share capital of the Company was increased from 2,905,883,141 shares to 5,811,766,282 shares.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Use of Proceeds from the Rights Issue

The details of the proposed use of proceeds and the actual use of proceeds from the Rights Issue up to the date of this report are as follows:

	<b>Proposed use of proceeds from the Rights Issue</b> <i>HK\$'000</i>	<b>Amount utilised</b> <i>HK\$'000</i>	<b>Amount unutilised</b> <i>HK\$'000</i>
(i) Business development of the Group's financial services			
a) provide additional resources to the Group's money lending business	300,000	120,000	180,000
b) provide additional resources to the Group's margin financing business	180,000	180,000	–
c) conduct marketing activities	10,000	886	9,114
d) hire high caliber professionals	10,000	–	10,000
	500,000	300,886	199,114
(ii) Repayment of the outstanding principal and interest of the Group's loans due to third parties	325,000	325,000	–
(iii) Operating expenses	100,000	100,000	–
(iv) Finance any investment opportunities	23,418	23,418	–
(v) Settlement of the promissory note in relation to the acquisition of Win Wind	320,000	120,000	200,000
<b>Total</b>	1,268,418	869,304	399,114

The unutilised net proceeds from the Rights Issue will be applied in accordance with the intended uses as previously disclosed.

### (c) Acquisition of a subsidiary

On 24 July 2018, Pacific Stone Limited, a wholly owned subsidiary of the Company, entered into an acquisition agreement with a third party ("Vendor") under which they agreed to sell 625 shares of Noble Order Limited ("Noble Order"), representing approximately 62.5% of the entire issued share capital of Noble Order (the "Noble Order Acquisition"), at consideration of HK\$125,000,000, which will be settled by the issue of a zero-coupon three-month promissory note in the principal amount of HK\$125,000,000 by the Company to a subsidiary of the Vendor. The Noble Order Acquisition was completed on the same day. Upon completion of the Noble Order Acquisition, Noble Order had become a non-wholly owned subsidiary of the Company.

## 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 “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 finalization and confirmation of the results of supplemental audit. As at 31 December 2012, the supplemental audit was not yet finalized and the outstanding instalments were not received from the Buyer. In view of this, the Group made a provision for doubtful consideration receivable of HK\$93,132,000 for the year ended 31 December 2012.

As at 31 December 2013, the Group was still not able to secure a satisfactory conclusion on the supplemental audit. Under the circumstances, the Board is of the opinion that the timing and eventual outcome of the finalization 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\$121.4 million) in this regard.

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

#### (b) Legal Proceeding against Mr. 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 was heard before the Court of Appeal on 15 August 2018 and it was dismissed with costs ordered to be paid by Mr. Qin Jun on an indemnity basis. On 12 September 2018, Mr. Qin Jun filed a Notice of Motion in the Court of Final Appeal for leave to appeal the judgement of Court of Appeal. Win Wind Resources has been advised by its legal counsel that it is unlikely Mr. Qin Jun will be granted leave to appeal to the Court of Final Appeal as the application is to be heard before the Court of Appeal which dismissed Qin Jun’s appeal with indemnity costs which highlights the inadequacies of the underlying 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”)**

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 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 stated the Liquidators’ investigations are on-going, and they were not 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.

## PROSPECTS

Globally speaking, after a decade of recovery from the global financial crisis, the next global slowdown or recession could be triggered by the combined materialization of several downside risks. For instance, a full-blown escalation of trade-restrictive measures along with a sudden resurgence of global inflation could negatively impact market confidence and lead to disruptive financial market developments. Weakening growth and higher borrowing costs could intensify debt and financial stability concerns, while rising unemployment rate could amplify political uncertainties and protectionist tendencies.

The economic outlook of Hong Kong and China is expected to be challenging and mixed in the second half of 2018 mainly due to (1) a substantial escalation of trade-restrictive measures between the United States and China, which, if gradually materialized, could lead to economic losses for these two economies and cascading trade costs through global value chains; and (2) a wide range of reforms in China, which include (i) steps to reduce excess capacity in the industrial sector to diversify the ownership structure of state-owned enterprises, with following progress in opening its equity and bond markets to foreigners; (ii) additional steps to remove foreign ownership limits in financial institutions and some other sectors; and (iii) stricter regulatory policies for the housing market, as well as monetary, financial, and regulatory measures that have contributed to some reduction in corporate debt.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group is constantly seeking (1) investment opportunities, domestic or abroad, to enrich its investment portfolio; (2) loans at higher yields in anticipation for higher funding costs consistent with the Group's prudent lending policy; and (3) sound and flexible marketing strategies to expand the customer base and channels of services. The Group will continue to conduct fund-raising activities and invite competent personnel to join the Group in order to enhance and expand its capability to cope with the ever-changing environment and seize opportunities as and when 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.

### INTERIM DIVIDEND

The Board has resolved the payment of an interim dividend of HK\$0.005 per share for the six months ended 30 June 2018 (six months ended 30 June 2017: HK\$0.004 per share with an option to receive new and fully paid shares in lieu of cash under a scrip dividend scheme), amounting to approximately HK\$29.1 million, to the shareholders of the Company whose names appeared on the Company's register of members on 14 September 2018. The interim dividend will be paid on 27 September 2018.

### CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Wednesday, 12 September 2018 to Friday, 14 September 2018, both days inclusive, during which period no transfers of shares will be registered. In order to be eligible for the entitlement to the interim dividend, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 11 September 2018.

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed approximately 41 full time employees for its principal activities. The Group recognizes the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries for the six months ended 30 June 2018.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **CORPORATE GOVERNANCE**

The Board is committed to maintaining high standards of corporate governance. The Company confirms that it has complied with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months ended 30 June 2018.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the six months ended 30 June 2018, all Directors have complied with the required standard set out in the Model Code.

### **AUDIT COMMITTEE**

The Company has an audit committee (the “Audit Committee”) which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. As at the date of this report, the Audit Committee comprises three independent non-executive directors. Currently, the members of the Audit Committee are Messrs. Cheung Wing Ping, Hung Cho Sing and Chan Hak Kan. The Audit Committee meets regularly with the Company’s senior management and the Company’s auditor to consider the Company’s financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The interim results of the Group for the six months ended 30 June 2018 had not been audited, but had been reviewed by the Company’s auditor, Mazars CPA Limited and the Audit Committee.

### **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express our gratitude to all staff for their devoted efforts and hard work.

By Order of the Board  
**Enerchina Holdings Limited**  
**Sam Nickolas David Hing Cheong**  
*Acting Chairman*

Hong Kong, 28 August 2018

## OTHER INFORMATION

### **DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 30 June 2018, 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.

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

At no time during the six months ended 30 June 2018 were rights to acquire benefits by means of the acquisition of shares in or warrants or debentures of the Company granted to any Director or chief executive of the Company or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries or holding company or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

### **CHANGES IN DIRECTORS' INFORMATION**

Pursuant to the disclosure requirements under Rules 13.51(2) and 13.51B of the Listing Rules, the changes in information on Directors for the six months ended 30 June 2018 and up to the date of this report are set out as below:

1. Mr. Chui Kark Ming resigned as an independent non-executive director, the member and chairman of the nomination committee and a member of each of the audit committee and the remuneration committee of the Company with effect from 1 April 2018.
2. Mr. Cheung Wing Ping has been appointed as the chairman of the nomination committee of the Company with effect from 1 April 2018.
3. Mr. Ma Ka Ki retired as an independent non-executive director and a member of each of the audit committee, nomination committee and remuneration committee of the Company with effect from 4 June 2018.



## OTHER INFORMATION

### SHARE OPTION SCHEMES 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 may, at its discretion, offer any employees of the Group or any Directors of the Company or any of its subsidiaries options to subscribe for shares of the Company 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 shall thereafter be offered under the 2002 Share Option Scheme but the options, which had been granted during its life, shall 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 shall remain in full force and effect.

Following to the lapse of all 28,079,700 outstanding options in 2017, the Company had no underlying shares comprised in options outstanding under the 2002 Share Option Scheme. Details of the 2002 Share Option Scheme were set out in the Company’s 2017 annual report.

- (B) A new share option scheme was adopted by shareholders of the Company on 17 May 2012 (the “2012 Share Option Scheme”), under which the Board may, of its discretion, offer any employees of the Group or any Directors of the Company or any of its subsidiaries options to subscribe for shares of the Company subject to the terms and conditions stipulated therein. The 2012 Share Options Scheme has a life of 10 years.

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

<b>Option type</b>	<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price HK\$</b>
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
<b>Option type</b>	<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price HK\$</b>
2017 Option	05.07.2017	05.07.2017 – 04.07.2027	0.88

## OTHER INFORMATION

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

	Option type	Outstanding at 1.1.2018	Granted during the period	Exercised during the period	Transferred during the period	Lapsed during the period	Outstanding at 30.06.2018
<i>Category: Other Participants</i>							
Other Participants	2015 Option	15,000,000	-	-	-	(15,000,000)	-
	2017 Option	-	-	-	-	-	-
Total for Other Participants		15,000,000	-	-	-	(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 period, no options were granted under 2012 Share Option Scheme.
3. During the period, no options were exercised or cancelled but 15,000,000 options were lapsed upon expiry of the exercise period under the 2012 Share Option Scheme.

As at 30 June 2018 and the date of this report, the Company had no underlying shares comprised in options outstanding under the 2012 Share Option Scheme.

Additional information in relation to the Company's Share Option Schemes are set out in note 20 to the consolidated financial statements.

## 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 the following shareholder had notified the Company of relevant interests and short positions in the issued shares of the Company as at 30 June 2018:

### Long position in shares of the Company

Name of substantial shareholder	Capacity	Number of Issued ordinary shares held	Approximate percentage of the issued share capital of the Company
VMS Investment Group Limited	Beneficial owner (Note)	400,000,000	13.77%

Note: Ms. Mak Siu Hang, Viola holds 100% of the equity interest in VMS Investment Group Limited ("VMS"). Therefore, Ms. Mak Siu Hang, Viola is deemed to be interested in the shares of the Company which are owned by VMS.

Save as disclosed above, as at 30 June 2018, 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.

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



**MAZARS CPA LIMITED**  
**中審眾環(香港)會計師事務所有限公司**

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To the board of directors of  
**Enerchina Holdings Limited**  
(incorporated in Bermuda with limited liability)

### Introduction

We have reviewed the interim financial information set out on pages 19 to 44, which comprises the condensed consolidated statement of financial position of Enerchina Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2018 and the related condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Mazars CPA Limited**  
*Certified Public Accountants*  
Hong Kong, 28 August 2018

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	Six months ended 30 June 2018 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Unaudited)
<b>Revenue</b>	3	<b>15,300</b>	58,336
Other income	4	<b>51,089</b>	17,371
Other gains and losses	5	<b>59,826</b>	8,212
Loss on financial assets at fair value through profit or loss ("FVPL")	3	<b>(286,619)</b>	(370,418)
Depreciation of property and equipment		<b>(11,035)</b>	(12,799)
Employee benefits expenses		<b>(13,020)</b>	(12,473)
Other expenses		<b>(57,581)</b>	(89,325)
Share of results of associates		<b>(894)</b>	29,309
Finance costs	6	<b>(28,912)</b>	(38,032)
<b>Loss before taxation</b>		<b>(271,846)</b>	(409,819)
Income tax credit	7	<b>46,590</b>	7,745
<b>Loss for the period</b>		<b>(225,256)</b>	(402,074)
<b>Other comprehensive (loss) income:</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Fair value change on financial assets designated at fair value through other comprehensive income ("FVOCI")		<b>(404,976)</b>	-
<i>Items that are reclassified or may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation to presentation currency		<b>(7,973)</b>	8,931
Fair value change on available-for-sale investments		-	27,915
		<b>(7,973)</b>	36,846
<b>Total other comprehensive (loss) income for the period</b>		<b>(412,949)</b>	36,846
<b>Total comprehensive loss for the period</b>		<b>(638,205)</b>	(365,228)
<b>Loss for the period attributable to:</b>			
Owners of the Company		<b>(200,502)</b>	(373,450)
Non-controlling interests		<b>(24,754)</b>	(28,624)
		<b>(225,256)</b>	(402,074)
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of the Company		<b>(566,475)</b>	(329,842)
Non-controlling interests		<b>(71,730)</b>	(35,386)
		<b>(638,205)</b>	(365,228)
		<b>HK cents</b>	<b>HK cents</b> (Adjusted)
<b>Loss per share</b>	9		
Basic		<b>(7.24)</b>	(20.26)
Diluted		<b>(7.24)</b>	(20.26)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Note	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property and equipment	10	77,175	137,342
Available-for-sale investments	11	–	2,372,424
Financial assets designated at FVOCI	11	2,372,423	–
Intangible assets		3,908	3,908
Interests in associates	12	6,125	578,255
Other investment	13	177,936	179,426
Held-to-maturity investments		–	29,290
Promissory notes receivables	12	188,427	–
Other deposits		6,000	520
Loan receivables	14	25,769	28,841
Deposit paid for acquisition of property and equipment		78,014	77,014
		<b>2,935,777</b>	<b>3,407,020</b>
<b>Current assets</b>			
Trade, loan and other receivables	14	73,339	446,098
Income tax recoverable		2,266	–
Promissory notes receivables	12	196,419	–
Financial assets at FVPL	15	2,434,516	2,790,718
Structured deposits	16	237,248	265,550
Bank balances – trust and segregated accounts		61,881	8,801
Cash and cash equivalents		739,360	850,229
		<b>3,745,029</b>	<b>4,361,396</b>
<b>Current liabilities</b>			
Trade and other payables	17	364,176	292,039
Income tax payable		–	110,820
Loan payables		304,603	895,000
		<b>668,779</b>	<b>1,297,859</b>
<b>Net current assets</b>		<b>3,076,250</b>	<b>3,063,537</b>
<b>Total assets less current liabilities</b>		<b>6,012,027</b>	<b>6,470,557</b>
<b>Non-current liabilities</b>			
Deferred taxation		36,392	131,193
<b>NET ASSETS</b>		<b>5,975,635</b>	<b>6,339,364</b>
<b>Capital and reserves</b>			
Share capital	18	145,294	145,294
Reserves		5,605,641	5,937,049
Equity attributable to owners of the Company		<b>5,750,935</b>	<b>6,082,343</b>
Non-controlling interests		224,700	257,021
<b>TOTAL EQUITY</b>		<b>5,975,635</b>	<b>6,339,364</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE SIX MONTHS ENDED 30 JUNE 2018

Note	Attributable to equity holders of the Company										Non-controlling interests				
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Contribution surplus HK\$'000	Special reserve HK\$'000	Investment revaluation reserve (recycling) HK\$'000	Investment revaluation reserve (non-recycling) HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Share of net assets (liabilities) HK\$'000	Investment revaluation reserve (recycling) HK\$'000	Investment revaluation reserve (non-recycling) HK\$'000	Total HK\$'000	Total HK\$'000
At 1 January 2018 (Audited)	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
Impact on initial application of HKFRS 9	2	-	-	-	-	66,355	197,771	-	-	264,126	-	5,378	34,031	39,409	303,535
At 1 January 2018 (Adjusted)	145,294	4,619,426	(29,878)	544	383,950	-	197,771	14,333	1,015,029	6,346,469	262,399	-	34,031	296,430	6,642,899
Loss for the period	-	-	-	-	-	-	-	-	(200,502)	(200,502)	(24,754)	-	-	(24,754)	(225,256)
Other comprehensive (loss) income															
Items that will not be reclassified to profit or loss															
Fair value change on financial assets designated at FVOCI reclassified to retained earnings upon disposal	-	-	-	-	-	-	(3,397)	-	3,397	-	454	-	(454)	-	-
Fair value change on financial assets designated at FVOCI	-	-	-	-	-	-	(358,000)	-	-	(358,000)	-	-	(46,976)	(46,976)	(404,976)
	-	-	-	-	-	-	(361,397)	-	3,397	(358,000)	454	-	(47,430)	(46,976)	(404,976)
Items that may be reclassified subsequently to profit or loss															
Exchange differences arising on translation to presentation currency	-	-	(7,973)	-	-	-	-	-	-	(7,973)	-	-	-	-	(7,973)
Total other comprehensive loss for the period	-	-	(7,973)	-	-	-	(361,397)	-	3,397	(365,973)	454	-	(47,430)	(46,976)	(412,949)
Total comprehensive loss for the period	-	-	(7,973)	-	-	-	(361,397)	-	(197,105)	(566,475)	(24,300)	-	(47,430)	(71,730)	(638,205)
Transactions with owners:															
Contribution and distribution															
Share options lapsed	20	-	-	-	-	-	-	(14,333)	14,333	-	-	-	-	-	-
Dividend paid	8	-	-	-	-	-	-	-	(29,059)	(29,059)	-	-	-	-	(29,059)
At 30 June 2018 (Unaudited)	145,294	4,619,426	(37,851)	544	383,950	-	(163,626)	-	803,198	5,750,935	238,099	-	(13,399)	224,700	5,975,635

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to equity holders of the Company										Non-controlling interests			
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Contribution surplus HK\$'000	Warrant reserve HK\$'000	Special reserve HK\$'000	Investment revaluation reserve (recycling) HK\$'000	Share option reserve HK\$'000	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 (Audited)	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
Loss for the period	-	-	-	-	-	-	-	-	(373,450)	(373,450)	(28,624)	-	(28,624)	(402,074)
Other comprehensive income (loss) <i>Items that may be reclassified subsequently to profit or loss</i>														
Exchange differences arising on translation to presentation currency	-	-	8,931	-	-	-	-	-	-	8,931	-	-	-	8,931
Fair value change on available-for-sale investments	-	-	-	-	-	-	34,677	-	-	34,677	-	(6,762)	(6,762)	27,915
Total other comprehensive income for the period	-	-	8,931	-	-	-	34,677	-	-	43,608	-	(6,762)	(6,762)	36,846
Total comprehensive loss for the period	-	-	8,931	-	-	-	34,677	-	(373,450)	(329,842)	(28,624)	(6,762)	(35,386)	(365,228)
Transactions with owners: <i>Contribution and distribution</i>														
Issue of new shares upon rights issue	35,969	917,215	-	-	-	-	-	-	-	953,184	-	-	-	953,184
Issue of new shares upon share swap	3,780	98,280	-	-	-	-	-	-	-	102,060	-	-	-	102,060
At 30 June 2017 (Unaudited)	111,688	4,058,386	(86,167)	544	13,360	383,950	(22,015)	17,939	613,195	5,090,880	215,184	(14,332)	200,852	5,291,732

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	Six months ended	
		30 June 2018 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Unaudited)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>255,420</b>	85,100
<b>INVESTING ACTIVITIES</b>			
Purchase of structured deposits		(237,248)	–
Redemption of structured deposits		263,345	223,464
Deposits paid for acquisition of property and equipment		–	(8,617)
Deposit paid for acquisition of a subsidiary		–	(200,000)
Dividend received		6,286	1,775
Interest received		25,376	12,055
Purchase of property and equipment	10	(160)	(62)
Proceeds from disposal of property and equipment		25,000	–
Purchase of financial assets designated at FVOCI		(183,984)	–
Proceeds from disposal of financial assets designated at FVOCI		81,694	–
Proceeds from disposal of available-for-sale investments		–	25,483
Proceeds from disposal of held-to-maturity investments		30,255	–
Net cash flows arising from acquisition of subsidiaries		–	(490)
Proceeds from disposal of an associate		124,731	–
Net cash flows from recovery of doubtful consideration receivables		121,386	–
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>		<b>256,681</b>	53,608
<b>FINANCING ACTIVITIES</b>			
Drawdown of loan payables		110,000	–
Repayment of loan payables		(700,397)	–
Repayment of promissory notes payable		–	(380,733)
Issue of shares for rights issue		–	953,184
Dividend paid	8	(29,059)	–
<b>NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES</b>		<b>(619,456)</b>	572,451
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(107,355)</b>	711,159
<b>Cash and cash equivalents at beginning of the reporting period</b>		<b>850,229</b>	743,898
Effect on exchange rate changes on cash and cash equivalents		(3,514)	29,837
<b>Cash and cash equivalents at end of the reporting period, represented by cash and bank balances</b>		<b>739,360</b>	1,484,894



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 1. CORPORATE INFORMATION

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 interim 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.

### 2. PRINCIPAL ACCOUNTING POLICIES

#### Basis of preparation

The condensed consolidated financial statements of the Company for the six months ended 30 June 2018 (the “Interim Financial Statements”) are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on Stock Exchange. These condensed consolidated financial statements should be read in conjunction with the 2017 annual financial statements. The accounting policies adopted in preparing the Interim Financial Statements for the six months ended 30 June 2018 are consistent with those in the preparation of the Group’s annual financial statements for the year ended 31 December 2017, except for the adoption of the new/revised standards of Hong Kong Financial Reporting Standards (“HKFRSs”) which are relevant to the Group’s operation and are effective for the Group’s financial year beginning on 1 January 2018 as described below.

#### Adoption of new/revised HKFRSs

Annual Improvements to HKFRSs 2014 – 2016 Cycle: HKFRS 1 and HKAS 28	
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Apart from the impact on adoption of HKFRS 9 and HKFRS 15 as set out below, the adoption of those new and revised HKFRSs has no material impact on the Group’s results and financial position for the current or prior periods and does not result in any significant change in accounting policies of the Group.

#### HKFRS 9 “*Financial Instruments*”

HKFRS 9 introduces new requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Adoption of new/revised HKFRSs (Continued)

##### HKFRS 9 “Financial Instruments” (Continued)

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

At 1 January 2018, the management of the Company assessed which business models should be applied to the financial assets held by the Group on the initial application of HKFRS 9 and has classified its financial instruments into the appropriate HKFRS 9 categories as follows:

	Note	Measurement category		Carrying amount	
		Original (HKAS 39)	New (HKFRS 9)	Original (HKAS 39) HK\$'000	New (HKFRS 9) HK\$'000
<b>Financial assets</b>					
Listed equity securities not held for trading		Available for sale, at fair value	Financial assets designated at FVOCI	1,498,610	1,498,610
Unlisted equity securities not held for trading		Available for sale, at fair value	Financial assets designated at FVOCI	100,000	100,000
Unlisted equity securities not held for trading	(a)	Available for sale, at cost	Financial assets designated at FVOCI	773,814	1,077,349
Listed equity securities held for trading		FVPL	FVPL	2,630,254	2,630,254
Private investment funds held for trading		FVPL	FVPL	160,464	160,464
Other investment	(b)	Amortised cost	Amortised cost	179,426	179,426
Held-to-maturity investments	(b)	Amortised cost	Amortised cost	29,290	29,290
Trade, loan and other receivables	(b)	Amortised cost	Amortised cost	474,939	474,939
Structured deposits	(b)	Amortised cost	Amortised cost	265,550	265,550
Bank balances- trust and segregated accounts	(b)	Amortised cost	Amortised cost	8,801	8,801
Cash and cash equivalents	(b)	Amortised cost	Amortised cost	850,229	850,229

Notes:

- (a) Please refer to summary of effect of the changes in accounting policies for the financial impact.
- (b) Impairment based on expected credit loss model on these financial assets has no significant financial impact.

The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Adoption of new/revised HKFRSs (Continued)

##### HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

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, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

The management of the Company considers that the performance obligations that may be identified under HKFRS 15 are similar to the identification of revenue components under the Group’s existing revenue recognition policy and therefore, the adoption of HKFRS 15 does not have any significant impact on recognition of revenue.

Summary of effect of the changes in accounting policies

	31 December 2017 HK\$’000	Effect on adoption of HKFRS 9 HK\$’000	<b>1 January 2018 HK\$’000</b>
Available for sale, at cost	773,814	(773,814)	–
Financial assets designated at FVOCI	–	1,077,349	<b>1,077,349</b>
	<b>773,814</b>	<b>303,535</b>	<b>1,077,349</b>

The effects on adoption of HKFRS 9 are in relation to the initial fair value measurement of the reclassification at the date of initial application as financial assets measured at FVOCI.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 3. REVENUE AND 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 six months ended 30 June 2018 (Unaudited)

	Financial services HK\$'000	Securities trading and investments HK\$'000	Money lending HK\$'000	Consolidated HK\$'000
<b>Revenue</b>				
Revenue from financial services	2,154	-	-	2,154
Revenue from money lending	-	-	13,146	13,146
<b>Total revenue</b>	<b>2,154</b>	<b>-</b>	<b>13,146</b>	<b>15,300</b>
Loss on financial assets at FVPL	-	(286,619)	-	(286,619)
<b>Segment revenue</b>	<b>2,154</b>	<b>(286,619)</b>	<b>13,146</b>	<b>(271,319)</b>
<b>Segment loss</b>	<b>(11,333)</b>	<b>(299,309)</b>	<b>(13,813)</b>	<b>(324,455)</b>
Unallocated other income				27,743
Net exchange loss				(9,815)
Gain on disposal of subsidiaries				161,122
Loss on disposal of an associate				(68,129)
Other gains and losses				(24,292)
Share of results of associates				(894)
Central corporate expenses				(33,126)
<b>Loss before taxation</b>				<b>(271,846)</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### Segment revenue and results (Continued)

For the six months ended 30 June 2017 (Unaudited)

	Financial services HK\$'000	Securities trading and investments HK\$'000	Money lending HK\$'000	Consolidated HK\$'000
<b>Revenue</b>				
Revenue from financial services	36,643	–	–	36,643
Revenue from money lending	–	–	21,693	21,693
Total revenue	36,643	–	21,693	58,336
Loss on financial assets at FVPL	–	(370,418)	–	(370,418)
Segment revenue	36,643	(370,418)	21,693	(312,082)
Segment profit (loss)	33,755	(388,469)	(11,528)	(366,242)
Unallocated other income				8,842
Net exchange gain				20,906
Gain on bargain purchases of subsidiaries				7
Share of results of an associate				29,309
Central corporate expenses				(102,641)
Loss before taxation				(409,819)

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

This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 3. REVENUE AND 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 30 June 2018 (Unaudited)

	Financial services HK\$'000	Securities trading and investments HK\$'000	Money lending HK\$'000	Consolidated HK\$'000
Segment assets	111,215	4,829,836	70,443	5,011,494
Unallocated property and equipment				77,085
Interests in associates				6,125
Other investment				177,936
Promissory notes receivable				384,846
Deposit paid for acquisition of property and equipment				78,014
Unallocated other receivables				15,676
Income tax recoverable				2,266
Structured deposits				237,248
Unallocated cash and cash equivalents				690,116
Consolidated assets				6,680,806
Segment liabilities	61,555	262,453	314,014	638,022
Unallocated other payables				30,757
Deferred taxation				36,392
Consolidated liabilities				705,171

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### Segment assets and liabilities (Continued)

At 31 December 2017 (Audited)

	Financial services <i>HK\$'000</i>	Securities trading and investments <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	64,781	5,750,992	499,292	6,315,065
Unallocated property and equipment				137,227
Interests in associates				578,255
Other investment				179,426
Deposit paid for acquisition of property and equipment				77,014
Unallocated other receivables				152,447
Structured deposits				265,550
Unallocated cash and cash equivalents				63,432
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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 4. OTHER INCOME

	Six months ended	
	30 June 2018 <i>HK\$'000</i> (Unaudited)	30 June 2017 <i>HK\$'000</i> (Unaudited)
Interest income on:		
– bank deposits	21,288	9,127
– listed bonds at FVPL	3,608	–
– held-to-maturity investments	271	–
– promissory notes receivable	6,470	–
– others	209	2,928
	<b>31,846</b>	12,055
Dividend income from financial assets at FVPL	6,286	1,775
Forfeiture of non-refundable deposit received upon termination of contract	10,222	–
Others	2,735	3,541
	<b>51,089</b>	17,371

### 5. OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2018 <i>HK\$'000</i> (Unaudited)	30 June 2017 <i>HK\$'000</i> (Unaudited)
Net exchange (loss) gain	(9,815)	20,906
Loss on disposal of property and equipment	(24,292)	–
Gain on disposal of held-to-maturity investments	965	–
Gain on disposal of subsidiaries	161,122	–
Loss on disposal of an associate	(68,129)	–
Provision for impairment loss in respect of loan receivables	–	(12,701)
Gain on bargain purchases of subsidiaries	–	7
Others	(25)	–
	<b>59,826</b>	8,212



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 6. FINANCE COSTS

	Six months ended	
	30 June 2018 <i>HK\$'000</i> (Unaudited)	30 June 2017 <i>HK\$'000</i> (Unaudited)
Interest on loan payables	20,348	1,553
Interest on margin financing	8,564	3,894
Interest on promissory notes payable	–	32,585
	<b>28,912</b>	<b>38,032</b>

### 7. INCOME TAX CREDIT

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 June 2017: 16.5%) on the Group's estimated assessable profits arising from Hong Kong for the six months ended 30 June 2018 and 2017.

	Six months ended	
	30 June 2018 <i>HK\$'000</i> (Unaudited)	30 June 2017 <i>HK\$'000</i> (Unaudited)
<b>Current tax</b>		
Hong Kong Profits Tax	48,211	16,042
<b>Deferred taxation</b>		
Reversal of temporary difference	(94,801)	(23,787)
Income tax credit	<b>(46,590)</b>	<b>(7,745)</b>

### 8. DIVIDENDS

The directors of the Company have declared and paid a final dividend in respect of the year ended 31 December 2017 of HK\$0.01 per share during the six months ended 30 June 2018 (six months ended 30 June 2017: Nil). The directors of the Company have declared an interim dividend of HK\$0.005 per share in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: declared an interim dividend of HK\$0.004 per share) and such interim dividend will be paid in cash on or about Thursday, 27 September 2018 to shareholders of the Company whose names appear on the register of members of the Company on Friday, 14 September, 2018.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 9. LOSS PER SHARE

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

#### Loss

	Six months ended	
	30 June 2018 <i>HK\$'000</i> (Unaudited)	30 June 2017 <i>HK\$'000</i> (Unaudited)
Loss for the period attributable to equity shareholders of the Company, for the purpose of basic and diluted loss per share	<u>(200,502)</u>	<u>(373,450)</u>

#### Number of shares

	Six months ended	
	30 June 2018 (Unaudited)	30 June 2017 (Unaudited) (Adjusted)
Weighted average number of ordinary shares, for the purpose of basic and diluted loss per share	<u>2,767,507,753</u>	<u>1,842,934,708</u>

Note:

The number of shares for the six months ended 30 June 2018 has been adjusted to reflect the effect of rights issue subsequent to the six months ended 30 June 2018.

The number of shares for the six months ended 30 June 2017 has been adjusted and restated to reflect the effect of share consolidation during the year ended 31 December 2017 and rights issue subsequent to the six months ended 30 June 2018.

The computation of diluted loss per share for the six months ended 30 June 2018 and 2017 did not assume the exercise of certain share option and warrants since their assumed exercise would result in decrease in loss per share.

### 10. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2018, the Group had acquired and disposed property and equipment of approximately HK\$160,000 and HK\$49,292,000 respectively (six months ended 30 June 2017: approximately HK\$62,000 and Nil respectively).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 11. NON-CURRENT EQUITY INVESTMENTS

	30 June 2018	1 January 2018	31 December 2017
Note	<b>HK\$'000</b> <b>(Unaudited)</b>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
<b>Financial assets designated at FVOCI</b>	(a)		
Equity securities – listed			
Listed in Hong Kong	1,404,539	1,470,267	–
Listed in the People's Republic of China (the “PRC”)	–	28,343	–
	<b>1,404,539</b>	1,498,610	–
Equity securities – unlisted	(b)	1,177,349	–
	<b>2,372,423</b>	2,675,959	–
<b>Available-for-sale investments</b>	(a)		
<b>At fair value</b>			
Equity securities – listed			
Listed in Hong Kong	–	–	1,470,267
Listed in the PRC	–	–	28,343
	–	–	1,498,610
Equity securities – unlisted	–	–	100,000
	–	–	1,598,610
<b>At cost</b>			
Unlisted investments	–	–	961,037
Less: Impairment losses	–	–	(187,223)
	–	–	773,814
	–	–	2,372,424
	<b>2,372,423</b>	2,675,959	2,372,424

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 11. NON-CURRENT EQUITY INVESTMENTS (Continued)

Notes:

- (a) Available-for-sale investments were reclassified to financial assets designated at FVOCI (non-recycling) upon the initial application of HKFRS 9 at 1 January 2018 as disclosed in note 2. No dividends were received on these investments during the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).
- (b) As at 30 June 2018, the amount represented the investments in unlisted equity securities issued by private entities. Including in the unlisted investments as at 30 June 2018, the Group held approximately 2.99% (31 December 2017: 3.71%) of the share capital of Co-Lead Holdings Limited ("Co-Lead") amount of HK\$116,263,000 (31 December 2017: HK\$100,000,000) and 10.56% (31 December 2017: 8.83%) of the issued shares of Satinu Resources Group Limited ("Satinu") amount of HK\$702,004,000 (31 December 2017: HK\$688,639,000), which are unlisted private company incorporated in the British Virgin Islands. Co-Lead and its subsidiaries principally engage in securities trading and investment holding business in Hong Kong and Satinu principally engages in integrated financial services, securities brokerage services, money lending, securities and other direct investments.

### 12. INTERESTS IN ASSOCIATES

	<b>30 June 2018 HK\$'000 (Unaudited)</b>	31 December 2017 HK\$'000 (Audited)
<b>Unlisted shares</b>		
Shares of net assets	<b>6,010</b>	352,877
Goodwill	<b>115</b>	225,378
	<b>6,125</b>	578,255

As at 31 December 2017, interests in an associate represented the Group's interests in 30% of the issued ordinary share capital of HEC Securities Company Limited ("HEC Securities"), 25% interest in Eternal Billion Holding Group Limited and 25% interest in Topwish Holdings Limited.

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 a 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 disposal was completed on the same day. The fair values of the promissory notes were approximately HK\$193,278,000 and HK\$185,098,000 respectively at issue date of 18 January 2018. After deducting related expenses of HK\$269,000, the transaction resulted in a loss on disposal of approximately HK\$68,129,000 which has been charged to profit and loss during the period.

During the six months ended 30 June 2018, the Group recognised interest income of HK\$6,470,000 for the promissory notes. At the end of the reporting period, the carrying amounts of promissory notes maturing on 31 December 2018 and 31 December 2019 were approximately HK\$196,419,000 and HK\$188,427,000 respectively.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 13. OTHER INVESTMENT

The investment is in principal amount of RMB150,000,000 (equivalent to approximately HK\$177,936,000) (31 December 2017: RMB150,000,000 (equivalent to approximately HK\$179,426,000)) with fixed interest rate of 7% per annum and maturity date in November 2019.

### 14. TRADE, LOAN AND OTHER RECEIVABLES

	Note	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
<b>Trade receivables</b>			
Trade receivables arising from the business of securities brokerage			
– cash clients		510	76
– margin clients	(a)	10,337	22,978
		<b>10,847</b>	23,054
<b>Loan receivables</b>			
Loan and interest receivables from independent third parties			
Less: Non-current portion	(b)	62,519 (25,769)	220,292 (28,841)
Current portion		<b>36,750</b>	191,451
<b>Other receivables</b>			
Deposits with securities brokers	(c)	1,521	78,471
Receivable arising from recovery of doubtful consideration receivables		–	136,210
Other receivables, deposits and prepayments		<b>24,221</b>	16,912
		<b>25,742</b>	231,593
		<b>73,339</b>	446,098

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 14. TRADE, LOAN AND OTHER RECEIVABLES (Continued)

Notes:

- (a) Trade receivables from margin clients are repayable on demand and bear interest ranging from 8% to 30% (31 December 2017: 8% to 30%) per annum as at 30 June 2018. The loans are secured by pledged marketable securities with a total fair value of approximately HK\$68,650,000 (31 December 2017: HK\$687,730,000). 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. In the opinion of directors, no aged analysis by invoice date is disclosed as the aged analysis does not give additional value in view of the nature of brokerage business. Entire amount of trade receivables from secured margin clients are neither past due nor impaired as at 30 June 2018 and 31 December 2017.
- (b) At the end of the reporting period, loan receivables include fixed rate loan advances to independent third parties of approximately HK\$17,137,000 (31 December 2017: HK\$45,474,000) which are secured by the pledge of certain collaterals and personal guarantees, and have contractual loan period between 6 months and 12 years (31 December 2017: 2 months and 12 years) under the Group's money lending operation. The management of the Group believes that the amount is considered recoverable given that the fair value of the collaterals is sufficient to cover the entire loan balance for each of the secured loan advances and subsequent repayment. The remaining balance of approximately HK\$45,382,000 (31 December 2017: HK\$174,818,000) is unsecured, these loans were not overdue as at the end of the reporting period. The average interest rate for the loan receivables as at 30 June 2018 was ranging from 5% to 48% (31 December 2017: 5% to 48%) 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.

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

	<b>30 June 2018 HK\$'000 (Unaudited)</b>	31 December 2017 HK\$'000 (Audited)
Not yet past due	51,652	34,123
Less than 1 month past due	9,341	–
1 to 3 months past due	26	145,186
7 to 12 months past due	1,500	40,983
At the end of the reporting period	<b>62,519</b>	220,292

Included in the Group's loan receivables balance with a carrying amount of HK\$10,867,000 (31 December 2017: HK\$186,169,000), 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 and thus no allowance for doubtful debt is considered necessary.

The Group has concentration of credit risk on loans to independent third parties as 96% and 95% of the total loans was due from five largest borrowers as at 30 June 2018 and 31 December 2017, respectively. These loans to independent third parties are due from individuals and corporates without previous default records. Management of the Group monitors these exposure from time to time to assess their recoverability.

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.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 15. FINANCIAL ASSETS AT FVPL

	<b>30 June 2018 HK\$'000 (Unaudited)</b>	31 December 2017 HK\$'000 (Audited)
Investments held for trading:		
– Listed shares in Hong Kong	<b>2,069,218</b>	2,630,254
– Listed shares in the PRC	<b>295,456</b>	–
– Unlisted investment funds	<b>69,842</b>	160,464
	<b>2,434,516</b>	2,790,718

### 16. STRUCTURED DEPOSITS

The structured deposits as at 30 June 2018 and 31 December 2017 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 principal amount of the structured deposits is RMB200,000,000 (equivalent to HK\$237,248,000) (31 December 2017: RMB220,000,000 (equivalent to HK\$265,550,000)) as at 30 June 2018 which was with maturity date in July 2018 (31 December 2017: between January and April 2018). The annual coupon rate was between 3.9% and 4.3% (31 December 2017: between 4.25% and 4.5%) during the period from inception date to maturity date of the deposit agreements.

### 17. TRADE AND OTHER PAYABLES

	<b>30 June 2018 HK\$'000 (Unaudited)</b>	31 December 2017 HK\$'000 (Audited)
<b>Trade payables</b>		
Trade payables arising from the business of securities brokerage		
– cash clients	(a) <b>2,765</b>	2,140
– margin clients	(a) <b>57,358</b>	6,607
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	(b) <b>382</b>	1,973
Secured margin loans from securities brokers	(c) <b>253,117</b>	240,778
	<b>313,622</b>	251,498
<b>Other payables</b>		
Other payables and accrued charges	<b>50,554</b>	40,541
	<b>364,176</b>	292,039

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 17. TRADE AND OTHER PAYABLES (Continued)

Notes:

- (a) 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.
- (b) 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.
- (c) For secured margin loans from securities brokers, the loans are repayable on demand (except certain balances arising from trades pending settlement or margin deposits) and are interest-bearing at the prevailing market interest rate (31 December 2017: 7.236% per annum). The total market value of equity securities pledged as collateral in respect of the loans was approximately HK\$944,515,000 (31 December 2017: HK\$738,272,000) as at 30 June 2018.

### 18. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.05 (31 December 2017: HK\$0.05) each		
Authorised:		
At 1 January 2017	100,000,000,000	1,000,000
Share consolidation	(80,000,000,000)	–
	<hr/>	<hr/>
At 31 December 2017 and <b>30 June 2018</b>	<b>20,000,000,000</b>	<b>1,000,000</b>
	<hr/>	<hr/>
	Number of shares	Share capital <i>HK\$'000</i>
Issued and fully paid:		
At 1 January 2017	7,193,846,664	71,939
Issue of shares on:		
– rights issue	3,596,923,332	35,969
– share swap	378,000,000	3,780
– exercise of share options	1,116,876,999	11,168
– placing of shares	2,233,753,999	22,338
– distribution of interim dividend	10,014,714	100
Share consolidation	(11,623,532,567)	–
	<hr/>	<hr/>
At 31 December 2017 and <b>30 June 2018</b>	<b>2,905,883,141</b>	<b>145,294</b>
	<hr/>	<hr/>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 19. DISPOSAL OF SUBSIDIARIES

In April 2018, the Group entered into a sale and purchase agreement with a third party to dispose of its entire equity interest in Kingswood Shine Limited (“Kingswood”), which is incorporated in Hong Kong, at a total consideration of HK\$55,000. Kingswood remained inactive during the period. The disposal was completed in April 2018.

In June 2018, the Group disposed of its entire equity interest in Kenson Investment Limited (“Kenson”), which is incorporated in the Republic of the Marshall Islands, to a third party at a total consideration of HK\$1. The principal activity of Kenson is trading of securities. The disposal was completed in June 2018.

	<b>Kingswood</b> <i>HK\$'000</i>	<b>Kenson</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Net assets disposed of</b>			
Other deposits	426	–	426
Bank balance	55	–	55
Income tax payable	–	(161,548)	(161,548)
	481	(161,548)	(161,067)
(Loss) Gain on disposal of subsidiaries	(426)	161,548	161,122
	55	–	55
<b>Net cash flow on disposal of subsidiaries</b>			
Cash consideration received	55	–	–
Less: bank balance disposed	(55)	–	–
	–	–	–

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 20. SHARE OPTION SCHEMES

On 17 May 2012, the Company adopted a share option scheme (the “2012 Scheme”) which has a life of ten years from 17 May 2012. Under the 2012 Scheme, 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.

During the six months ended 30 June 2018, the remaining 15,000,000 (31 December 2017: 93,599,000) number of share options have lapsed upon expiry of the exercise period and share based payment amount of HK\$14,333,000 (31 December 2017: HK\$3,606,000) has been transferred to retained earnings accordingly. No share options are granted during the six months ended 30 June 2018.

The following tables disclose details of the Company’s share options held by eligible persons (including directors) and movement in such holdings during the six months ended 30 June 2018:

Option scheme	Number of the share options			
	Outstanding at 1 January 2018	Lapsed	Outstanding at 30 June 2018	Exercisable at 30 June 2018
2012 Scheme	15,000,000	(15,000,000)	-	-
Weighted average exercise price	HK\$3.00 <sup>^</sup>	-	-	-

<sup>^</sup> The exercise price of share options granted in prior years was adjusted to HK\$3.00 following rights issue on 13 March 2017 and share consolidation on 7 November 2017, while the exercise price of these share options at the date of grant was HK\$0.9.

### 21. 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 21. FAIR VALUE MEASUREMENTS (Continued)

**(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		Fair value hierarchy	Valuation techniques and key inputs
	30 June 2018 (Unaudited)	31 December 2017 (Audited)		
1) Investments in listed equity securities classified as financial assets at FVPL	Listed equity securities in: – Hong Kong HK\$2,069,218,000 – The PRC HK\$295,456,000	Listed equity securities in: – Hong Kong HK\$2,630,254,000	Level 1	Quoted bid prices in an active market
2) Investments in unlisted investment funds classified as financial assets at FVPL	HK\$69,842,000	HK\$160,464,000	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 financial assets at FVOCI (non-recycling)	Listed equity securities in: – Hong Kong HK\$1,404,539,000	–	Level 1	Quoted bid prices in an active market
4) Investment in unlisted equity interest classified as financial assets at FVOCI (non-recycling)	HK\$967,884,000	–	Level 3	Derived from unobservable inputs for the asset or liability (Note)
5) 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	Level 1	Quoted bid prices in an active market
6) Investment in unlisted equity interest classified as available-for-sale investments	–	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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 21. FAIR VALUE MEASUREMENTS (Continued)

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

Note:

The fair value of the unlisted equity securities without an active market classified in Level 3 was determined by the management based on the valuation from Grant Sherman Appraisal Limited, an independent professional qualified valuer. The fair value of the unlisted equity securities is estimated by a number of significant unobservable inputs including the expected assets-based multiples (e.g. enterprise value to assets), expected net assets-based multiples and adjustment for a lack of marketability associated with the Investment.

#### (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.

### 22. CAPITAL COMMITMENTS

	<b>30 June 2018 HK\$'000 (Unaudited)</b>	31 December 2017 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property and equipment	<b>10,236</b>	10,236

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 23. RELATED PARTY TRANSACTIONS

The Group does not have any significant related party transactions and balances during the reporting periods and as at the end of the reporting periods.

The key management personnel are the directors of the Company. During the six months ended 30 June 2018, the emoluments of key management personnel were HK\$1,725,000 (six months ended 30 June 2017: HK\$1,918,000).

### 24. EVENT AFTER THE REPORTING PERIOD

In addition to the events disclosed elsewhere in the Interim Financial Statements, the Group had the following subsequent events:

#### (a) Acquisition of 11.78% equity interests in Win Wind Capital Limited (“Win Wind”)

In January 2018, the Company entered into an acquisition agreement with China Touyun Tech Group Limited (formerly known as “China Optoelectronics Holding Group Limited”) (“China Touyun”) pursuant to which the Company conditionally agreed to acquire and China Touyun conditionally agreed to sell 13,600,000 shares of Win Wind, representing approximately 11.78% of the entire issued share capital of Win Wind, at consideration of HK\$320,000,000, which will be settled by issue of a zero-coupon promissory note (the “Acquisition”). Details of the Acquisition were set out in the Company’s announcement dated 25 January 2018. Upon completion of the Acquisition on 24 July 2018, Win Wind had become a wholly owned subsidiary of the Company.

#### (b) Rights Issue

On 28 March 2018, the Company announced a proposed rights issue on the basis of one rights share for every one share in issue at a subscription price of HK\$0.45 per rights share to raise not less than HK\$1,307,640,000 (before expenses) and not more than HK\$1,314,400,000 (before expenses) (the “Rights Issue”). Details of the Rights Issue were set out in the announcement of the Company dated 28 March 2018 and the prospectus of the Company dated 28 June 2018. Upon completion of the Rights Issue on 20 July 2018, the issued share capital of the Company was increased from 2,905,883,141 shares to 5,811,766,282 shares.

#### (c) Acquisition of a subsidiary

On 24 July 2018, Pacific Stone Limited, a wholly owned subsidiary of the Company, entered into an acquisition agreement with a third party (“Vendor”) under which they agreed to sell 625 shares of Noble Order Limited (“Noble Order”), representing approximately 62.5% of the entire issued share capital of Noble Order (the “Noble Order Acquisition”), at consideration of HK\$125,000,000, which will be settled by issue of a zero-coupon three-month promissory note in the principal amount of HK\$125,000,000 by the Company to a subsidiary of the Vendor. The Noble Order Acquisition was completed on the same day. Upon completion of the Noble Order Acquisition, Noble Order had become a non-wholly owned subsidiary of the Company.